

NAV **269.21**

Month Return **0.71%**

Year To Date Return **17.08%**

Fund Details

Inception Date	August 1995
Minimum Subscription	US \$10,000
Initial Nav	100
Structure	Open End Investment Company
Domicile	Guernsey
Listing	Irish Stock Exchange
Management Fee	1.7%
Performance Fee	N/A
Subscription	Monthly, 5 business days
Redemption	Monthly, 65 calendar days
Valuation Frequency	Monthly

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Monthly Commentary

Despite considerable swings in sentiment over the course of the month, markets ended December more or less unchanged. Following disappointment at the Fed's 25 basis point rate cut, equities rallied sharply, the dollar rose and money market rates eased after five of the world's major central banks announced a co-ordinated liquidity plan, whereby they will auction funding to commercial banks, and relax the criteria for acceptable collateral.

For once, Asian equities under-performed with the MSCI Asia ex-Japan Index dropping by more than 2%, which still left the index up by over 28% for the year. The Japanese market enjoyed no such mean reversion, enduring yet another negative month as the Topix fell by 3.6%. Equity market volatility fluctuated throughout the month, with the VIX ending at 20.7%. Spreads on High Yield bonds were generally steady. The price of oil surged by 8% over the month as inventories fell. Gold rose further as inflationary concerns grew, ending the month at US\$ 850 an ounce.

Overall, December was a positive month for the Fund with good performance coming from a variety of managers.

Our Macro managers have adjusted their portfolios to the more volatile trading environment and are generally benefiting from it. A common thematic trade has been to short baskets of Financial, Homebuilding and Consumer Discretionary stocks, as they are reliant on leverage and so vulnerable to deteriorating credit conditions. Our most successful Macro fund generated very strong numbers from this trade, as well as from long positions in crude oil and gold. The overall strategy contribution was 0.28%.

Equity markets continue to be volatile. Emerging Markets, Energy and Growth-style stocks performed well, while Financials fell again after more adverse news. Despite this demanding backdrop, our Equity Hedged managers added 0.34% to performance. Managers were generally rewarded for strong fundamental stock picking skills on both the long and the short side.

December was a mixed month for our Short Bias managers, who in aggregate contributed 0.10%. One manager continued to profit handsomely from short positions in stocks that are highly exposed to the deteriorating credit and housing markets, while the other, with more of a small cap focus, was slightly down.

Specialist Credit managers had a good month. Shorts in residential mortgage-backed securities contributed only marginally and were relatively unaffected by initiatives announced during the month to support certain sub-prime borrowers. Gains generally came from the short side in troubled sectors such as Finance, Retail and Utilities, adding 0.21% to overall performance. On the long side, positions in resources companies helped certain managers.

Event Driven managers had a positive month adding 0.14% to performance. M&A volume for December totaled \$270 billion in announced deal value, an increase of 15% on the preceding month. The largest transaction for the month was French cement maker Lafarge's acquisition of Egyptian rival Orascom Construction Industries for \$14.9 billion. Manufacturing conglomerate Ingersoll-Rand also sought to buy Trane, which makes air conditioning systems, for \$11.2 billion in cash and stock. Another major deal was Vivendi's purchase of Activision for \$9.8 billion, creating the largest global videogame firm.

Despite falling equity markets, implied volatility closed the month nearly unchanged while realized volatility declined three 'vol' points. The term structure of volatility steepened briefly mid-month but flattened once again as investors bid up short-term options at year end. Our Volatility Trading managers lost money detracting -0.05% from performance as gamma trading opportunities were insufficient to cover the time decay.

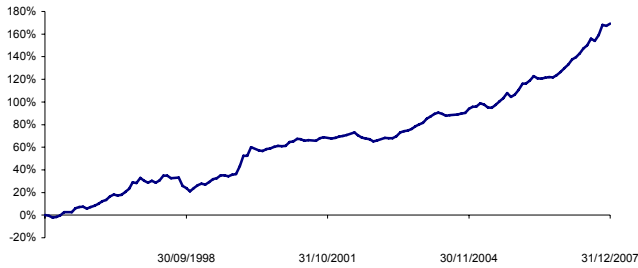
The performance of our Fixed Income manager was modestly positive contributing 0.02% as he correctly predicted the smaller than expected Fed rate cut and the increased yield volatility that followed.

December was a mixed month for Multiple Strategy managers, which detracted -0.18% from performance. Many managers are decreasing leverage or increasing cash holdings to create future buying power, which will allow them to participate meaningfully if a major market correction creates large-scale buying opportunities.

