

# ARCOBALENO FUND

Société d'Investissement à Capital Variable  
Luxembourg

**Audited annual report  
as at 31st December 2008**

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# ARCOBALENO FUND

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# **ARCOBALENO FUND**

## **ORGANISATION**

### **REGISTERED OFFICE**

11, Rue Aldringen  
L-1118 Luxembourg  
(since 27th August 2008)

4, Boulevard Royal  
L-2449 Luxembourg  
(until 27th August 2008)

### **BOARD OF DIRECTORS**

#### *Chairman:*

Serge D'ORAZIO

Sous-Directeur  
KBL European Private Bankers S.A., Luxembourg  
(since 28th August 2008)

Roberto DI CARLO

General Manager  
Sella Bank Luxembourg S.A., Luxembourg  
(until 28th August 2008)

#### *Members:*

Antonio GRASSO

Independent Consultant, Switzerland

Angelo LAZZARI

Managing Director  
ARC Asset Management S.A., Luxembourg

André SCHMIT

Fondé de Pouvoir Principal  
KREDIETRUST LUXEMBOURG S.A., Luxembourg  
(since 28th August 2008)

Andrea PRENCIPE

Head of Client Relationship Management  
Sella Bank Luxembourg S.A., Luxembourg  
(until 28th August 2008)

### **MANAGEMENT COMPANY**

ARC Asset Management S.A.  
111, Avenue de la Faiencerie  
L-1511 Luxembourg

### **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

#### *Chairman:*

Pierre BULTEZ, Independent Consultant

#### *Members:*

Angelo LAZZARI, Managing Director  
Fabrizio MONTANARI, Independent Consultant

# **ARCOBALENO FUND**

## **ORGANISATION (continued)**

### *Conducting Persons of the Management Company:*

Pierre BULTEZ, Independent Consultant  
Angelo LAZZARI, Managing Director

### **LEGAL ADVISER**

Arendt & Medernach  
Avocats à la Cour  
14, Rue Erasme  
B.P. 39  
L-2010 Luxembourg

### **INVESTMENT ADVISER**

ARC ADVISORY COMPANY S.A.  
111, Avenue de la Faiencerie  
L-1511 Luxembourg

### **CUSTODIAN AND PRINCIPAL PAYING AGENT**

KBL European Private Bankers S.A.  
43, Boulevard Royal  
L-2955 Luxembourg  
(since 27th August 2008)

Sella Bank Luxembourg S.A.  
4, Boulevard Royal  
L-2449 Luxembourg  
(until 27th August 2008)

### **DOMICILIARY, DELEGATED ADMINISTRATIVE, TRANSFER AND REGISTRAR AGENT**

KREDIETRUST LUXEMBOURG S.A.  
11, Rue Aldringen  
L-2960 Luxembourg  
(since 27th August 2008)

Sella Bank Luxembourg S.A.  
4, Boulevard Royal  
L-2449 Luxembourg  
(until 27th August 2008)

### **INDEPENDENT AUDITOR**

Deloitte S.A.  
560, Rue de Neudorf  
L-2220 Luxembourg

# ARCOBALENO FUND

## REPORT OF THE BOARD OF DIRECTORS

### GENERAL COMMENTS

It is indeed very difficult to comment in depth the negative trend started in September 2008 and the subsequent difficult situation of the financial markets and of the global world economy.

If it is true that it doesn't astonish anybody that a financial crisis might appear from time to time, it is also true that the important frequency of these crises shown up lately has been of a significant surprise.

At each decade of the twentieth century there has been at least one important shock in the financial system of some important market economy. And what has almost always been the basis of these problems is the financial levers.

If we look at the historical available data, the actual crisis, showing a new characteristic of extended globality, is amongst the most important ones and is caused by the use of 2 levers, the one of the housing mortgages and the one of the financial services.

At the end of December 2008, the American financial institutions did declare devaluations for about one thousand billion dollar. The losses could be even higher if other assets get into trouble. Today, the possible losses are estimated between 10 and 15% of the American GDP.

Also, the crisis is worsening because of the lack of confidence of the investors, of the consumers and of the companies. It can turn out to become a huge recession if the conception of the credit allowances to the businesses is not, in a very short time, reviewed and taken under control.

We think that today, the answers that started to be provided by the different Governments tend to drive to the right solutions requested by this particular situation.

If we look at the The Great Depression, we realize that the economy continued to decrease for 3 terrible years.

The stock markets, that usually anticipate the events, have been in a continuous downtrend for over 20 months now.

But, as story tells us, exceptional opportunities will arise, like in every crisis period. Our commitment will be to track and dig out these opportunities and make the best out of it.

Performance of the Sub-Funds during the period :

	Net Asset Value 31/12/2007	Net Asset Value 31/12/2008	Variation %
ARCOBALENO FUND - Linea Azzurra	93.08	62.90	-32.424
ARCOBALENO FUND - Linea Bianca	98.78	95.38	-3.442
ARCOBALENO FUND - Flexible International	96.88	84.13	-13.161
ARCOBALENO FUND - Blu	97.52	78.12	-19.893
ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR)	82.85	57.14	-31.032
ARCOBALENO FUND - Europe Equity Fund MSCR	107.13	80.45	-24.904
ARCOBALENO FUND - Pacific Equity Fund MSCR	86.61	53.20	-38.575
ARCOBALENO FUND - World Flex Equity Fund	99.24	75.40	-24.023
ARCOBALENO FUND - Profit Total Return	97.73	61.05	-37.532

# ARCOBALENO FUND

## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR)

Due to the limited assets in this Sub-Fund, not allowing a courageous decision taking in respect to particular investment ideas and wanting to reduce risk at the maximum, we preferred to follow a cautious benchmarked management. As of the second half of the year, we have seen an important deterioration of the American situation and we have decided to continue this cautious attitude also by using options for hedging the stocks risk. So doing, we have avoided consistent losses. A negative event, partially penalizing the performance, has been the default of Lehman Brothers, as the Sub-Fund had a small exposure on a bond of this issuer during the second part of the year.

#### Specific events

##### 2008

- With effect 26th August 2008, ARCOBALENO FUND - America Equity Fund MSCR has been redenominated into ARCOBALENO FUND - America Equity Fund, as MSCR was referring to a special management and stock selection strategy that did not perform and was therefore abandoned.
- The investment management fee has been increased from “maximum 2%” to “maximum 2.5%”, due to the evolution of the american markets.
- The limit of “5% of the Sub-Fund’s assets on investments in UCITS and other UCIs has been cancelled.
- In relation to the funds managed by B. Madoff, the price of the security Herald Fd SPC USA Segregated Ptf 1 USD has been valued at 10% of the last price available (28th November 2008 with effect as at 31st December 2008).

##### 2009

With effect 19th March 2009, ARCOBALENO FUND - Pacific Equity Fund MSCR and ARCOBALENO FUND - America Equity Fund will merge into ARCOBALENO FUND - Anteo International Fund by absorption of Pacific by America and change of investment policy into: “The main objective is to provide the investors with a long-term period capital growth (5 to 10 years) by investing primarily in financial instruments from countries that adopt Dollar US or Euro like currencies. The investment strategy consists in a dynamic approach with periodical adjustments of the portfolio in order to seize the day to day opportunities of the markets.

