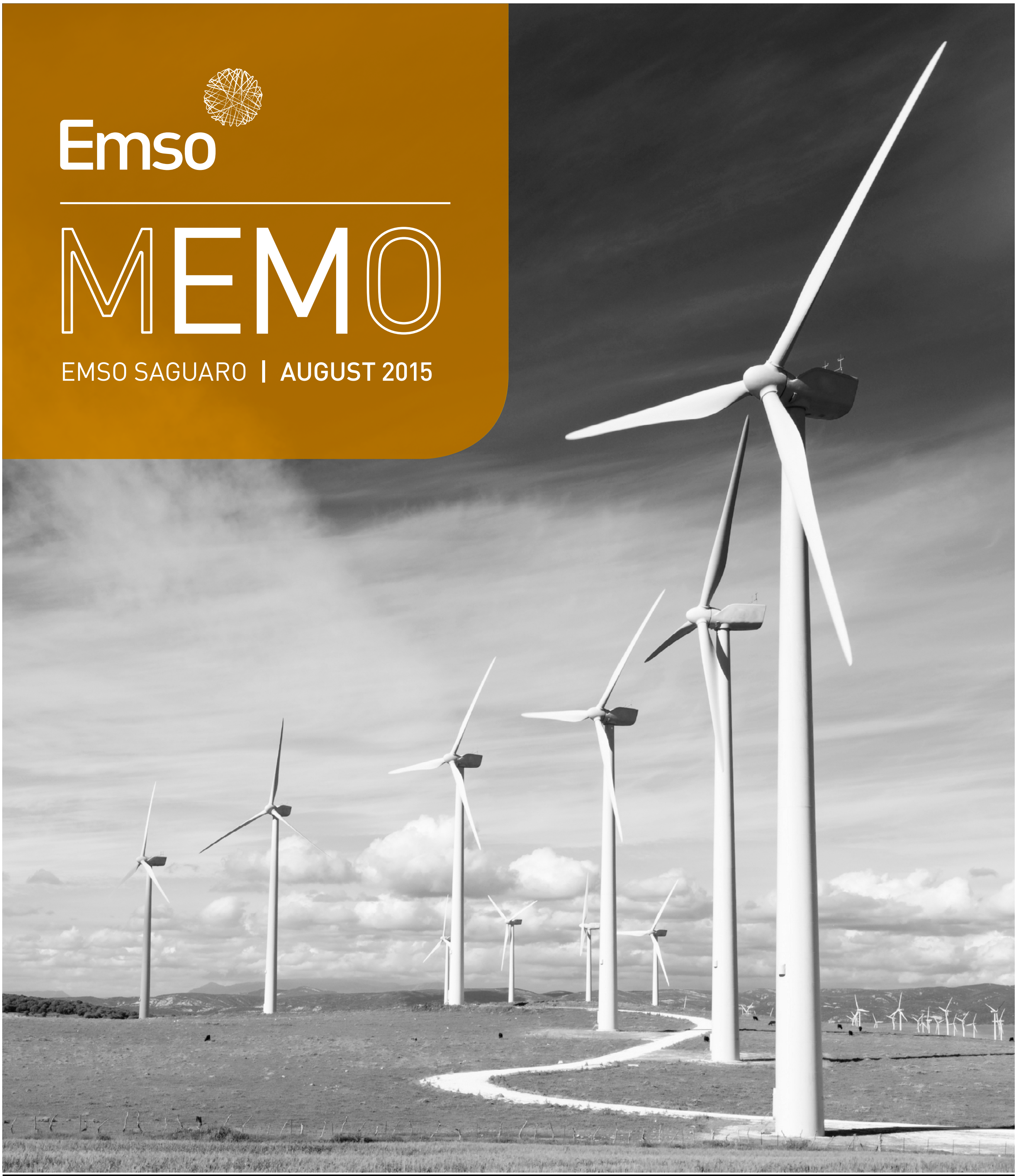
Emso

MEMO

EMSO SAGUARO | **AUGUST 2015**



Signatory of:

PRI Principles for Responsible Investment

OVERVIEW

Emso Partners Limited ('Emso') is an alternative asset manager that invests across emerging market fixed income, currencies and rates. The company is headquartered in London and has an investment and client office in New York. Emso's flagship long/short hedge fund has an established 15 year track record of implementing value-oriented strategies, which have historically offered both upside potential and downside protection. Long-term performance has therefore been characterised by consistent alpha generation delivered with low volatility in a historically highly volatile asset class. Emso has a diverse international client base of institutional investors.

This memo relates to Emso Saguaro Fund Ltd and its feeder funds ('Emso Saguaro').

Performance and AUM data for the current month is based on an estimate by Emso pending finalisation of month-end data by the fund's administrator.

