

HARMONY ALPHA FUND LIMITED

Date: 21 August 2008

To: All Shareholders of Harmony Alpha Fund Limited

Re: Decisions Taken by the Board of the Harmony Alpha Fund Limited (the "Fund")

Dear Investor,

In a volatile investment environment, a disciplined and well-structured investment approach is essential. This is particularly true for hedge funds where unparalleled levels of volatility have been experienced.

In this context, following the outstanding performance record achieved over the six year period ending in 2006 (when the Fund was awarded the HFR European Hedge Fund of the Year award), the Fund incurred higher levels of volatility during 2007, leading Harmony Capital Management Limited (the "Investment Manager") to evolve and initiate well-considered changes in the overall investment management approach.

With these concerns in mind, in July 2008, the Investment Manager's operating team submitted to its board a plan which would have involved a significant distribution of equity to key employees, a prerequisite to allow the team to continue working together in these challenging markets. Such a distribution would have however had the effect to dilute the non-executive shareholders of the Investment Manager. The majority of the Investment Manager's shareholders voted against such a plan at their AGM on 5th August 2008.

Given this concerning development, we then asked the two parties to come to an agreement in order to quickly negotiate an acceptable plan which we felt to be a condition for the Fund's continued success under the management of the existing team.

As of today, no solution has been found and the disagreement between the shareholders of the Investment Manager appears to be deadlocked. We have been advised that Messrs Barzini and de Torquat have resigned from the board of HCML.

As a result, the board of the Fund has terminated the appointment of the Investment Manager with immediate effect.

The board of the Fund as an interim measure, pending the appointment of a replacement investment manager will itself temporarily retain responsibility for the management of the assets

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of the Fund. This function will be undertaken under the overall supervision of the board. The board of the Fund has agreed to engage Messrs Barzini and de Torquat as consultants to assist in the performance of this function.

Furthermore, the board of the Fund has been advised that Messrs Barzini and de Torquat are moving immediately to establish a new investment management entity, Jason Capital Partners LLP. The board is likely, at an appropriate time in the future to give favourable consideration to the appointment of Jason Capital Partners LLP as a replacement investment manager to the Fund.

We have informed the regulatory authorities in Bermuda and the UK of the foregoing matters and have taken action to assure that all support relationships, including Citco, the fund administrators, are informed and directly linked with the staff supporting the board during this period of interim responsibility.

We stress that we believe these actions to have been taken in the best interest of the investors, in the context of our role as independent directors. To not have taken these actions would have been inconsistent with our responsibility, given the uncertainties surrounding the former Investment Manager.

Should you have any questions in respect of the above matter, please do not hesitate to contact the directors of the Fund as follows:-

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With best regards,

Robert Troxler
Chairman
Harmony Alpha Fund Limited