### ARCOBALENO FUND - Linea Azzurra

The characteristic of this Sub-Fund is that it has always been a balanced management, with the stock portfolio proportion always slightly superior to 50%. A high diversification has been privileged in order to reduce to a maximum volatility and risk.

As for the bonds stake, quality has been predominant and this has enabled not to get involved in the various default cases shown up and to avoid liquidity problems.

# **ARCOBALENO FUND**

## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### **ARCOBALENO FUND - Linea Bianca**

This Sub-Fund can only be invested in "investment grade" bonds, ie. the average allocation of the portfolio has to be superior to BBB, as indicated in the investment policy. Due to negative news on the international economic scene for the developed countries, especially for the US, preference has been given to the good quality of the issuer and the high liquidity of the issues. The chosen bonds were mostly those issued by European agencies, with a preference for the countries Germany and Italy. The weight of government bonds was superior to 50%. Our particular attention given to the liquidity has allowed us to choose bonds that were not directly or indirectly related to the persisting crisis.

We have selected mainly AAA/AA bonds with floating coupons, as the yield difference between the floating and fixed income was minimal.

Cash has stayed relatively high all along as volatility has been high and spreads on government bonds have been extremely wide, so showing disproportioned yields.

This trend in defensive policy will certainly persist as the markets don't show any signs of recovery for 2009.

### **ARCOBALENO FUND - Blu**

2008 has been in the continuity of the negative trend of end 2007, that at the time seemed to be exclusively related to the real estate crisis.

This time, the free fall was global, total and for all sectors of activities in the whole world.

The consequence of this is that we have moved towards traditional securities, to less speculative stocks to avoid any excessive damage.

On the other hand, the stock markets being extremely volatile and uncertain, the strategy has been to position ourselves on fixed income products, in particular on government bonds, trying to keep as much cash as possible.

Even though big efforts are currently made worldwide to find solutions to this crisis and to adopt government anti-crisis plans, we don't intend to change our defensive approach before 2010, as we think any plan will be difficult to be put into practice soon.

### **ARCOBALENO FUND - Europe Equity Fund MSCR**

The strategy for the Sub-Fund is the one adopted for World Flex, but obviously only applied on European markets. In spite of the geographical limitation reducing partially the efficiency of the sectorial diversification, and of a cautious management, we were able to obtain significantly better results in respect to the European stock markets.

### **ARCOBALENO FUND - Flexible International**

In continuity with the strategy used in 2007, we kept managing this Sub-Fund with caution. This allowed us to limit the losses. In fact, the depreciation of the market shares has been of about one third of the one of the financial markets. During 2008, the Sub-Fund has suffered of important redemptions, obliging us to continuously readjust the portfolio, sometimes against our tactic-strategic will, but necessary to face the redemption requests. On the bonds side, quality has prevailed so allowing us to avoid default cases.

# **ARCOBALENO FUND**

## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### **ARCOBALENO FUND - Pacific Equity Fund MSCR**

Due to the limited assets in this Sub-Fund, not allowing a courageous decision taking in respect to particular investment ideas and wanting to reduce risk at the maximum, we have preferred to follow a cautious benchmarked management. In order to resolve the problem of the little assets, we have decided to merge this Sub-Fund with the Sub-Fund ARCOBALENO FUND - America Equity Fund.

### **ARCOBALENO FUND - Profit Total Return**

The Sub-Fund has been very active, constantly trying to grab opportunities and so engaging a major risk. This management style has of course suffered a lot because of the worsening of the financial situation and, above all, the failure of a huge number of American financial institutions, even of high standards. The portfolio therefore contains devaluated assets, also because of the poor liquidity of some of them, but in our opinion, these are therefore undervalued.

In case of a world economy recovery, we estimate this Sub-Fund to have good chances to recover all the losses of the last months.

### **ARCOBALENO FUND - World Flex Equity Fund**

The Sub-Fund has taken profit of important subscriptions during 2008, allowing it to set up the chosen strategy, being a sectorial diversification by using ETFs or funds. As a matter of fact, with these instruments we have tried to invest in particular sectors, with a balanced mix between defensive and "of better opportunity". The deterioration of the situation, the ongoing crash of every single market and of almost every sector has seriously damaged this strategy. Nevertheless, the latter has enabled for better results than those of the market.

Luxembourg, 13th March 2009

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.

# **ARCOBALENO FUND**

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
**ARCOBALENO FUND**

Following our appointment by the general meeting of the shareholders, we have audited the accompanying financial statements of ARCOBALENO FUND and of each of its Sub-Funds, which comprise the statement of net assets and the statement of investments and other net assets as at 31st December 2008 and the statement of operations and other changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### **Board of Directors' responsibility of the SICAV for the financial statements**

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the réviseur d'entreprises**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the *Institut des Réviseurs d'Entreprises*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors of the SICAV as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# ARCOBALENO FUND

## INDEPENDENT AUDITOR'S REPORT (continued)

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ARCOBALENO FUND and of each of its Sub-Funds as of 31st December 2008, and of the results of their operations and changes in their net assets for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Deloitte S.A.

Réviseur d'entreprises



Stéphane Césari

Partner

14th April 2009

560, rue de Neudorf  
L-2220 LUXEMBOURG

# **ARCOBALENO FUND**

## **CONSOLIDATED STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

### **ASSETS**

Securities portfolio at market value	33,029,249.57
Option contracts at market value	86,705.00
Deposits on futures contracts	1,000,000.00
Cash at banks	701,967.07
Receivable on sales of securities	723,731.43
Receivable on financial instruments	112,050.00
Receivable on issues of shares	34,612.92
Income receivable on portfolio	455,869.84
Interest receivable on bank accounts	1,377.97
Other receivables	110,000.00
Prepaid expenses	5,366.78
	<hr/>
Total assets	36,260,930.58
	<hr/>

### **LIABILITIES**

Bank liabilities	1,667,341.23
Issued options	3,766.30
Unrealised loss on futures contracts	19,930.71
Interest on bank liabilities and expenses payable	281,528.64
Other liabilities	50,554.20
	<hr/>
Total liabilities	2,023,121.08
	<hr/>
NET ASSETS at the end of the year	34,237,809.50
	<hr/>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **CONSOLIDATED STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008  
(in EUR)

### **INCOME**

Dividends, net	1,077,802.82
Interest on bonds and other debt securities, net	1,347,816.26
Interest on bank accounts	288,863.13
Total income	2,714,482.21

### **EXPENSES**

Advisory fees	914,786.05
Management fees	553,755.50
Custodian fees	90,250.66
Banking charges and other fees	72,357.18
Transaction fees	263,122.53
Central administration costs	280,474.88
Audit fees	96,978.60
Other administration costs	292,006.49
Subscription duty ("taxe d'abonnement")	34,786.42
Interest paid on bank liabilities	12,797.09
Other expenses	81,763.89
Total expenses	2,693,079.29

