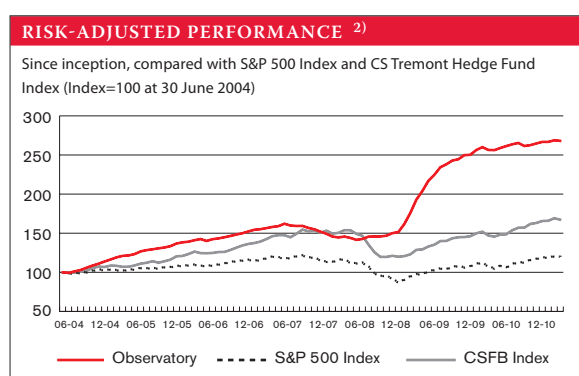
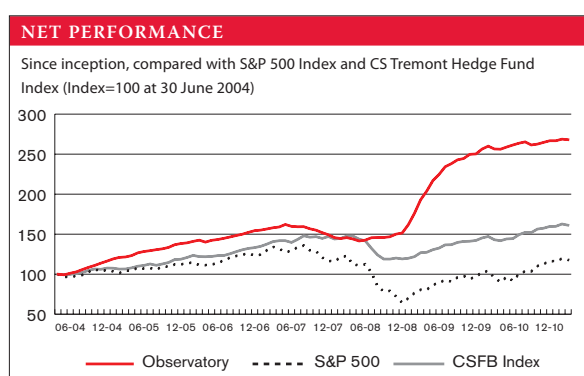




MAY 2011

RETURN AND KEY FIGURES				
	Observatory (USD) ¹⁾	S&P 500 Index (USD)	CS Tremont Hedge Fund Index (USD)	MSCI World NDTR Index (USD)
Return (after management and performance fees)				
May 2011, %	-0.27	-1.35	-0.96	-2.07
Year to date 2011 (31 December 2010–31 May), %	2.09	6.96	3.05	6.98
Last 12 months, %	4.51	23.48	12.67	28.07
Since inception (30 June 2004–31 May 2011), %	168.04	17.91	61.18	46.37
Average annual return since inception, %	15.32	2.41	7.15	5.66
Risk ratios and other key figures				
Standard deviation, %	7.23	15.69	6.46	17.10
Downside risk, %	2.40	12.15	4.67	12.79
Sharpe ratio	1.81	0.01	0.76	0.20
Correlation with S&P 500 Index	0.41	–	0.74	0.97
Correlation with CS Tremont Hedge Fund Index	0.37	0.74	–	0.82
Correlation with MSCI World NDTR Index	0.44	0.97	0.82	–



MONTHLY RETURN (SINCE INCEPTION AFTER MANAGEMENT AND PERFORMANCE FEES)														
Year	Return full year, %	NAV ³⁾ USD m	% Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	11.01	4.9							-0.76	2.00	1.70	2.86	2.60	2.19
2005	20.22	10.8	2.53	2.26	2.37	1.57	0.43	1.42	2.77	1.33	0.80	0.97	0.81	1.32
2006	12.37	43.5	2.53	1.08	0.61	1.34	1.08	-1.73	1.61	0.70	1.04	1.17	1.22	1.11
2007	3.36	74.8	1.56	1.39	0.45	0.92	0.96	0.63	1.97	-1.45	-0.33	0.06	-1.65	-1.10
2008	-5.32	21.7	-1.98	-1.76	-2.40	-0.73	0.74	-1.19	-1.71	0.79	2.06	0.12	0.12	0.59
2009	66.61	73.5	2.26	0.91	6.85	8.79	9.60	5.69	6.40	3.54	4.29	1.63	2.00	0.68
2010	7.37	783.9	2.15	0.18	2.45	1.41	-1.36	-0.11	1.06	0.97	0.86	0.64	-1.46	0.41
2011/05/31	2.09	999.1	0.82	0.77	0.00	0.76	-0.27							

1) Refers to unit-holder with investments in the Fund since inception for class A shares. 2) The graph illustrates the performance of the fund compared to risk-adjusted returns of the benchmark indices. The return of each benchmark index is calculated as the performance of a fictive portfolio constructed to match the risk (standard deviation) of the fund by combining the benchmark index with an investment in the risk free rate. 3) Total programme assets.



EXECUTIVE SUMMARY

Strategy	Fixed-income focused long/short credit hedge fund
Goal	Generate high absolute returns with managed downside risk
Methodology	Investments in long and short positions in corporate debt markets, use of equities and/or indices
Targets	Absolute returns regardless of overall market direction Sharpe ratio >1 Net return: 10–20%
Management team	3 portfolio managers, 5 investment professionals
Investor and co-owner	Brummer & Partners, a leading Nordic hedge fund group

ASSET MANAGEMENT CONCEPT

Observatory has an absolute return focus and invests in global credit markets concentrating specifically on corporate credit.