Emso assets under management

Emso Saguaro fund AUM at month's end	Emso Firm AUM at month's end
$1,124m	$2,141m

Emso Saguaro August monthly performance

	Annualised return						Standard deviation			Sharpe Ratio			Sortino Ratio
	1 Month	3 Month	YTD Return	1 Year	3 Year	ITD	1 Year	3 Year	ITD	1 Year	3 Year	ITD	ITD
Emso Saguaro	2.08%	1.51%	1.75%	-1.22%	4.87%	5.22%	5.31%	4.72%	4.79%	-0.23	1.00	1.08	1.93
HFRI EM	-4.48%	-9.33%	-3.18%	-9.34%	2.44%	0.87%	8.90%	7.59%	8.40%	-1.10	0.32	0.10	0.15

Emso seeks

- Attractive risk-adjusted returns versus relevant benchmarks
- Low correlation (especially in down months) to major market indices, with little correlation to US Treasuries
- Consistent capital preservation through a broad range of market stress periods (2001, 2002, 2008, 2011, 2013)
- Significant alpha to benchmarks due to idiosyncratic nature of investment strategy

Emso assures

- Alignment of interests with investors: Emso is 100% owned by employees
- Transparency
- Portfolio construction grounded in risk management

AUGUST HIGHLIGHTS

August was an extremely challenging month for most asset classes globally, including emerging markets. EM sovereign and corporate bonds suffered losses whilst US Treasuries rallied, and EM FX sold off sharply throughout the month. Volatility reached levels which had not been seen since 2011, and commodities had a torturous ride with a steep decline and an even steeper recovery. The Fund managed to avoid most of the downturn, and several of its key idiosyncratic investments provided good positive returns, leading to an overall positive return for the Fund in August.

China dominated the headlines in August

China dominated the headlines in August, particularly in the latter half of the month. Concerns about a slowdown in Chinese growth already weighed on markets early in August, but the surprise devaluation of the Renminbi on 11 August resulted in a knee-jerk selling of risk assets. Markets quickly stabilised, but the devaluation was still taken as a sign that China's growth was indeed slowing. This kept pressure on commodity prices through that week and a week after the devaluation, risk assets cracked and went sharply lower: the Shanghai Composite fell almost 25% in a week, the S&P 500 Index was down 10%, and Brent oil fell 12%. In the final days of the month, all of these recovered sharply, helped not only by policy moves in China, but also by hints of further accommodating policy from other central banks. Through all these gyrations, JP Morgan's EMBI Global Diversified Composite Index returned -0.91% for the month, JP Morgan's CEMBI Index returned -1.88%, and JP Morgan's GBI-EM Gobal Diversified Index lost over 5%.

The Fund had three major exposures contributing to performance during the month: Greece, Argentina, and the oil credits. The largest contribution came from the Greece positions. Greece and its official sector creditors signed the agreement for a third bailout, which allowed Greece to receive a large initial disbursement in time for the maturity payment on 20 August of over EUR 3 billion of bonds held by the European Central Bank (ECB). While this achievement was overshadowed by the devaluation in China and broader market moves, it was not lost on Greek Government Bonds, which rallied 15-20% during the month.

Argentina was mostly unaffected by the global volatility trend in August and spreads continued to tighten in the run-up to the presidential elections in October, as there was growing confidence that the leading candidates' intentions are to resolve the problems with the holdout bond holders once in office. Finally, the Fund's long positions in oil credits like Ecuador and Kazakhstan, both in the sovereign and corporate portfolios, suffered as oil prices first collapsed and then recovered during the second half of the month. We had hedged these credits with short oil futures and we were able to reduce the oil hedges as Brent oil prices traded near USD 40 per barrel, so while the Fund's long positions in these oil credits have not returned to their original levels, the negative impact on overall performance was limited.

The Fund's local market exposures continue to be tactical and tightly managed and provided a positive contribution in August. We are keeping exposures small, however, due to the high volatility in the asset class.

MONTHLY PERFORMANCE STATISTICS

Key statistics[i] as at August month-end, 2015

Inception date: 1 November 2011

2015 August Month-End Return	2.08%
2015 YTD Return	1.75%
AUM (USD MM)	1124
Long Leverage	1.05
Short Leverage	0.25
Cash Leverage	0.17
Gross Leverage	1.47

Number of Positions / Portfolios	255 / 54
Return †	5.22%
Volatility †	4.79%
Downside Deviation †	0.03
Sharpe Ratio †	1.08
Sortino Ratio †	1.93

† Annualised since inception

Monthly performance[i,ii]

Strategy	Net return
Fixed Income - External Corporate	-0.34%
Fixed Income - External Sovereign	2.10%
Fixed Income - Local	0.02%
FX	0.01%
Portfolio Hedge	0.28%
Equity	–
Total	**2.08%**