NET INVESTMENT INCOME 21,402.92

### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-15,251,896.41
- on options	-781,740.52
- on futures contracts	6,793,657.93
- on forward foreign exchange contracts	12,610.14
- on foreign exchange	97,348.33

REALISED RESULT -9,108,617.61

### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-5,732,584.44
- on options	-21,806.80
- on futures contracts	79,384.49
- on forward foreign exchange contracts	-9,700.18

RESULT OF OPERATIONS -14,793,324.54

Subscriptions 46,702,768.26

Redemptions -72,294,306.69

TOTAL CHANGES IN NET ASSETS -40,384,862.97

TOTAL NET ASSETS at the beginning of the year 74,622,672.47

TOTAL NET ASSETS at the end of the year 34,237,809.50

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Azzurra**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	1,834,659.66
Deposits on futures contracts	15,000.00
Cash at banks	145,839.11
Income receivable on portfolio	9,152.77
Interest receivable on bank accounts	160.46
Prepaid expenses	188.36
	<hr/>
Total assets	2,005,000.36
	<hr/>

#### **LIABILITIES**

Interest on bank liabilities and expenses payable	19,127.23
Other liabilities	1,790.44
	<hr/>
Total liabilities	20,917.67
	<hr/>

NET ASSETS at the end of the year	1,984,082.69
	<hr/> <hr/>

Number of Category B-Shares outstanding	31,542.329
Net asset value per Category B-Share	62.90

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Azzurra**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	104,175.37
Interest on bonds and other debt securities, net	81,665.02
Interest on bank accounts	6,225.58
Total income	192,065.97

#### **EXPENSES**

Advisory fees	84,078.92
Management fees	29,898.65
Custodian fees	5,908.26
Banking charges and other fees	7,340.18
Transaction fees	3,305.65
Central administration costs	27,613.24
Audit fees	10,775.40
Other administration costs	21,881.95
Subscription duty ("taxe d'abonnement")	2,028.30
Interest paid on bank liabilities	22.72
Other expenses	10,152.91
Total expenses	203,006.18

NET INVESTMENT INCOME -10,940.21

#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-664,125.76
- on foreign exchange	8,167.25

REALISED RESULT -666,898.72

#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-1,051,619.02
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RESULT OF OPERATIONS -1,718,517.74

Subscriptions 190,619.04

Redemptions -6,183,772.51

TOTAL CHANGES IN NET ASSETS -7,711,671.21

TOTAL NET ASSETS at the beginning of the year 9,695,753.90

TOTAL NET ASSETS at the end of the year 1,984,082.69

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Azzurra**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	1,984,082.69
- as at 31.12.2007	9,695,753.90
- as at 31.12.2006	14,393,542.75

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	104,165.649
- issued	2,436.257
- redeemed	-75,059.577
<hr/>	
- outstanding at the end of the year	31,542.329

#### **Net asset value per Category B-Share**

- as at 31.12.2008	62.90
- as at 31.12.2007	93.08
- as at 31.12.2006	96.03

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

Linea Azzurra

## STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Shares</u></b>					
EUR	402	Air Liquide SA	34,944.84	26,622.45	1.34
EUR	677	Allianz SE Reg	111,409.96	50,775.00	2.56
EUR	1,198	ArcelorMittal SA	64,118.90	20,659.51	1.04
EUR	2,715	Axa SA	86,728.86	42,354.00	2.13
EUR	1,331	BNP Paribas SA	108,264.59	39,930.00	2.01
EUR	1,154	Bayer AG	64,318.08	47,948.70	2.42
EUR	1,051	Carrefour SA	50,521.54	28,723.83	1.45
EUR	1,483	Daimler AG Reg	107,584.55	39,596.10	2.00
EUR	938	Danone Groupe	55,614.16	40,742.03	2.05
EUR	754	Deutsche Bank AG Reg	71,523.73	20,983.82	1.06
EUR	5,851	Deutsche Telekom AG Reg	66,189.60	62,898.25	3.17
EUR	2,861	E.On AG	92,659.26	81,366.84	4.10
EUR	8,185	ENEL SpA	58,961.79	37,016.66	1.87
EUR	4,840	ENI SpA	110,781.20	81,021.60	4.08
EUR	3,835	ING Groep NV Certif	115,164.95	29,579.36	1.49
EUR	13,500	Intesa Sanpaolo SpA	75,468.84	34,256.25	1.73
EUR	389	LVMH Moët Hennessy L Vuitton	33,529.04	18,199.37	0.92
EUR	7,000	Nokia Oyj	115,565.83	77,700.00	3.92
EUR	1,626	Philips Electronics NV	51,076.12	22,617.66	1.14
EUR	1,194	Repsol YPF SA	30,439.85	18,029.40	0.91
EUR	1,000	Siemens AG Reg	79,512.99	52,680.00	2.65
EUR	704	Société Générale A	68,224.63	25,344.00	1.28
EUR	31,500	Telecom Italia SpA Risip	39,063.73	24,853.50	1.25
EUR	2,407	Total SA	131,770.23	94,354.40	4.76
EUR	17,100	Unicredit SpA	83,028.49	29,839.50	1.50
<b>Total shares</b>			<b>1,906,465.76</b>	<b>1,048,092.23</b>	<b>52.83</b>
<b><u>Bonds</u></b>					
EUR	50,000	GE Capital European Funding FRN EMTN 07/18.09.09	49,871.93	48,268.93	2.43
EUR	150,000	Goldman Sachs Group Inc 5.125% EMTN Sen 07/16.10.14	148,080.48	126,247.50	6.36
EUR	100,000	Mizuho Finance Ltd VAR 04/15.04.14	101,865.88	99,532.19	5.02
EUR	100,000	Monte Dei Paschi Di Siena SpA VAR EMTN 03/24.09.15	101,873.79	94,640.00	4.77
			<b>401,692.08</b>	<b>368,688.62</b>	<b>18.58</b>
GBP	50,000	Banque PSA Finance 5.125% EMTN Ser 345 Tr 1 06/12.05.09	69,497.18	49,129.25	2.48
ITL	205,000,000	IBRD 0% EMTN 96/07.11.16	73,596.19	79,988.99	4.03
<b>Total bonds</b>			<b>544,785.45</b>	<b>497,806.86</b>	<b>25.09</b>
<b><u>TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</u></b>					
<b><u>Bonds</u></b>					
USD	200,000	General Electric Capital Corp FRN MTN Ser A 05/21.10.10	134,222.42	128,264.57	6.46
<b>Total bonds</b>			<b>134,222.42</b>	<b>128,264.57</b>	<b>6.46</b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Azzurra**

