

Palma de Mallorca, 5<sup>th</sup> of December 2006

**Dear clients, colleagues and friends**

As most of you are aware I received a gunshot wound during an armed robbery on November 16 while travelling in Venezuela. That evening I was operated on by outstanding surgeons at Caracas' leading private hospital. With a degree of luck (the entry of the gunshot) I was out of danger within hours of the operation and from the morning of the 17th of November I was in regular contact with key management and my family. On the morning of November 20<sup>th</sup> I travelled to Miami for a post operative review which lasted one day. On touching down at Miami I was back in regular contact with the team albeit somewhat incapacitated and in a different time zone

During these most trying moments the support and encouragement I received from numerous individuals was simply overwhelming. I would like to thank my colleagues, family and friends for both the invaluable help and tremendous support.

As in many moments of diversity and challenge certain positives emerge. In particular, I am very proud of the investment team at Absolute Capital Management, which mastered this disruption in the most exemplary manner. Indeed, in spite of a sharp 5% rise and sharp 5% fall in equity markets over this short period (not as a result of my incident followed by recovery!), all of our funds picked up absolute performance during this period of high volatility. It was tremendously reassuring, for me, to see that all risk management systems were fully operational and that our professionals assumed responsibility and initiative in the most positive manner.

While I am currently the senior event driven manager for about 30% of our group assets, our event driven team including our Zurich partners managed to perform perfectly well without me during this phase. Our second line managers passed this stress test with flying colours and are clearly prepared to take on more responsibility. A radical way to stress the team is how my wife put it!

The positive outcome of this incident is that it is clear to me, that the group has matured significantly as an organization in recent years. The breadth and depth of our fifty member staff in operational, risk and portfolio management and the desk based approach to all funds introduced nearly two years ago has mitigated key dependency risk. However, please be assured that post this incident I am even more motivated than before. The value of my having both the physical and mental strength post this incident has made me realize how important "being in the ring" is. In many ways the support of all of you has motivated me to levels I have not experienced since my early days with Peter Lynch.

I am excited to re group with this outstanding group of professionals which has managed these stormy seas with acumen, success and maturity.

Once again allow me to express my gratitude for your support during this challenging episode.



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