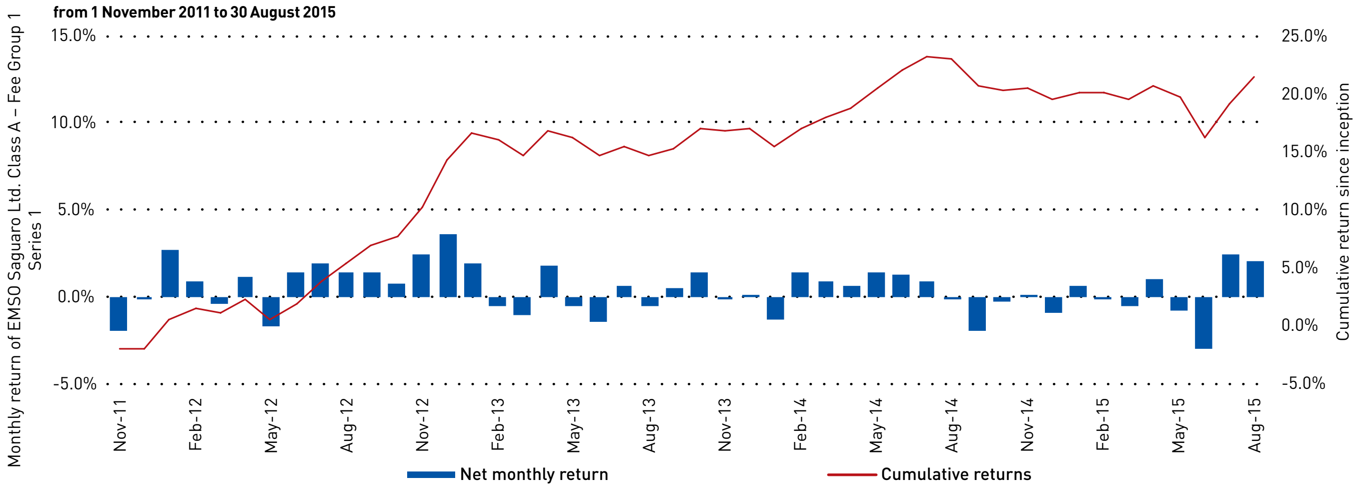
Region	Net return
Asia	-0.13%
EMEA	1.72%
LatAm	0.59%
Non-EM	-0.13%
Global EM	0.03%
Total	**2.08%**

Largest positive regions/countries	Net return
Greece	2.05%
Argentina	0.57%
USA	0.15%
Total	**2.76%**

Largest negative regions/countries	Net return
Kazakhstan	-0.33%
Europe Non-EM	-0.28%
Ecuador	-0.25%
Total	**-0.86%**

Monthly net returns[i]

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011											-1.93	-0.04	**-1.98**
2012	2.65	0.86	-0.35	1.14	-1.73	1.36	1.94	1.46	1.41	0.75	2.49	3.62	**16.64**
2013	1.97	-0.50	-1.09	1.86	-0.52	-1.39	0.64	-0.53	0.47	1.40	-0.16	0.18	**2.28**
2014	-1.32	1.41	0.87	0.62	1.45	1.22	0.95	-0.08	-1.94	-0.25	0.13	-0.87	**2.15**
2015	0.60	-0.03	-0.52	1.02	-0.82	-2.94	2.45	2.08					**1.75**



Portfolio strategy and composition is subject to change at any time without notice. Notes refer to End Notes at the end of the Memo.

Past performance is not necessarily indicative of future results. Data as of 30 August 2015. Please refer to page 14 for Significant Considerations.

MONTHLY RISK STATISTICS

Risk analysis[iii] as at August month-end, 2015

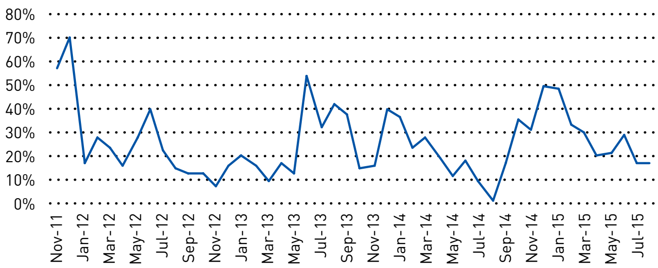
% Exposure by strategy[iv]

Strategy	Long	Short	Gross
Fixed Income - External Corporate	5.38%	2.18%	7.56%
Fixed Income - External Sovereign	37.38%	5.48%	42.85%
Fixed Income - Local	4.95%	2.19%	7.14%
FX	18.21%	20.75%	38.96%
Portfolio Hedge	1.15%	2.34%	3.49%
Equity	–	–	–
Total	**67.06%**	**32.94%**	**100.00%**

Top 5 – % Exposure by region

Region	Long	Short	Gross
China	6.10%	5.48%	11.58%
Mexico	6.51%	4.49%	11.00%
Argentina	10.75%	–	10.75%
USA	3.03%	5.09%	8.12%
South Africa	3.23%	3.29%	6.52%
Total	**29.62%**	**18.35%**	**47.98%**

Unencumbered cash (relative to NAV)



Top 5 – Contributors to stress losses[v]

Rank	Region
1	Argentina
2	Greece
3	Venezuela
4	Russia
5	USA

Sensitivity analysis[iii] as at August month-end, 2015

Top 10 – Credit sensitivity (CS01)[vi] (as bps of NAV)