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS (continued)**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>OTHER TRANSFERABLE SECURITIES</u></b>					
<b><u>Undertakings for collective investment</u></b>					
EUR	200	Iris Fund SICAV-FIS Peak Hedge Fd Cap	199,367.60	160,496.00	8.09
<b>Total undertakings for collective investment</b>			<u>199,367.60</u>	<u>160,496.00</u>	<u>8.09</u>
TOTAL INVESTMENTS IN SECURITIES			<u>2,784,841.23</u>	<u>1,834,659.66</u>	<u>92.47</u>
CASH AT BANKS				145,839.11	7.35
OTHER NET ASSETS/(LIABILITIES)				3,583.92	0.18
TOTAL				<u>1,984,082.69</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Azzurra**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Diversified financial services	24.24 %
Banks	12.35 %
Energy	9.75 %
Investment funds	8.09 %
Utilities	5.97 %
Materials	4.80 %
Insurance	4.69 %
Telecommunication services	4.42 %
International institutions	4.03 %
Technology hardware and equipment	3.92 %
Capital goods	2.65 %
Consumer durables and apparel	2.06 %
Food, beverage and tobacco	2.05 %
Automobiles and components	2.00 %
Food retailing, drugstores and pharmacies	1.45 %
<b>TOTAL</b>	<b><u>92.47 %</u></b>

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

France	18.42 %
Germany	17.96 %
United States of America	16.85 %
Italy	15.20 %
Grand Duchy of Luxembourg	9.13 %
Cayman Islands	5.02 %
Finland	3.92 %
The Netherlands	2.63 %
Ireland	2.43 %
Spain	0.91 %
<b>TOTAL</b>	<b><u>92.47 %</u></b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Bianca**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	9,078,839.00
Deposits on futures contracts	25,000.00
Cash at banks	226,718.67
Receivable on issues of shares	23,688.10
Income receivable on portfolio	129,416.16
Interest receivable on bank accounts	495.94
Prepaid expenses	1,631.76
	<hr/>
Total assets	9,485,789.63

#### **LIABILITIES**

Interest on bank liabilities and expenses payable	48,899.62
Other liabilities	7,793.80
	<hr/>
Total liabilities	56,693.42

NET ASSETS at the end of the year	9,429,096.21
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Number of Category B-Shares outstanding	98,857,418
Net asset value per Category B-Share	95.38

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Bianca**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Interest on bonds and other debt securities, net	979,698.08
Interest on bank accounts	13,748.47
Total income	993,446.55

#### **EXPENSES**

Advisory fees	148,863.68
Management fees	95,126.10
Custodian fees	27,155.14
Banking charges and other fees	8,303.79
Transaction fees	15,220.52
Central administration costs	48,042.22
Audit fees	10,775.40
Other administration costs	64,750.81
Subscription duty ("taxe d'abonnement")	10,434.31
Other expenses	13,962.88
Total expenses	442,634.85

NET INVESTMENT INCOME	550,811.70
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#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-1,673,151.76
- on futures contracts	-66,570.00

REALISED RESULT	-1,188,910.06
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#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	191,222.42
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RESULT OF OPERATIONS	-997,687.64
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Subscriptions	10,781,184.84
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Redemptions	-24,949,017.63
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TOTAL CHANGES IN NET ASSETS	-15,165,520.43
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TOTAL NET ASSETS at the beginning of the year	24,594,616.64
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TOTAL NET ASSETS at the end of the year	9,429,096.21
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The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Bianca**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	9,429,096.21
- as at 31.12.2007	24,594,616.64
- as at 31.12.2006	2,897,052.09

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	248,983.641
- issued	109,460.086
- redeemed	-259,586.309
<hr/>	
- outstanding at the end of the year	98,857.418

#### **Net asset value per Category B-Share**

- as at 31.12.2008	95.38
- as at 31.12.2007	98.78
- as at 31.12.2006	99.49

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## Linea Bianca

### STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Bonds</u></b>					
EUR	700,000	Atlantia SpA FRN EMTN 04/09.06.11	697,340.00	658,175.00	6.98
EUR	725,000	Belgium 3% OLO Ser 45 05/28.03.10	708,188.38	731,951.23	7.76
EUR	750,000	DNB NOR Bank ASA FRN EMTN Sen 05/27.09.10	747,610.33	729,262.50	7.73
EUR	900,000	Deutschland 3.5% Ser 149 06/14.10.11	881,516.59	939,786.39	9.97
EUR	625,000	Deutschland 3.75% Ser 06 06/04.01.17	588,582.28	663,468.75	7.04
EUR	725,000	France 4.25% OAT 03/25.04.19	714,109.42	775,614.79	8.23
EUR	800,000	Intesa Sanpaolo SpA FRN EMTN Ser 183 05/11.05.12	796,968.78	760,200.00	8.06
EUR	775,000	Italia 4% 07/15.04.12	767,289.11	787,206.25	8.35
EUR	775,000	Italia 4% BTP 05/01.02.37	661,857.89	658,713.65	6.99
EUR	475,000	Italia 4.5% BTP 07/01.02.18	471,186.90	482,220.00	5.11
EUR	500,000	Italia FRN CCT 07/01.03.14	468,400.00	471,500.00	5.00
EUR	200,000	Netherlands 5.5% 98/15.01.28	222,358.04	241,600.00	2.56
EUR	800,000	Nordea Bank AB FRN EMTN Sen 08/27.05.10	799,760.00	780,384.32	8.28
<b>Total bonds</b>			<b>8,525,167.72</b>	<b>8,680,082.88</b>	<b>92.06</b>
<b><u>TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</u></b>					
<b><u>Bonds</u></b>					
EUR	400,000	BNP Paribas SA FRN EMTN Sen 08/14.04.10	399,200.00	398,756.12	4.23
<b>Total bonds</b>			<b>399,200.00</b>	<b>398,756.12</b>	<b>4.23</b>
<b>TOTAL INVESTMENTS IN SECURITIES</b>			<b>8,924,367.72</b>	<b>9,078,839.00</b>	<b>96.29</b>
<b>CASH AT BANKS</b>				<b>226,718.67</b>	<b>2.40</b>
<b>OTHER NET ASSETS/(LIABILITIES)</b>				<b>123,538.54</b>	<b>1.31</b>
<b>TOTAL</b>				<b>9,429,096.21</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Linea Bianca**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Countries and governments	61.01 %
Banks	28.30 %
Transportation	6.98 %
TOTAL	<u>96.29 %</u>

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

Italy	40.49 %
Germany	17.01 %
France	12.46 %
Sweden	8.28 %
Belgium	7.76 %
Norway	7.73 %
The Netherlands	2.56 %
TOTAL	<u>96.29 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Flexible International**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	2,284,381.45
Cash at banks	731.77
Income receivable on portfolio	13,296.72
Interest receivable on bank accounts	90.56
Prepaid expenses	188.36
	<hr/>
Total assets	2,298,688.86
	<hr/>

#### **LIABILITIES**

Bank liabilities	166,646.28
Interest on bank liabilities and expenses payable	21,651.71
Other liabilities	2,621.40
	<hr/>
Total liabilities	190,919.39
	<hr/>

NET ASSETS at the end of the year	2,107,769.47
	<hr/> <hr/>

Number of Category B-Shares outstanding	25,053.960
Net asset value per Category B-Share	84.13