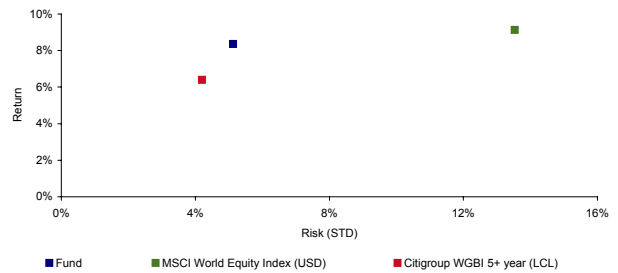
Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	1.34%	1.92%	0.90%	1.35%	1.79%	1.18%	2.28%	-0.78%	2.01%	3.52%	-0.27%	0.71%	17.08%
2006	2.58%	0.16%	1.10%	1.85%	-0.94%	-0.13%	0.43%	0.22%	-0.09%	0.92%	1.23%	1.51%	9.13%
2005	0.06%	1.54%	-0.64%	-1.31%	-0.13%	1.35%	1.59%	1.33%	2.27%	-1.61%	0.89%	2.10%	7.61%
2004	1.15%	1.11%	0.56%	-0.59%	-0.85%	0.34%	0.05%	0.27%	0.48%	0.25%	1.93%	0.90%	5.71%
2003	0.73%	-0.09%	-0.01%	0.94%	1.96%	0.77%	0.32%	0.75%	1.38%	0.95%	0.65%	2.07%	10.89%
2002	0.62%	0.32%	0.49%	0.67%	0.66%	-1.41%	-1.22%	-0.47%	-0.33%	-1.23%	0.58%	0.60%	-0.76%
2001	0.42%	1.31%	-0.15%	-0.78%	0.34%	-0.29%	-0.15%	1.46%	0.43%	-0.24%	-0.49%	0.44%	2.29%
2000	0.13%	5.00%	-0.86%	-0.95%	-0.33%	1.13%	0.23%	0.95%	0.43%	-0.02%	0.13%	2.05%	8.02%
1999	1.08%	-0.76%	1.88%	1.93%	0.59%	1.89%	-0.04%	-0.46%	0.89%	0.61%	5.10%	6.22%	20.38%
1998	-1.35%	1.42%	3.42%	-0.11%	-1.70%	0.16%	0.32%	-5.52%	-1.52%	-2.39%	2.33%	2.19%	-3.02%
1997	2.63%	1.43%	-0.55%	0.39%	2.20%	2.26%	4.72%	-0.43%	3.44%	-1.91%	-1.37%	1.48%	15.03%
1996	3.08%	-0.25%	0.23%	3.15%	1.14%	0.13%	-1.37%	1.24%	1.09%	1.65%	1.96%	1.03%	13.79%
1995									-0.38%	-1.74%	0.65%	1.17%	-0.32%

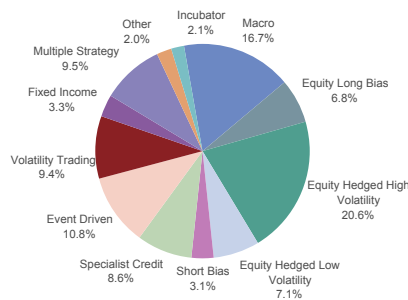
Cumulative Performance (%)



Risk / Return vs Indices Since Inception



Strategy Allocation



Note: The pie chart excludes cash
Source: Fauchier Partners

Strategy Contribution

Strategy	Month	YTD
Macro (M)	0.28%	2.80%
Equity Long Bias (ELB)	0.09%	1.42%
Equity Hedged High Volatility (EHH)	0.18%	2.25%
Equity Hedged Low Volatility (EHL)	0.07%	1.16%
Short Bias (SB)	0.10%	0.86%
Specialist Credit (SC)	0.21%	2.05%
Event Driven (ED)	0.14%	2.59%
Volatility Trading (VT)	-0.05%	2.69%
Fixed Income (FI)	0.02%	0.68%
Multiple Strategy (MS)	-0.18%	0.34%
Other (OTH)	-0.03%	0.38%
Incubator (FRI)	0.01%	-0.01%

Key Statistics

AUM (Millions)	\$351.0
Annualised return	8.36%
Annualised standard deviation	5.13%
Annualised downside deviation	2.89%
Last 12 months	17.08%
Best month	6.22%
Worst month	-5.52%
% Up months	69.59%
Largest drawdown	-10.38%
Sharpe ratio	0.79
Beta - MSCI World Equity Index (USD)	0.17
Beta - Citigroup WGBI 5+ year (LCL)	-0.03

Top 5 Performing Funds Year To Date

Fund Name	Strategy	Contribution	Performance
Paulson Advantage Plus Ltd	ED	4.59%	158.15%
Harbinger Capital Partners Offshore Fund I Ltd	SC	3.05%	117.48%
Lansdowne UK Equity Fund Limited	ELB	1.00%	31.19%
Daedalus Offshore	EHL	0.98%	32.59%
Brevan Howard Fund Limited	FI	0.80%	25.08%

Bottom 5 Performing Funds Year To Date

Fund Name	Strategy	Contribution	Performance
Criterion Capital Partners Ltd	EHH	-0.15%	-4.24%
Graham Discretionary Fund	M	-0.16%	-10.72%
The Raptor Global Fund Ltd	EHL	-0.24%	-8.17%
Henderson Japan Absolute Return Fund Limited	EHH	-0.39%	-10.54%
Graham Discretionary 2XL	M	-0.44%	-18.42%