							10yr EQ.[vii]
Region	<=1 Yr	1-3 Yr	3-5 Yr	5-10 Yr	10+ Yr	Total	$MM
Argentina	0.01	0.02	–	0.16	0.57	0.75	96.33
Greece	0.00	0.01	0.18	0.08	0.37	0.64	81.60
Russia	–	–	0.44	0.04	–	0.47	60.54
Turkey	–	–	-0.21	-0.05	–	-0.26	-33.25
Venezuela	0.02	-0.01	–	0.08	0.13	0.22	27.62
Iraq	–	–	–	–	0.21	0.21	26.32
Cyprus	–	–	–	0.21	–	0.21	26.22
Hungary	–	–	–	0.17	–	0.17	21.81
Jamaica	0.02	–	–	–	0.13	0.15	19.38
International EM	–	–	-0.14	–	–	-0.14	-17.70

Top 5 – Interest rate sensitivity (DV01) (as bps of NAV)

							10yr EQ.[vii]
Currency	<=1 Yr	1–3 Yr	3-5 Yr	5–10 Yr	10+ Yr	Total	$MM
USD	0.01	0.02	0.27	0.56	1.05	1.92	245.82
EUR	-0.01	0.00	0.17	0.29	0.37	0.82	105.44
SAR	–	–	0.22	–	–	0.22	28.17
CNY	–	–	–	0.15	–	0.15	19.23
JPY	–	–	–	–	0.04	0.04	5.07

Top 5 – FX Delta[viii] (as % of NAV)

Currency	Net
TWD	-3.85%
PHP	-3.39%
EUR	-3.19%
KRW	-1.92%
SGD	1.73%
Net FX Delta	-10.62%

Vega exposure (as % of NAV)

Option	Net
Equity/Index	
Interest Rate	0.00%
FX	0.05%
Commodity	0.00%

Top 3 – Net equity delta[ix] (as % of NAV)

Region	Long	Short	Net
USA		-1.49%	-1.49%
Kazakhstan	0.00%		0.00%
N/A			

Notes refer to End Notes at the end of the Memo.

SOVEREIGN

In order to reflect Emso's management style for the Fund better going forward, the Emso Memo will split the article for the sovereign portfolio into two sections, one covering the investment grade credits and one covering the, generally more idiosyncratic, high yield credits section.

We visited Argentina and returned with a strong view that either candidate will seek a resolution of the holdout issue

Investment grade sovereign credit

Commodity price weakness and the devaluation of the Renminbi, which caused investors generally to seek to reduce risk, caused investment grade sovereign spreads to widen in August. JP Morgan's EMBI Global Diversified Index fell 0.91% in August, despite a positive month for US Treasuries. The oil price volatility continued, which particularly affected oil exporters such as Kazakhstan, Indonesia and Russia in the Fund's investment grade portfolio. The Fund held significant short oil hedges relating to these positions, as well as more general tail-risk hedges in S&P 500, which provided a small positive return.

High yield sovereign credit

The Fund's largest exposures, in Greece and Argentina, both contributed positively during August. Greece's government agreed to the required reforms set out in the third bailout agreement with its official sector creditors, and received an initial disbursement in time to pay a large maturity payment on bonds held by the European Central Bank (ECB) on 20 August. Greek Government Bonds (GGBs) rallied approximately 20% as a result. We added to the Fund's positions during the month as negotiations progressed and a deal became more likely. Following the initial disbursement, Prime Minister Alexis Tsipras resigned, calling for new elections. We believe that the elections will lead to a more centrist, but still Syriza-led coalition, which will likely be positive for bonds. In addition, if Greece maintains its reform momentum and passes the first review under this bailout program, GGBs could become eligible for purchases under the ECB's Asset Purchase Programme providing further support for these bonds. Finally, the disbursement already received by Greece should provide sufficient funds to pay the Fund's government-guaranteed Hellenic Rail bonds, which are due to mature in October.

Argentina bonds also rallied in August. After presidential candidate Daniel Scioli selected Carlos Zannini as his vice presidential candidate in June, questions had been raised about Scioli's willingness to negotiate a solution to the current impasse with the holdout bond holders, which prevents Argentina from making payments on New York law bonds. Those fears receded in August on comments from both Scioli and current finance minister Axel Kicillof, which indicated a willingness to find a solution. We visited Argentina in August and returned with a strong view that either of the main candidates will seek, once elected, a resolution of the holdout issue, and will try to do so more quickly than we had expected previously.

The other high yield credits in the Fund's portfolio are primarily oil related. Together they detracted slightly from overall performance in August. Our view is that oil prices will not be able to remain below the current low levels in the medium term. Many of the suppliers we have met are experiencing financial difficulty at the current oil price, and are being forced to reduce their capital expenditure as a result. This should result in a reduction of the supply outlook for a one to two year horizon and we have begun to reduce our hedges where appropriate.

CORPORATE

The high volatility in August, which was compounded by the devaluation of the Renminbi, negatively impacted returns across EM indices. Despite the global volatility, the Fund's corporate portfolio had only small losses as its short positions and tail risk hedges partially offset the mark-down experienced in the long positions. We used the general market weakness to cover many of the Fund's short positions and to add opportunistically to some of the Fund's existing long positions at lower levels.