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Flexible International**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	10,268.80
Interest on bonds and other debt securities, net	47,654.98
Interest on bank accounts	14,131.58
Total income	<hr/> 72,055.36

#### **EXPENSES**

Advisory fees	57,668.77
Management fees	27,416.06
Custodian fees	4,592.84
Banking charges and other fees	17,115.34
Transaction fees	2,429.05
Central administration costs	24,177.50
Audit fees	10,775.40
Other administration costs	24,693.64
Subscription duty ("taxe d'abonnement")	1,575.61
Other expenses	6,875.43
Total expenses	<hr/> 177,319.64

NET INVESTMENT INCOME -105,264.28

#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	13,198.21
- on forward foreign exchange contracts	12,610.14
- on foreign exchange	2,363.09
	<hr/> 2,363.09

REALISED RESULT -77,092.84

#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-378,291.49
- on forward foreign exchange contracts	-9,700.18
	<hr/> -9,700.18

RESULT OF OPERATIONS -465,084.51

Subscriptions 36,499.82

Redemptions -2,886,275.07

TOTAL CHANGES IN NET ASSETS -3,314,859.76

TOTAL NET ASSETS at the beginning of the year 5,422,629.23

TOTAL NET ASSETS at the end of the year 

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2,107,769.47

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Flexible International**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	2,107,769.47
- as at 31.12.2007	5,422,629.23
- as at 31.12.2006	16,336,738.65

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	55,970.275
- issued	427.250
- redeemed	-31,343.565
<hr/>	
- outstanding at the end of the year	25,053.960

#### **Net asset value per Category B-Share**

- as at 31.12.2008	84.13
- as at 31.12.2007	96.88
- as at 31.12.2006	96.93

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## Flexible International

### STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Shares</u></b>					
EUR	4,410	Atlantia SpA	99,775.78	57,771.00	2.74
EUR	4,841	Fiat SpA	45,216.30	22,220.19	1.05
			144,992.08	79,991.19	3.79
USD	1,197	California Water Serv Group	45,030.43	38,911.07	1.85
USD	3,304	Natural Resource Partners LP Units	73,741.86	39,952.20	1.90
USD	3,334	Newmont Mining Corp	148,368.93	94,351.15	4.48
USD	2,209	Republic Services Inc	44,627.81	37,146.00	1.76
			311,769.03	210,360.42	9.99
<b>Total shares</b>			456,761.11	290,351.61	13.78
<b><u>Tracker funds</u></b>					
EUR	3,882	iShares II Plc DJES 50	148,022.79	94,022.04	4.46
EUR	1,226	iShares Plc FTSE/Xinhua China 25	73,975.68	69,673.58	3.31
EUR	13,232	iShares Plc MSCI Japan	147,991.86	88,654.40	4.21
<b>Total tracker funds</b>			369,990.33	252,350.02	11.98
<b><u>Investment certificates</u></b>					
USD	2,000	ETFS Oil Securities Ltd Brent Oil Perpetual	95,050.37	41,791.89	1.98
<b>Total investment certificates</b>			95,050.37	41,791.89	1.98
<b><u>Index linked certificates</u></b>					
EUR	1,750	Deutsche Bank AG Certif S&P MIB Index 06/30.06.09	175,304.50	182,787.50	8.67
<b>Total index linked certificates</b>			175,304.50	182,787.50	8.67
<b><u>Bonds</u></b>					
EUR	100,000	Eurohypo AG 4.25% Ser 533 99/06.07.09	100,400.00	100,435.00	4.76
EUR	250,000	Italia FRN CCT 02/01.04.09	250,714.64	251,172.50	11.92
EUR	300,000	Italia FRN CCT 03/01.06.10	299,190.34	299,895.00	14.23
EUR	50,000	Rabobank Nederland 3.625% EMTN 04/21.01.09	49,875.00	50,017.50	2.37
			700,179.98	701,520.00	33.28
ITL	870,000,000	IBRD 0% EMTN 96/07.11.16	312,996.39	339,465.48	16.10
<b>Total bonds</b>			1,013,176.37	1,040,985.48	49.38
<b><u>Money market instruments</u></b>					
EUR	150,000	Deutschland 0% T-Bills Ser 0808 08/18.02.09	149,850.00	149,776.37	7.11
<b>Total money market instruments</b>			149,850.00	149,776.37	7.11

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Flexible International**

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS (continued)**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</u></b>					
<b><u>Bonds</u></b>					
EUR	150,000	Landwirtschaftliche Rentenbk 3.75% EMTN Ser 907 08/12.04.13	149,581.29	152,625.00	7.24
ITL	500,000,000	EBRD Step-down EMTN Sen 98/05.11.18	161,816.66	173,713.58	8.24
<b>Total bonds</b>			<u>311,397.95</u>	<u>326,338.58</u>	<u>15.48</u>
TOTAL INVESTMENTS IN SECURITIES			<u>2,571,530.63</u>	<u>2,284,381.45</u>	<u>108.38</u>
CASH AT BANKS				731.77	0.03
BANK LIABILITIES				-166,646.28	-7.91
OTHER NET ASSETS/(LIABILITIES)				-10,697.47	-0.50
TOTAL				<u>2,107,769.47</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Flexible International**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Countries and governments	33.26 %
International institutions	24.34 %
Banks	23.04 %
Investment funds	13.96 %
Materials	4.48 %
Transportation	2.74 %
Energy	1.90 %
Utilities	1.85 %
Commercial services and supplies	1.76 %
Automobiles and components	1.05 %
TOTAL	<u>108.38 %</u>

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

Italy	29.94 %
Germany	27.78 %
United States of America	26.09 %
Ireland	11.98 %
United Kingdom	8.24 %
The Netherlands	2.37 %
Jersey	1.98 %
TOTAL	<u>108.38 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

Blu

## **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

### **ASSETS**

Securities portfolio at market value	8,412,019.20
Deposits on futures contracts	750,000.00
Receivable on issues of shares	4,324.89
Income receivable on portfolio	92,071.42
Interest receivable on bank accounts	372.13
Prepaid expenses	1,868.81
	<hr/>
Total assets	9,260,656.45

### **LIABILITIES**

Bank liabilities	942,283.24
Interest on bank liabilities and expenses payable	90,801.30
Other liabilities	28,453.26
	<hr/>
Total liabilities	1,061,537.80

NET ASSETS at the end of the year	8,199,118.65
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Number of Category B-Shares outstanding	104,952.087
Net asset value per Category B-Share	78.12

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

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## **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

### **INCOME**

Dividends, net	709,272.90
Interest on bonds and other debt securities, net	40,233.57
Interest on bank accounts	122,451.00
Total income	<hr/> 871,957.47

### **EXPENSES**

Advisory fees	358,903.88
Management fees	227,408.21
Custodian fees	29,036.97
Banking charges and other fees	10,054.46
Transaction fees	128,828.54
Central administration costs	53,934.55
Audit fees	10,775.40
Other administration costs	64,955.92
Subscription duty ("taxe d'abonnement")	11,594.37
Interest paid on bank liabilities	4,139.56
Other expenses	11,571.60
Total expenses	<hr/> 911,203.46

