Griffin European Hedge Fund

GRIFFIN CAPITAL MANAGEMENT

Fund manager comments April 2008

European Long/Short

SAUREN FONDSMANAGER-RATING

Three Gold Medals

For outstanding fund management.

Category: "Long/Short Equity (flexible) Europe".

The recovery of equity markets that started in March continued with a sharp jump at the beginning of the month, followed by extended range trading. The rally has been much more pronounced both in commodity exposed developing markets as well as the US, which is a reflection of our view that the European economy (with its own debt and real estate issues in several markets) will be squeezed between much faster growing Asia and the US. The US will have difficulties digesting the housing market melt-down, but its relatively flexible labour and capital markets as well as the very competitive USD will help the economy turn-around quicker, in contrast to sclerotic 'old' Europe. A decline in export orders will force the ECB to lower rates in the not too distant future, in contrast to the current rhetoric.

TomTom benefited from lower procurement costs on the back of the weak USD, but this was not enough to make up for heavy price discounting due to overstocked inventories. We prematurely turned our long position in **TeleAtlas** into a long position in TomTom after a correction in the latter's share price led us to believe a poor Q1 was priced–in, and in order to reduce the risk of the EU Commission not granting the approval of the TeleAtlas takeover on competition grounds. It turned out that TomTom had to pre-announce worse than expected numbers, though the merger was subsequently cleared. It seemed that the two market leaders managed to get into a price war to bring down inventory of old products ahead of the new designs in Q2. We reduced the position, but believe the problem to be temporary as the sales continued to hold up well, despite macro concerns over consumer spending power and sentiment. The market penetration of GPS navigation continues to be low globally and TomTom, in combination with TeleAtlas, is the leading company in the space with a combined market share of 80%.

Our listed property longs made a positive contribution to performance this month. It is worth noting **Immoeast** has sold the Andel Park B office property in Prague to SEB ImmoInvest for EUR 71.5m, which was 7% above the valuation of Colliers, and was priced at a yield of 6%. The transaction gives some credibility to the company's stated NAV of over EUR10 per share against a current share price of around EUR 6.50.

In insurance, we took profits in our **Allianz** long after a 25% rise. We continue to hold **Zurich Financial Services** and bought back smaller positions in **Swiss Re** where we think the market is too negative about the ultimate losses in its structured credit insurance portfolio.

Following reassuring Q1 results, the valuation gap between our long **MTU** / short **Rolls Royce** position slowly started to narrow. A dividend payment and the launch of a further 10% share buyback in May should help, as should announcements of new engine programmes and a resolution to the temporary SAP integration problems at MTU's engine maintenance division.

We also initiated a new short position in **HeidelbergCement**. Following significant global consolidation, a high percentage of cement production is operating in local oligopolies protecting volume and margins. Furthermore, the market has taken a very positive view of the opportunities in the fast growing markets of CEE, Asia, the Middle East and Latin America. At the same time, operating trends have taken a decidedly negative turn in major markets such as US and Spain. Volumes dropped in high single digits, though sales held up as all players increased prices in line with input cost price hikes. For players like Lafarge, fast-growing markets compensated for 'problem' markets. While this might work for a while, we do not expect that mechanism to hold up forever, particularly as HeidelbergCement has increased its exposure to the problem markets of the US, UK and Western Europe significantly with last year's top of the market acquisition of Hanson. Analyst consensus expects continuous earnings growth for the next few years, while evidence from the last (relatively mild) downturn showed a peak-to-trough drop in EBIT of 20%. The company (highly leveraged) is currently trading at around 2.5x EV/sales. The trough multiple of 1.5x in 2002 would give a 50% downside from current share price levels.

Performance - Monthly Returns (%) EUR (net all fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-5.6	+0.3	-1.7	-0.4									**-7.3**
2007	+0.2	+3.1	+2.2	+2.6	+2.4	-0.7	-3.0	-5.1	-2.0	+2.4	-5.0	-0.1	**-3.4**
2006	+2.7	+1.3	+2.6	+0.8	-2.2	-0.3	+0.5	+0.5	+0.8	+2.6	+1.4	+2.1	**+13.5**
2005	+1.0	+0.9	+0.9	+0.3	+0.3	+2.8	+0.9	+0.8	+2.7	-2.2	+0.3	+2.8	**+12.0**
2004						+1.0	+1.6	+0.8	+1.5	+1.9	+1.4	+2.3	**+10.9**

Sector Asset Allocation (%) (delta adjusted)