Despite the volatility and low liquidity, we believe that pockets of value are starting to emerge in EM corporates

The largest positive contributors in August came from short positions in Brazilian and Indonesian deteriorating credits and from tail risk hedges, including S&P put spreads, and a digital option on the Mexican peso weakening. Specifically, the tyre manufacturer in Indonesia, as well as the highly levered telecom company, the oil and gas company and the steel company in Brazil, each of which are represented by short positions in the Fund's corporate portfolio, weakened significantly and thus generated positive returns for the portfolio in August. We will maintain the short holding in the Brazilian oil and gas company, as we think that a downgrade of the credit is inevitable. We believe that a downgrade will cause a further decline in prices.

We also initiated a new short position in a Brazilian bond, which is structured using cash flows from oil royalties generated from a select Brazilian state. We believe that with oil prices below USD 55 per barrel and much lower production levels than previously expected, this entity will have difficulty servicing the bond and could potentially miss a coupon payment.

On the negative side, the devaluation of the Kazakhstan Tenge, which came sooner and was larger than we had expected, caused a mark to market loss on the Fund's long position in the largest Kazakh bank. However, we believe that the bank was adequately prepared for the devaluation, and given that it is now awash with liquidity from recently received government funds, and will have no trouble servicing its debt, we believe that the bonds still offer good value. We will look to add opportunistically to this position. In addition, Russian and Argentine corporates were also under pressure throughout the month, led by lower oil prices and a general risk-off market sentiment. In Mexico, our long investment in a Mexican telecom company was also marked down, but our thesis remains that the environment is ripe for merger and acquisition activity, which should have a positive impact on these bonds.

Despite the volatility and low liquidity, we believe that pockets of value are starting to emerge in EM corporates. We intend to use episodes of market weakness to increase and initiate investments in high conviction, event driven long positions, and to use market strength to increase or initiate short positions in credits that are poorly positioned to weather higher leverage, weaker macro backdrops and weaker local currencies.

LOCAL/FX

China's devaluation of the Renminbi and move to a more market-determined exchange rate helped to deliver positive returns for the Fund's local markets portfolio in August. A received rates position[1] in India, a short Taiwan Dollar, and a hedged long position in China government bonds were the main positive contributors. Negative returns came from paid positions in Poland and South Africa, and option positions on the South African Rand.

The devaluation of the Renminbi is an acknowledgement of weak growth momentum in the economy

Lower food and oil prices nudged Indian inflation down further and opened the door for an interest rate cut by Reserve Bank of India (RBI) at its September meeting. The RBI was worried about the impact of monsoon rains and seemed reluctant to go against a potential Federal Reserve (FED) rate hike. However, China's devaluation is likely to increase downside risks to global growth and potentially depresses inflation further, so the FED may well delay the start of the rate-normalisation to December. Rates in India fell in response to this, and we closed the position as it reached our target.

Taiwan's links to China's economy mean that it will be impacted the most from a depreciating trend in the Renminbi. The Taiwan Dollar has depreciated the least amongst large Asian currencies in the year to date and has room to catch-up with its neighbours. It has low volatility and is a more direct way to gain exposure to China weakness, compared to other EM currencies, so we initiated a short position in the Taiwan Dollar in the Fund.

The devaluation of the Renminbi, and the subsequent easing of interest rates by the People's Bank of China (PBOC), is an acknowledgement of weak growth momentum in the economy. While easing measures so far have been targeted at combating the impact of liquidity tightening from recent heavy currency intervention, further easing could help long-end bonds. We believe that long-end domestic bonds offer attractive value, but currently have the currency position hedged with 6 to 12 months' forwards.

We believe that both the actions of the PBOC and recent US jobs data have countered the rising probability of a September rate increase by the FED and, as such, we closed the Fund's paid positions in Poland, South Africa, Hong Kong, and in the US curve. We retain payers in Saudi Arabia as low oil prices and domestic fiscal issues are additional drivers for that position.

The South African Rand options were negatively impacted by the sharp weakness in the spot price following the devaluation in China and the broad risk-off sentiment that triggered the steepest fall in US stocks in seven years. While the option strategy suffered from the rise in volatility, we believe the acceleration in the weakening trend in the South African Rand should ultimately deliver positive returns.

Looking forward, the portfolio is focused on opportunities in Asian currencies as we expect more turbulence in EM as the world adapts to a market-determined Renminbi.

1 A paid rates position is equivalent to borrowing (short bonds) and a received rates position is equivalent to lending (long bonds).

AUGUST FEATURE

RESPONSIBLE INVESTMENT

This month, Emso became a signatory to the United Nations-supported Principles of Responsible Investment (UN PRI). We have traditionally incorporated the analysis of a multitude of factors into our research process and risk analysis, including environmental, social and governance (ESG) considerations. Over the past year we have formalised our reviews with regard to ESG factors with our adoption of an ESG Policy applicable to the research and investment process. Now we have now taken the next step by becoming a signatory to UN PRI.