NET INVESTMENT INCOME -39,245.99

### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-10,622,752.64
- on futures contracts	6,496,867.90
- on foreign exchange	139.75

REALISED RESULT -4,164,990.98

### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-1,045,878.76
- on futures contracts	100,305.00

RESULT OF OPERATIONS -5,110,564.74

Subscriptions 16,814,864.59

Redemptions -26,007,954.10

TOTAL CHANGES IN NET ASSETS -14,303,654.25

TOTAL NET ASSETS at the beginning of the year 22,502,772.90

TOTAL NET ASSETS at the end of the year 

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8,199,118.65

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

Blu

## **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

### **Total net assets**

- as at 31.12.2008	8,199,118.65
- as at 31.12.2007	22,502,772.90
- as at 31.12.2006	1,933,769.36

### **Number of Category B-Shares**

- outstanding at the beginning of the year	230,758.062
- issued	182,042.043
- redeemed	-307,848.018
<hr/>	
- outstanding at the end of the year	104,952.087

### **Net asset value per Category B-Share**

- as at 31.12.2008	78.12
- as at 31.12.2007	97.52
- as at 31.12.2006	98.79

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

Blu

## STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>INVESTMENTS IN SECURITIES</b>					
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>					
<b>Shares</b>					
EUR	1,350	Allianz SE Reg	170,918.11	101,250.00	1.23
EUR	2,300	Anheuser-Bush InBev SA	100,069.85	36,512.50	0.45
EUR	3,850	BASF SE	154,449.51	106,760.50	1.30
EUR	2,400	BNP Paribas SA	162,160.83	72,000.00	0.88
EUR	12,850	Banco Santander SA	93,806.87	86,737.50	1.06
EUR	2,700	Christian Dior SA	199,536.90	108,310.50	1.32
EUR	5,250	DSM NV	177,807.80	96,048.75	1.17
EUR	2,150	Danone Groupe	107,167.68	93,385.25	1.14
EUR	9,400	Deutsche Lufthansa AG Reg	143,482.91	105,186.00	1.28
EUR	3,500	E.On AG	137,785.60	99,540.00	1.21
EUR	5,200	ENI SpA	123,623.62	87,048.00	1.06
EUR	2,500	Fresenius Medical Care AG & Co KGaA	87,937.82	83,275.00	1.02
EUR	16,050	Iberdrola SA	95,400.21	104,967.00	1.28
EUR	39,300	Intesa Sanpaolo SpA	175,902.39	99,723.75	1.22
EUR	3,730	KBC Group SA	261,307.38	82,004.05	1.00
EUR	2,200	Nexans SA	152,787.09	94,314.00	1.15
EUR	8,800	Nokia Oyj	138,725.43	97,680.00	1.19
EUR	3,450	SAP AG	109,361.40	87,078.00	1.06
EUR	7,000	SES SA FDR repr 1 Reg Sh A	111,965.39	94,850.00	1.16
EUR	2,050	Schneider Electric SA	167,598.21	109,326.50	1.33
EUR	2,700	Société Générale A	172,406.32	97,200.00	1.19
EUR	6,050	Telefonica SA	108,136.30	95,892.50	1.17
EUR	2,300	Total SA	119,891.63	90,160.00	1.10
EUR	3,150	Vinci SA	149,839.52	94,059.00	1.15
EUR	4,400	Vivendi	121,678.60	102,762.00	1.25
<b>Total shares</b>			<b>3,543,747.37</b>	<b>2,326,070.80</b>	<b>28.37</b>
<b>Bonds</b>					
EUR	50,000	Coca-Cola HBC Finance Plc FRN EMTN 06/24.03.09	50,134.00	49,660.00	0.61
EUR	750,000	EIB FRN Sr EMTN 04/21.09.09	748,500.00	732,000.00	8.93
EUR	500,000	Italia 3% BTP Sen 04/15.04.09	501,000.00	501,525.00	6.12
EUR	900,000	Italia FRN CCT 02/01.04.09	905,810.00	904,221.00	11.03
EUR	750,000	KFW AG 3.5% Ser INTL 04/17.04.09	751,950.00	752,212.50	9.17
EUR	500,000	Netherlands 2.75% 03/15.01.09	500,650.00	500,125.00	6.10
EUR	500,000	Rabobank Nederland 3.625% EMTN 04/21.01.09	500,150.00	500,175.00	6.10
EUR	500,000	Sweden 5% 98/28.01.09	501,950.00	500,909.15	6.11
<b>Total bonds</b>			<b>4,460,144.00</b>	<b>4,440,827.65</b>	<b>54.17</b>
<b>Money market instruments</b>					
EUR	500,000	Deutschland 0% T-Bills Ser 1108 08/13.05.09	495,700.00	497,000.00	6.06
EUR	500,000	Italia 0% BOT Ser 3MO 08/16.02.09	497,650.00	499,365.00	6.09
<b>Total money market instruments</b>			<b>993,350.00</b>	<b>996,365.00</b>	<b>12.15</b>

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

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## STATEMENT OF INVESTMENTS AND OTHER NET ASSETS (continued)

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</u></b>					
<b><u>Money market instruments</u></b>					
EUR	150,000	Belgium 0% BTr 08/15.01.09	149,685.00	149,895.75	1.83
EUR	500,000	Belgium 0% CTr 08/19.02.09	497,900.00	498,860.00	6.08
<b>Total money market instruments</b>			647,585.00	648,755.75	7.91
TOTAL INVESTMENTS IN SECURITIES			9,644,826.37	8,412,019.20	102.60
BANK LIABILITIES				-942,283.24	-11.49
OTHER NET ASSETS/(LIABILITIES)				729,382.69	8.89
TOTAL				8,199,118.65	100.00

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

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## **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Countries and governments	49.42 %
Banks	20.62 %
International institutions	8.93 %
Capital goods	3.63 %
Utilities	2.49 %
Materials	2.47 %
Media	2.41 %
Energy	2.16 %
Food, beverage and tobacco	1.59 %
Consumer durables and apparel	1.32 %
Transportation	1.28 %
Insurance	1.23 %
Technology hardware and equipment	1.19 %
Telecommunication services	1.17 %
Software and services	1.06 %
Pharmaceuticals and biotechnology	1.02 %
Diversified financial services	0.61 %
TOTAL	<u>102.60 %</u>

## **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

Italy	25.52 %
Germany	22.33 %
The Netherlands	13.37 %
France	10.51 %
Grand Duchy of Luxembourg	10.09 %
Belgium	9.36 %
Sweden	6.11 %
Spain	3.51 %
Finland	1.19 %
United Kingdom	0.61 %
TOTAL	<u>102.60 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

**America Equity Fund (formerly America Equity Fund MSCR)**

## **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

### **ASSETS**

Securities portfolio at market value	1,015,969.45
Deposits on futures contracts	5,000.00
Cash at banks	113,268.96
Receivable on financial instruments	112,050.00
Income receivable on portfolio	12,863.07
Interest receivable on bank accounts	16.83
Prepaid expenses	63.37
	<hr/>
Total assets	1,259,231.68