The fund is a fixed-income focused long/short credit hedge fund. The managers search for the best risk-adjusted opportunities across major credit markets: Investment Grade, Bank Capital, Emerging Markets and High Yield. The fund aims to maximize returns across its universe of markets, searching for profitable opportunities both across and within sectors.

The fund's capital allocation process ensures a portfolio diversification minimizing event risk and maximizing opportunities. Observatory manages portfolio risks by incorporating short strategies using a range of instruments-cash, derivatives and index products. These diversified long/short strategies enable the fund to target absolute returns regardless of overall market direction. The fund will invest in long and short positions in corporate debt markets and use equities and/or indices, either to hedge debt instruments or when risk-adjusted returns are perceived as being superior. The fund may use credit derivatives either as an outright arbitrage investment strategy or as a means of risk management.

The fund adopts opportunistic approaches to investments in its asset class. Its strategies in the credit markets include, but are not limited to, the following: directional, relative value, arbitrage and carry trades.

RISK MANAGEMENT

Observatory Capital follows a disciplined approach to risk management. All trades have articulated profit targets and stop losses. Maximum fund daily Value at Risk (99% confidence) is 1.5% with individual trades limited to 15% of overall maximum Value at Risk. Individual security liquidity and overall exposure by ratings, countries, capital structure and asset class are also tracked. Observatory's risk systems track relevant risk metrics and perform stress testing including credit spread shocks and single name concentration risks.

WHY INVEST IN OBSERVATORY?

- Versatile investment approaches applied to a broad range of credit asset classes
- Significant market experience in varying market environments
- Building a series of revenue streams which are largely uncorrelated; trading, arbitrage and positioning in different credit markets
- Ability to quickly deploy capital and allocate risk to opportunities

PORTFOLIO METRICS (AVERAGE PORTFOLIO)

Value at Risk, % NAV (1-day, 95% confidence)	0.5–1%
Number of positions	150–200
Position size, % NAV	3%
Gross exposure, % NAV	300–350
Net exposure, % NAV	No bias
Geographical exposure, % of gross exposure	
Europe	60%
Asia	10%
North America	20%
Emerging markets	10%

PORTFOLIO MANAGERS

Shazad Ghaffar, CIO and partner

Shazad Ghaffar began his trading career at Nikko Securities in London before joining Bankers Trust in 1987. He worked in London and New York, progressing from trading eurobond markets to product management and risk management for asset swap and global finance businesses, focusing on mispriced asset classes. In 1996, Mr. Ghaffar moved to Banque Paribas, where between 1996 and 1999 he was a risk manager and proprietary trader running a portfolio of GBP500 million, focused on sub-investment grade, deeply subordinated and structure-intensive assets. Between 1999 and 2003, Mr. Ghaffar worked with several start-up financial services businesses and managed his own portfolio of investments and in 2003 established Observatory Capital Management LLP. Mr. Ghaffar has an M.A in Economics from Cambridge University and was a Sloan Fellow at the London Business School, where he received a master's degree.

Salman Khan, Investment Manager, Partner

Mr. Khan works as an investment manager and in financing and risk control infrastructure. Prior to joining Observatory in February 2005, Mr. Khan worked for 6 years within Prime Brokerage as both a Risk and Operations analyst at Morgan Stanley and Bear Stearns. Mr. Khan received a BSc in Banking and International Finance from Cass Business School.

Edward Zee, Investment Manager, Partner

Mr. Zee works as a portfolio manager. Mr. Zee started his career as an emerging markets trader at Oppenheimer in 1994 trading both local and hard currency debt. Prior to his departure in 1999, he was the head trader of a team of five overseeing client assets of over USD500 million. He left to join Stires O'Donnell & Co., a boutique fixed income broker, to expand their Latin American presence in the Southeast United States. Mr. Zee then joined Worldco, an institutional equity execution broker, as an equity proprietary trader. There he created, tested and employed various statistical arbitrage strategies. Mr. Zee has a BA in Finance from Florida International University and a Masters in Finance from London Business School.

PRODUCT STRUCTURE

Management fee	1.5% p.a.
Performance fee	20% of the net new profits (including net unrealised gains and losses)
Liquidity	Class A1 - Monthly subscriptions and redemptions (30 Calander Days Notice) Class A2 - Monthly subscriptions and redemptions (5 days notice, 25% limit)
Minimum investment	USD 100,000
Prime Broker	Morgan Stanley and J.P. Morgan
Administrator	Citco Fund Services (Ireland) Limited
Auditor	Grant Thornton
Inception date	July 2004

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