Over 900 investment managers worldwide are UN PRI signatories

About UN PRI

The UN PRI initiative is based on six core principles:

- The incorporation of ESG issues in investment analysis and decision-making processes;
- being active owners and incorporating ESG issues into ownership policies and practices;
- seeking appropriate disclosure on ESG issues by the entities in which we invest;
- promoting acceptance and implementation of the Principles within the investment industry;
- working together to enhance our effectiveness in implementing the Principles; and
- reporting on our activities and progress towards implementing the Principles.

The goal of the initiative "is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices"[1]. Currently, over 900 investment managers worldwide are UN PRI signatories.

Emso's view

Emso's ESG Policy affirms our desire to conduct business in accordance optimal ethical and professional standards. ESG factors are initially addressed at the research level and are discussed by the team to determine the relevance and degree of impact on pricing, market access, future earnings streams and the resulting ability of the issuer to meet their interest and principal obligations. Whilst more traditional financial indicators and the analysis of broader economic and corporate data form the foundation of Emso's investment decisions, the consideration of key ESG factors informs that analysis, and frequently impacts in particular the sizing of positions. Even though certain qualitative ESG factors can be difficult to value, we consider these factors as contributing both to the likelihood of future financial success and to the investment risk inherent in a business or a country.

1 www.unpri.org/about-pri/about-pri/

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RESPONSIBLE INVESTMENT

It is important to note that the UN PRI initiative is aspirational

Emso's review includes, where applicable, environmental factors, social factors and governance issues. Under environmental factors, Emso considers, inter alia, the following:

- impact on a company of environmental costs through unsustainable natural resource use,
- waste generation,
- greenhouse gas emissions or other forms of water and air pollution, and
- positive environmental factors which may include clean energy investments, water supply management and sustainable transport.

Social factors considered include:

- human rights,
- relations with indigenous people,
- child labour,
- worker and consumer health and safety,
- military business,
- board and workplace diversity, and
- bribery and corruption.

The third set of factors considered in the review are governance issues, which include:

- corruption,
- director/management qualifications and conflicts of interest,
- board/political structure,
- accounting and audit quality,
- capital structure,
- voting related issues, and
- perceived transparency.

It is important to note that the UN PRI initiative is aspirational and does not dictate or limit how we may or may not invest. As a result of supporting the UN PRI initiative, Emso does not alter its investment universe or change its investment strategy in any way. Our policy states explicitly that while ESG factors are routinely integrated into our analysis, negative ESG factors are not dispositive, and investments, despite the identification of negative ESG factors, may still be made.

The challenges of ESG in emerging markets investing

Integrating principles of responsible investing into an emerging markets focused investment strategy presents certain challenges. Firstly, many countries which make up the EM universe employ fewer rules and regulations relevant to many ESG factors. Relatedly, many countries have looser environmental controls, health and safety protections and more challenging political processes than

AUGUST FEATURE

RESPONSIBLE INVESTMENT

Businesses and governments in many emerging markets are less focused on issues related to the environment and sustainability

are seen in more developed markets[2]. Secondly, issues of transparency arise in many of these markets. Even where the rules and regulations regarding business conduct, sustainability, and other ESG matters exist, it can be difficult to determine compliance or non-compliance with such rules. Finally, as bond holders, our funds generally exercise neither voting rights nor particular influence on the subject companies or countries in which we invest. However, we do not view these challenges as obstacles to being a responsible investor.

Many emerging market countries place less focus on ESG factors. Issues of sustainability and good governance may be perceived to be an impediment to getting business done or to wealth creation. In many markets, business is still transacted primarily on a local basis, either by or through the government, or through powerful families or individuals. In these markets, the desire to facilitate relationships with key decision makers may create a greater incentive for bribery or corruption to occur. Similarly, businesses and governments in many emerging markets are less focused on issues related to the environment and sustainability. Companies in these markets are considerably less engaged with global ESG initiatives such as the UN Global Compact. Indeed, in many of these countries, short-term gain remains the primary goal of market players.

Transparency, or the lack thereof, presents one of the more significant challenges in assessing ESG factors for investments in emerging markets. Assessing ESG-related risks may be hampered by a company's (or indeed a country's) lack of disclosure on key investment parameters related to ESG factors. However, a number of emerging market countries, including Brazil and South Africa, have more recently been addressing this problem, and have promulgated rules, particularly for listed companies, which require far more robust and consistent disclosure.

The Fund usually invests in bonds, and as a bond holder, the Fund does not generally have voting rights or influence over the actions of the issuer. As such it doesn't have the position of influence that an equity owner usually enjoys, so Emso is not usually in a position to exert pressure on, or to engage actively with, the issuer.

Next steps for Emso

Despite these challenges, we are very excited to further engage with UN PRI's principles of responsible investing. We believe that the formalisation of ESG reviews in our investment process will ultimately help to mitigate longer-term investment risk and thereby better serve our funds and their respective investors. That said, we are not ourselves ESG experts; our ESG policy and engagement with UN PRI are first steps in our ESG education. But we look forward to this education with enthusiasm, and we will actively seek out tools to assist with the further integration of ESG principles into our own business and our investment research.

