

## Update on United Global Capital Fund

Following the US treasury support of the Government Sponsored Enterprise (GSEs), financial market turmoil and risk aversion continue to intensify. The high profile bankruptcy filing of Lehman Brothers as well as ongoing problems across a wide range of large financial institutions ranging from Merrill Lynch, to AIG to Washington Mutual continues to point to an extended period of challenges ahead. We believe that investor attention will eventually turn from the US to Europe, as the need to de-lever is broad-based with some of the most extended balance sheets still evident in Europe.

The Fund has reduced exposure to companies and business models that appeared to be at risk, and do not have any exposure to any of the companies mentioned above, or other companies that widely perceived as having capital and funding issues. We have positioned the portfolio in less credit-exposed companies that are well-capitalized and funded.

The continued consolidation within the sector will in time likely help to restore profitability. Over the next 12-18 months we anticipate continued changes to the operating landscape driven by a combination of market factors and regulatory pressures. This will work in favor of the stronger institutions, and will likely result in significant market share changes, as is already evidenced in investment banking, and an upward re-pricing of risk, which will further strengthen the competitive position of the better managed institutions.

While, valuations for the sector are attractive, we do not see any near term catalysts for re-rating, until the credit and funding markets stabilise. The timing of this turnaround remains uncertain, as the disruption in credit is likely to flow back and adversely impact the real economy, which will extend the credit challenges into other areas. We do not anticipate that the credit outlook will stabilise until early-to-mid 2009. Past experience suggests that once credit conditions do stabilise, even if at elevated loss levels, the sector may typically starts to perform ahead of recovery.

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