

# Harmony Capital Fund Ltd.

September 18<sup>th</sup>, 2008

We would like to update investors on Harmony Capital Fund Ltd regarding the core Fund's exposure to Lehman Brothers and AIG following recent events.

## Lehman Brothers

Harmony Capital has no direct exposure to Lehman Brothers. In terms of indirect exposure, two of the underlying funds in the Harmony Capital portfolio used to have Prime Broker relationships Lehman Brothers: Millennium International and Harbinger. We do not know of any manager in our portfolio that has sold protection (CDS) on Lehman Brothers.

## Millennium International

Millennium International has a large spread of 7 brokers: Barclays Capital, Morgan Stanley, UBS, Deutsche Bank, Credit Suisse, Merrill Lynch and Lehman Brothers.

Millennium International is well established and has made concerted efforts to ensure diversification of their exposure. Our understanding is that since it already has alternative Prime Broker options in place, that trading activity through Lehman has been kept to a minimum.

As of September 1st Harmony Capital's exposure to Millennium was 5.5% of NAV.

## Harbinger

Harbinger has a line-up of 4 prime brokers: Bank of America, Goldman Sachs, JP Morgan and Lehman Brothers.

We have received a detailed breakdown of their exposures to Lehman and our understanding is that it is very limited. Harbinger has AUM of US\$10bn+. As of September 1st Harmony Capital's exposure to Harbinger was 3.3% of NAV

## AIG

Harmony Capital has no direct or indirect exposure to AIG.

We will continue to update our investors on any news regarding our exposure to Prime Brokers.

**Harmony Capital Fund Ltd.**