Should you have any questions or comments about UN PRI or Emso's view on the integration of ESG factors into our investment process, please do not hesitate to contact us.

2 Bridging the Gaps: Effectively Addressing ESG Risks in Emerging Markets, Sustainalytics, June 2012.

END NOTES

i. Percentages shown are net of all fees and expenses applicable to Emso Saguaro Ltd. Class A shares, Series 1, which were issued on 1 November 2012 at a Subscription Price of USD 10,000 per share and a High Water Mark of USD 10,000 per share (both as defined in the Private Placement Memorandum ("PPM") of Emso Saguaro Ltd.). All data shown pertains to the portfolio of Emso Saguaro Fund Ltd., (the "Master Company" and, together with its feeder funds, "Emso Saguaro") as at the month-end indicated on the first page of this report. Investors cannot invest directly in an index. Emso Saguaro is managed by Emso Partners Limited ("Emso").

Performance and AUM data for the current month is based on an estimate by Emso pending finalisation of month-end data by the fund's administrator.

Emso Saguaro did not issue shares with a management fee of 2.00% until October 2013. The Emso Saguaro net returns for the 2.00% investment management fee share class from inception through to September 2013 are therefore calculated based on the Lead Series net returns, adjusted for a higher, 2.00% investment management fee. From October 2013 onwards, actual returns from a series issued with a 2.00% investment management fee are used.

The indices are presented merely to show the general trends in the markets for the period and are not intended to imply that the portfolio is comparable to the indices either in composition or element of risk. The indices do not reflect the deductions of any fees or expenses. Index data are provided for comparison purposes only and a variety of factors may cause an index to be an inaccurate benchmark for a particular fund. Indices are not managed and investors cannot directly invest in an index.

EMBI / EMBI Global Diversified index is compiled by JPMorgan. It tracks total returns for external currency denominated debt instruments of the emerging markets: Brady Bonds, loans, Eurobonds, and local market debt instruments issued by sovereign and quasi-sovereign entities. The EMBI Global Diversified limits the weights of those index countries with larger debt stocks by including only specified portions of these countries' eligible current face amounts of debt outstanding.

JPMorgan GBI-EM USD Hedged Index the JPMorgan Government Bond Index-Emerging Markets Global Diversified is a comprehensive emerging market debt benchmark that tracks regularly traded, liquid fixed-rate, domestic currency government bonds issued by emerging market governments that give access to their capital market to foreign investors (excludes China, India, and Thailand). The index is market capitalisation weighted, with a cap of 10% to any one country. This index is hedged USD.

MSCI EM Index the MSCI Emerging Markets Free Index is compiled by Morgan Stanley Capital International. It is a free float-adjusted float market capitalisation index that is designed to measure equity market performance in the global emerging markets. As of June 2007 the MSCI EMF Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

HFRI EM (Total) Index the HFRI EM (Total) Index is a fund-weighted composite of all emerging market funds in the HFRI database. The constituents of this index are selected according to their regional investment focus only. To be deemed an emerging market fund, a fund must have a primary regional focus (typically >50% exposure) in one of the following HFRI classified geographical regions: Africa, Asia ex-Japan, Latin America, Middle East, Russia/Eastern Europe or Multiple Emerging Markets. Funds with no primary focus in any of the aforementioned regions are classified as Global. At the current time HFRI does not publish separate indices for funds focused in the Africa and Middle East regions, however, these funds are represented in the HFRI EM (Total) Index. There are no investment strategy criteria for inclusion in these indices. See www.hedgefundresearch.com for more information.

YTD = Year-To-Date
ITD = Inception-To-Date

ii. Source: Emso. Strategy and Region categorisation and composition are determined by Emso and are subject to change at any time. For clarity and as an example, categorisation of trades into the Equity Strategy, are those determined by Emso to be outright equity plays. However, the Equity Strategy does not take into account every equity trade Emso has executed. It is conceivable that some equity trades may be made in conjunction with other positions and therefore may be classified within a different trading Strategy. By similar convention this applies to trades within the FX Strategy classification.

iii. All data shown is estimated and subject to change and pertains to the portfolio of the Master Company as at the month-end indicated on the first page of this report.

Source: Emso Partners Limited ("Emso") and Bloomberg

iv. Strategy categorisation and composition is determined by Emso and is subject to change at any time. For clarity and as an example, categorisation of trades into the Equity Strategy, are those determined by Emso to be outright equity plays. However, the Equity Strategy does not take into account every equity trade Emso has executed. It is conceivable that some equity trades may be made in conjunction with other positions and therefore may be classified within a different trading Strategy. By similar convention this applies to trades within the FX Strategy classification.

v. Stress losses are derived through stresses conducted via Emso's proprietary risk management system. The stresses are subject to change without notice.

The hypothetical analysis stresses variables which Emso has determined may, amongst others, have been relevant to the current portfolio. The analysis include rate moves, both for changes in curve shape and absolute level as well as stressing volatility, FX rates, credit spreads and equity and commodity. It further targets the relative value positions which are currently held in the book with specific stresses on relevant bases and spreads. The proportion of the total stress loss caused by each country is then reported in the table shown.