### **LIABILITIES**

Issued options	3,766.30
Interest on bank liabilities and expenses payable	14,503.09
Other liabilities	382.20
	<hr/>
Total liabilities	18,651.59

NET ASSETS at the end of the year	1,240,580.09
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Number of Category B-Shares outstanding	21,711,043
Net asset value per Category B-Share	57.14

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **America Equity Fund (formerly America Equity Fund MSCR)**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	15,905.09
Interest on bonds and other debt securities, net	6,916.45
Interest on bank accounts	2,242.66
Total income	25,064.20

#### **EXPENSES**

Advisory fees	11,906.17
Management fees	10,379.92
Custodian fees	1,457.80
Banking charges and other fees	6,840.80
Transaction fees	20,231.67
Central administration costs	24,169.42
Audit fees	10,775.40
Other administration costs	19,636.91
Subscription duty ("taxe d'abonnement")	445.47
Interest paid on bank liabilities	249.13
Other expenses	7,099.50
Total expenses	113,192.19

NET INVESTMENT INCOME	-88,127.99
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#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-266,158.64
- on options	6,974.50
- on futures contracts	1,955.00
- on foreign exchange	-2,919.37

REALISED RESULT	-348,276.50
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#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-44,103.12
- on options	1,203.20

RESULT OF OPERATIONS	-391,176.42
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Subscriptions	832,442.92
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Redemptions	-434,855.48
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TOTAL CHANGES IN NET ASSETS	6,411.02
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TOTAL NET ASSETS at the beginning of the year	1,234,169.07
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TOTAL NET ASSETS at the end of the year	1,240,580.09
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The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

**America Equity Fund (formerly America Equity Fund MSCR)**

## **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

### **Total net assets**

- as at 31.12.2008	1,240,580.09
- as at 31.12.2007	1,234,169.07
- as at 31.12.2006	1,793,280.05

### **Number of Category B-Shares**

- outstanding at the beginning of the year	14,896.993
- issued	13,170.050
- redeemed	-6,356.000
<hr/>	
- outstanding at the end of the year	21,711.043

### **Net asset value per Category B-Share**

- as at 31.12.2008	57.14
- as at 31.12.2007	82.85
- as at 31.12.2006	92.62

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## America Equity Fund (formerly America Equity Fund MSCR)

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Shares</u></b>					
EUR	7,000	Autogrill SpA	46,933.37	37,590.00	3.03
EUR	2,000	Banca Popolare di Milano	13,200.00	8,365.00	0.67
EUR	9,500	ENEL SpA	50,270.00	42,963.75	3.46
EUR	2,000	ENI SpA	34,146.39	33,480.00	2.70
EUR	10,000	Gruppo Editoriale Espresso SpA	19,671.33	11,580.00	0.93
EUR	9,000	Impregilo SpA	30,088.00	18,090.00	1.46
EUR	2,000	Italcementi SpA	20,610.30	17,970.00	1.45
EUR	2,000	Landi Renzo SpA	6,490.00	6,580.00	0.53
EUR	2,000	Luxottica Group SpA	32,321.52	25,340.00	2.04
EUR	2,000	Tenaris SA Reg	16,766.37	14,530.00	1.17
EUR	5,000	Unicredit SpA	17,895.00	8,725.00	0.70
			288,392.28	225,213.75	18.14
USD	35	Google Inc A	14,138.77	7,501.93	0.61
USD	430	Wal-Mart Stores Inc	17,602.30	16,739.03	1.35
			31,741.07	24,240.96	1.96
<b>Total shares</b>			320,133.35	249,454.71	20.10
<b><u>Undertakings for collective investment</u></b>					
EUR	450	db x-trackers II EONIA Total Return Index ETF 1C Cap	61,177.87	61,837.20	4.99
<b>Total undertakings for collective investment</b>			61,177.87	61,837.20	4.99
<b><u>Tracker funds</u></b>					
EUR	500	Lyxor ETF Euro Cash Cap/Dist	51,935.00	52,530.00	4.23
EUR	200	db x-trackers S&P500 Short ETF 1C Cap	12,440.00	11,600.00	0.94
<b>Total tracker funds</b>			64,375.00	64,130.00	5.17
<b><u>Index linked certificates</u></b>					
EUR	20,000	ABN Amro Bank NV Certif INDU Index 16.12.10	2,490.00	1,260.00	0.10
EUR	50,000	ABN Amro Bank NV Certif SPMIB Index 16.12.10	15,307.50	15,850.00	1.28
<b>Total index linked certificates</b>			17,797.50	17,110.00	1.38
<b><u>Bonds</u></b>					
EUR	50,000	American Honda Finance Corp 3.75% EMTN Ser 300 06/16.03.11	48,369.58	47,535.00	3.83
EUR	40,000	BASF SE FRN Sen 06/29.06.09	39,992.00	39,568.00	3.19
EUR	90,000	Bank of America Corp FRN EMTN Sen 04/09.02.09	88,688.00	89,352.45	7.20
EUR	80,000	General Electric Capital Corp 5.125% EMTN Sen 02/04.03.09	80,170.51	79,952.00	6.45
EUR	80,000	IBM Corp 3% EMTN 05/08.02.10	78,128.73	79,676.00	6.42
EUR	50,000	Italia 3.75% BTP 05/01.08.15	49,850.00	49,812.32	4.02
EUR	50,000	Italia 4.25% BTP 08/15.04.13	50,390.00	51,270.00	4.13
EUR	60,000	Morgan Stanley 5.75% Sen 02/01.04.09	58,822.00	59,058.00	4.76
			494,410.82	496,223.77	40.00
USD	60,000	Nederlandse Waterschapsbank NV 3.5% EMTN 03/30.01.09	47,381.24	42,483.47	3.42
<b>Total bonds</b>			541,792.06	538,707.24	43.42

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## America Equity Fund (formerly America Equity Fund MSCR)

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS (continued)**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>OTHER TRANSFERABLE SECURITIES</u></b>					
<b><u>Undertakings for collective investment</u></b>					
EUR	19.445	Carmignac Patrimoine SICAV	80,033.29	81,150.40	6.54
USD	36.5208	Herald Fd SPC USA Segregated Ptf 1 USD	35,896.44	3,579.90	0.29
<b>Total undertakings for collective investment</b>			115,929.73	84,730.30	6.83
TOTAL INVESTMENTS IN SECURITIES			1,121,205.51	1,015,969.45	81.89
<b><u>OPTIONS</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Issued options on transferable securities</u></b>					
EUR	-6	ENEL SpA CALL 02/09 -1 4.6	-649.50	-577.20	-0.04
EUR	-2	ENI SpA CALL 01/09 MIL 16.5	-1,950.00	-726.00	-0.06
EUR	-2	ENI SpA CALL 02/09 MIL 15.5	-1,770.00	-1,981.10	-0.16
EUR	-20	Italcementi SpA CALL 01/09 MIL 9	-600.00	-482.00	-0.04
TOTAL OPTIONS			-4,969.50	-3,766.30	-0.30
CASH AT BANKS				113,268.96	9.13
OTHER NET ASSETS/(LIABILITIES)				115,107.98	9.28
TOTAL				1,240,580.09	100.00

The accompanying notes are an integral part of these financial statements.

