



Investment
Solutions

Resilient Fund

Anticipated Sale of remaining Assets

October 2010

Direct investors in the Resilient fund, as well as those in the offshore portfolios, Global Conserver and Global Balanced, have a small remaining exposure to the Russell fund-of-hedge-funds ("Russell ASF"). Since Russell gated the fund in 2008 approximately 70% of the fund's July 2008 value has been returned to investors. The residual assets in the fund are highly illiquid and Russell has consequently decided that a portfolio sale would be the optimal way to release the fund's remaining value and result in an expedient way of winding up the Russell ASF. Following an extensive process an external third party has been selected by Russell. If the likely sale concludes a final value of the assets will be calculated and the remaining shares in the fund will be redeemed in full in cash. As a result of the anticipated sale, Russell ASF's value will be reduced by 78% to reflect the bidder's offer. The impact on investors with exposure to Resilient will be a downward adjustment of approximately 50% this month. The lower reduction at the Resilient Fund level is a result of the cash holdings in Resilient that would not be subjected to any adjustment in value.

Although regrettable circumstances, Investment Solutions believe that Russell has acted in the best interest of its investors and supports the recommended sale.

This course of action was communicated to Investment Solutions by Russell in a communiqué received on the 20th of October 2010. A full copy of the Russell communiqué is available on the Investment Solutions website: www.investmentsolutions.co.za, but the background and contents can be summarized as follows:

Background

The Russell Alternative Strategies Fund ("Russell ASF") is a multi-strategy fund-of-hedge-fund portfolio. Investment Solutions are investors in the fund via the Jersey-based Resilient Fund. Disappointing year-end performance in 2007, a write down in the value of the assets of one of the underlying managers in December 2007, and an increase in the number of redemptions issued in January 2008 for the Russell ASF resulted in Russell imposing a gate on the fund. This was all brought about the Global financial crisis which began unfolding in late 2007.

Investment Solutions has subsequently terminated Russell as a manager in this portfolio and full disinvestment instructions have been issued during the first quarter of 2008. Russell then obtained shareholder approval to separately classify a percentage of its total assets held which are difficult to value or difficult to redeem. These assets would be realised later than the more liquid assets and distribution of redemption proceeds will be staggered. Over the past year realized payments from the fund have been very low and Russell estimated the process to final closure to exceed four years.

A communiqué detailing the events that led to the suspension of dealings was issued to clients in 2008 and the bulletin is available on request.

Remaining assets

Following the return of assets to investors since 2008 the fund's portfolio is now extremely concentrated with only six underlying hedge fund positions in place. Before the gating of the fund the number of managers in Russell ASF surpassed 35. Most of the assets held by these underlying funds are complex, highly illiquid and increasingly difficult to value. It is Russell's view that the outcome of holding those assets is so uncertain that the better course of action is to sell the portfolio as soon as practical.

Recommendation

Following extensive consideration Russell has consequently decided to sell its remaining assets. Relevant factors which were taken into account in making this recommendation were:

- Shareholder feedback
- Continued deterioration of asset quality
- Increasing uncertainty as to valuation and future cash flows from the remaining assets
- Limited pool of available purchasers for assets such as the fund's assets

The Russell Board accepted the recommendation at a Board meeting held in September 2010 believing that a prompt portfolio sale is in the shareholder's best interest.

Selection of third party purchaser

A number of potential purchasers have carried out extensive due diligence of the fund's assets and have provided indicative bids. Russell engaged an independent adviser, Park Hill Group LLC, a member of the Blackstone group of companies, to assist with the sale process and evaluate bidders and the indicative bids received.

In October 2010 Russell, with the support of Park Hill, proceeded to the next stage of negotiation with the bidder and believes that the indicative bid represents a fair market price for the fund's assets. Furthermore Russell and Park Hill believes that the bidder is a credible counterparty to enter into this transaction and are now working to finalise confirmatory due diligence to achieve the sale.

Valuation

As a result of the decision it is no longer appropriate to continue to value the fund's assets using the current fair value methodology and Russell will instead switch to the value calculated based on the secondary market value. This change in valuation policy will result in an immediate write down of the Russell fund's value by 78%. The impact on Resilient is a downward adjustment of approximately 50%. The lower discount is a result of cash holdings in Resilient that would not be subjected to any adjustment in value.

The impact on clients invested in Global Conserver and Global Balanced are summarised in the table below:

	Exposure before write-down		Impact of write-down	
	% of offshore only	% of combined portfolio	% of offshore only	% of combined portfolio
Global Conserver	0.40%	0.10%	-0.20%	-0.04%
Global Balanced	0.20%	0.04%	-0.10%	-0.02%

Outlook

The indicative adjustment to the asset's value that will effect in October 2010 will be the last such calculated until the portfolio sale closes. There will also be no further redemptions and payments of cash proceeds. When the sale concludes all shares will be redeemed in full and final redemption proceeds will be paid to shareholders in cash. The anticipated payment date is expected to take place by the first quarter of 2011.

Investment Solutions supports Russell's believe that the portfolio sale of the fund's remaining assets is in the best interest of shareholders. Although completion of the sale cannot be guaranteed Russell is not aware of any impediment to its completion.

Once the final cash is received from Russell, Investment Solutions will make a final payment to all shareholders in the Resilient Fund, where after the Resilient Fund will be wound up.

Investment Solutions' client-servicing executives look forward to taking you through the above changes in more detail at our next formal interaction.

For more information, please contact Steve Price on (011) 505-6023 or Linda van Tonder on (011) 505-6006.

www.investmentsolutions.co.za

+27 11 505 6000

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