No comment is made about whether the actual movements in financial instruments (e.g. FX, interest rates, equity prices, spreads) accurately correspond to the figures used to calculate the "Stress Losses" set out in this report or that all stress variables have been taken into account. Recipients of this information should therefore note that the performance of the fund may have been materially different in such scenarios than the performance information provided in this document.

Whilst Emso has made all reasonable efforts to check for accuracy, no reliance should be placed on these analyses which seek to amalgamate data from a complex set of circumstances and analyses of this nature cannot be, and this information does not purport to be, full, complete, comprehensive or to be based upon all relevant data or factors.

END NOTES

vi. CS01 data based on regional classification determined by Emso, which is subject to change at any time. Table summarises effect on NAV of basis points shifts in the relevant shifts of credit curves the portfolio is exposed to. See Glossary for definition of CS01.

vii. The 10-year equivalent exposure represents the notional amount (in USD millions) of 10 year US treasury bonds necessary to replicate a position with the same CS01/DV01.

viii. FX Delta excludes USD denominated cash and securities in the fund and represents the exposure from all non-USD denominated securities and derivative positions, irrespective of strategy classification. Please refer to the Glossary for further details relating to the FX Delta.

ix. Net Equity Delta represents exposures from all equity positions, irrespective of strategy classification, including those equities that are special situations, along with equities used for hedging purposes.

Glossary

Performance terms

AUM
Estimated value of the portfolio of the Master Company as at the month-end indicated on this report.

Cash Leverage
Cash Leverage is calculated as the unencumbered cash balance held by the Master Company divided by AUM.

Gross Leverage
Gross Leverage is calculated as the sum of the Long Leverage, the Short Leverage and the Cash Leverage.

Long Leverage
Long Leverage is calculated as the market value of the long debt and equity investments (including investments financed with repurchase transactions or margin) held by the Master Company, divided by AUM.

Short Leverage
Short Leverage is calculated as the absolute value of the short debt and equity investments (including investments covered with reverse repurchase transactions or margin but excluding hedges for long investments) held by the Master Company, divided by AUM.

Sharpe Ratio
The Sharpe Ratio is calculated as the excess return per unit of risk. It is a risk-adjusted measure of return which uses standard deviation to represent risk and is used to characterise how well the return of an investment compensates the investor for the risk taken.

Sortino Ratio
The Sortino Ratio is a measure of reward versus the volatility of returns that are below zero per cent (also known as the downside deviation see below).

Downside Deviation / Downside Standard Deviation
The downside deviation is the annualised standard deviation of all of the investment's monthly returns that are less than zero per cent.

Volatility
Volatility is measured as the annualised standard deviation of monthly returns around the mean.

Risk terms

NAV
Estimated net asset value of the Master Company as at the month-end indicated on the first page of this report.

Vega Expsoure
The change in an option's price for a 1% change in volatility.

DV01
The Dollar Value of a Basis Point (DV01) measurement is calculated on all interest rate products (e.g. bonds, swaps, swap options, futures, etc.). A negative DV01 means that the fund would appreciate in value by that amount for a one basis point move upward in interest rates, holding all other asset and liabilities constant.

CS01
The Credit Spread Value of a Basis Point (CS01) measurement is calculated on all credit products (e.g. corporate bonds, credit default swaps, etc.). A negative CS01 means that the fund would appreciate in value by that amount for a one basis point move upward incredit spreads, holding all other assets and liabilities constant.

Exposure
The sum of (i) the value of the long debt and equity investments (including investments financed with repurchase transactions or margin), (ii) the absolute value of the short debt and equity investments (including investments covered with reverse repurchase transactions or margin but excluding hedges for long investments), and (iii) the Net FX Deltas, in each case entered into or held on behalf of the Master Company.

FX Delta
A positive FX Delta means that the fund is long the respective currency and short the USD. A negative FX Delta means that the fund is short the respective currency and long the USD.

Net FX Delta
Net FX Delta represents the funds' overall foreign exchange positions against the USD. A positive Net FX Delta implies that on a net basis the fund is positioned long non-USD currencies and short the USD. A negative Net FX Delta implies that on a net basis the fund is positioned short non-USD currencies and long the USD. USD denominated cash and securities are excluded for the purpose of netting the portfolio's currency positions.

SIGNIFICANT CONSIDERATIONS

This memo relates to Emso Saguaro and its feeder funds (the 'Funds'). The investment manager to the Funds is Emso Partners Limited, and Emso Partners US LLC is sub-advisor to the Funds (the investment manager and sub-advisor, together, 'Emso').

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Investors should carefully review and consider potential risks before investing. There can be no assurance that risk management efforts will be successful. Certain of these risks include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative practices
- Liquidity risk
- Volatility of returns
- Restrictions on transferring interests in any fund
- Concentration risk due to potential lack of diversification
- Valuation risk on hard-to-price assets
- Complex tax structures and potential delays in tax reporting
- Less regulation and higher fees than mutual funds; and
- Investment manager risk

Individual funds will have specific risks related to their investment programmes that will vary from fund to fund.

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