Sector	Gross	Long	Short	Net
Airlines	1.0	0.0	1.0	-1.0
Automobiles & Components	1.2	0.0	1.2	-1.2
Financials - Banks	4.7	2.0	2.7	-0.7
Financials - Diversified	1.7	1.7	0.0	1.7
Financials - Insurance	3.7	3.7	0.0	3.7
Building Materials	1.2	0.0	1.2	-1.2
Capital Goods	8.1	4.0	4.1	-0.2
Chemicals	0.3	0.3	0.0	0.3
Commercial Services	0.2	0.2	0.0	0.2
Energy	2.6	2.3	0.4	1.9
Food, Beverage & Tobacco	1.5	1.5	0.0	1.5
Hotels, Restaurants & Leisure	1.1	1.1	0.0	1.1
Natural Resources	1.7	0.5	1.2	-0.7
Media	2.7	2.7	0.0	2.7
Pharma & Biotech	3.7	2.7	1.1	1.6
Technology	1.3	1.3	0.0	1.3
Real Estate	13.4	13.4	0.0	13.4
Telecoms	0.4	0.4	0.0	0.4
Utilities	0.1	0.1	0.0	0.1
Index	7.3	0.0	7.3	-7.3
Fixed Income	10.3	10.3	0.0	10.3
Total (excl. Fixed Income)	**57.8**	**37.8**	**20.0**	**17.8**
Total (incl. Fixed Income)	**68.2**	**48.2**	**20.0**	**28.2**

Portfolio Breakdown - as of month-end

Beta/Delta Adjusted Net Equity Exposure	12.3%
Fixed Income Exposure	10.3%
Number of Longs	44
Number of Shorts	12
Futures & Options	7

Top 5 Equity Longs - Alphabetical - as of month-end

Company	Country	Sector
CA Immobilien	Austria	Real Estate
Immoeast	Austria	Real Estate
Intercell	Austria	Pharma
Premiere	Germany	Media
Zürich Financial	Switzerland	Insurance

Fund Details as of month-end

NAV	EUR 126.22
Fund Size	EUR 99.84m
Launch Date	27 May 2004
Annualised Return	6.1%
Volatility	7.3%
Sharpe Ratio (3.5%)	0.36
5-day 95% VaR	0.59%

Please be advised that the figures in this report are as at the last NAV date of the month, which may differ from the calender month end.

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GRIFFIN
CAPITAL MANAGEMENT

Griffin European Hedge Fund

European Long/Short

Griffin European Hedge Fund is a fundamental long/short fund investing in West European equities. We target 10-15% annual performance with standard deviation of 7-9% through stock picking, supported by active management of gross and net exposure.

Our disciplined investment process is stock specific. We aim to identify value by analysis of company profitability, mainly margin development and return on capital. We use cashflow analysis including DCF to clarify expected return. We use futures and options for portfolio protection and performance enhancement as well as for stock exposure. The number of positions we hold varies according to market conditions. We trade large cap names for relative performance, and invest in mid cap positions for value release, having identified catalysts. We seek alpha both in stock long and stock short positions.

Senior Fund Manager Biographies

Harald Wengust (born in 1969)

Harald Wengust, (born 1969) joined Griffin Capital Management in August 2002. He has over 17 years' of professional experience in capital markets and has gained expertise in a variety of asset classes and regions. Prior to joining Griffin he was a senior portfolio manager in charge of the equity group at UNIQA, Austria's biggest insurance group. Prior to that he was Managing Director/Head of Trading at Creditanstalt Investment Bank, a boutique investment bank, which is now owned by UniCredit Group. Previous work involved setting up Creditanstalt Investment Bank's derivative business for Central and Eastern Europe with the Austrian Options and Futures Exchange and working as an equities and derivatives trader.

Markus Rezny (born in 1968)

Markus Rezny (born 1968) joined Griffin Capital Management in March 2004 and has over 13 years' experience in corporate finance and investment management and a detailed knowledge of companies and capital markets in Western and Eastern Europe. Prior to joining Griffin he was a Director in the European equity capital markets team at Lehman Brothers International in London. Prior to that he worked in equity capital markets at Creditanstalt Investment Bank in Vienna and London. Markus holds a masters degree in business administration from the University of Economics and Business Administration in Vienna.

Fund Details

Investment Region	Europe
Fund Currency	EUR
Dealing	Weekly (Fridays)
Dealing Deadline	17:00 Irish time, subscriptions: T-3, redemptions: T-8
Min. Investment	USD 100,000 (initial)
CUSIP	G4122H118
ISIN No.	KYG4122H1184
WKN	A0CBG6
Euroclear Common Code	019410978
NAV-Publication	Financial Times, Reuters (GRIFFUNDS) Bloomberg (GRIFHDG KY Equity)
Management Fee	1.75% p.a.
Performance Fee	20% of net capital gain (high watermark)
Initial Commission	5%
Financial Year End	31st December
Distributing/Re-invest Dividend	Re-invest Dividends
Domicile	Cayman Islands
Registered Stock Exchange	n/a
Status	Open-ended Investment Company
Prime Broker	UBS
Auditors	PricewaterhouseCoopers
Legal Advisor	Walkers
Marketing Registration	n/a

Further Information/Dealing

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