## **ARCOBALENO FUND**

### **America Equity Fund (formerly America Equity Fund MSCR)**

#### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Investment funds	16.99 %
Diversified financial services	15.04 %
Banks	13.37 %
Countries and governments	8.15 %
Technology hardware and equipment	6.42 %
Materials	4.64 %
Energy	3.87 %
Utilities	3.46 %
Hotels, restaurants and leisure	3.03 %
Health care equipment and services	2.04 %
Capital goods	1.46 %
Retailing	1.35 %
Media	0.93 %
Software and services	0.61 %
Automobiles and components	0.53 %
TOTAL	<u>81.89 %</u>

#### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

United States of America	30.62 %
Italy	25.12 %
France	10.77 %
Grand Duchy of Luxembourg	7.10 %
The Netherlands	4.80 %
Germany	3.19 %
Cayman Islands	0.29 %
TOTAL	<u>81.89 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Europe Equity Fund MSCR**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	783,984.64
Cash at banks	100,049.73
Receivable on sales of securities	200,000.00
Income receivable on portfolio	12,285.77
Interest receivable on bank accounts	169.91
Prepaid expenses	78.18
	<hr/>
Total assets	1,096,568.23
	<hr/>

#### **LIABILITIES**

Bank liabilities	6.15
Interest on bank liabilities and expenses payable	13,225.61
	<hr/>
Total liabilities	13,231.76
	<hr/>

NET ASSETS at the end of the year	1,083,336.47
	<hr/> <hr/>

Number of Category B-Shares outstanding	13,466.261
Net asset value per Category B-Share	80.45

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Europe Equity Fund MSCR**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	21,186.05
Interest on bonds and other debt securities, net	11,647.53
Interest on bank accounts	8,845.91
Total income	41,679.49

#### **EXPENSES**

Advisory fees	23,084.84
Management fees	11,097.92
Custodian fees	1,916.04
Banking charges and other fees	3,695.59
Transaction fees	2,259.26
Central administration costs	24,570.23
Audit fees	10,775.40
Other administration costs	19,295.04
Subscription duty ("taxe d'abonnement")	655.30
Other expenses	7,118.16
Total expenses	104,467.78

NET INVESTMENT INCOME -62,788.29

#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-167,977.98
- on foreign exchange	77.26

REALISED RESULT -230,689.01

#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-227,759.85
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RESULT OF OPERATIONS -458,448.86

Subscriptions 134,241.01

Redemptions -1,176,673.00

TOTAL CHANGES IN NET ASSETS -1,500,880.85

TOTAL NET ASSETS at the beginning of the year 2,584,217.32

TOTAL NET ASSETS at the end of the year 1,083,336.47

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Europe Equity Fund MSCR**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	1,083,336.47
- as at 31.12.2007	2,584,217.32
- as at 31.12.2006	3,858,290.80

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	24,121.607
- issued	1,479.654
- redeemed	-12,135.000
<hr/>	
- outstanding at the end of the year	13,466.261

#### **Net asset value per Category B-Share**

- as at 31.12.2008	80.45
- as at 31.12.2007	107.13
- as at 31.12.2006	105.68

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## Europe Equity Fund MSCR

### STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>INVESTMENTS IN SECURITIES</b>					
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>					
<b>Shares</b>					
EUR	10	Arkema	310.85	115.65	0.01
EUR	750	E.On AG	20,767.50	21,330.00	1.97
EUR	1,200	Heineken NV	38,169.88	25,752.00	2.38
EUR	1,000	SAP AG	34,575.00	25,240.00	2.33
EUR	300	Sanofi-Aventis	21,430.00	13,725.00	1.27
EUR	650	Siemens AG Reg	44,627.50	34,242.00	3.16
EUR	400	Total SA	21,824.15	15,680.00	1.45
<b>Total shares</b>			<b>181,704.88</b>	<b>136,084.65</b>	<b>12.57</b>
<b>Tracker funds</b>					
EUR	3,500	iShares DJ EURO STOXX 50	129,427.83	85,225.00	7.87
<b>Total tracker funds</b>			<b>129,427.83</b>	<b>85,225.00</b>	<b>7.87</b>
<b>Bonds</b>					
EUR	40,000	BMW US Capital LLC 5.125% EMTN 02/28.01.09	39,780.00	40,030.00	3.69
EUR	50,000	Bayer Corp 3.75% EMTN Ser 33 Tr 1 04/15.01.09	49,775.00	49,995.71	4.61
EUR	40,000	E.On Intl Finance BV 5.75% EMTN Sen 02/29.05.09	40,000.00	40,311.28	3.72
EUR	40,000	GlaxoSmithKlin Kaushiki Kaisha 3.25% Sen 03/03.06.09	39,432.00	40,008.00	3.69
EUR	100,000	Italia 3% BTP Sen 04/15.04.09	99,830.00	100,305.00	9.26
EUR	100,000	Italia 4% 07/01.03.10	99,756.01	101,820.00	9.40
EUR	150,000	Italia FRN CCT 02/01.07.09	150,060.00	150,105.00	13.86
EUR	40,000	Vodafone Group Plc 4.25% EMTN Sen 03/27.05.09	39,592.00	40,100.00	3.70
<b>Total bonds</b>			<b>558,225.01</b>	<b>562,674.99</b>	<b>51.93</b>
<b>TOTAL INVESTMENTS IN SECURITIES</b>			<b>869,357.72</b>	<b>783,984.64</b>	<b>72.37</b>
<b>CASH AT BANKS</b>				<b>100,049.73</b>	<b>9.24</b>
<b>BANK LIABILITIES</b>				<b>-6.15</b>	<b>0.00</b>
<b>OTHER NET ASSETS/(LIABILITIES)</b>				<b>199,308.25</b>	<b>18.39</b>
<b>TOTAL</b>				<b>1,083,336.47</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Europe Equity Fund MSCR**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008

(in percentage of net assets)

Countries and governments	32.52 %
Diversified financial services	11.10 %
Investment funds	7.87 %
Materials	4.62 %
Telecommunication services	3.70 %
Capital goods	3.16 %
Food, beverage and tobacco	2.38 %
Software and services	2.33 %
Utilities	1.97 %
Energy	1.45 %
Pharmaceuticals and biotechnology	1.27 %
TOTAL	<u>72.37 %</u>

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)

as at 31st December 2008

(in percentage of net assets)

Italy	32.52 %
Germany	15.33 %
United States of America	8.30 %
The Netherlands	6.10 %
United Kingdom	3.70 %
Japan	3.69 %
France	2.73 %
TOTAL	<u>72.37 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Pacific Equity Fund MSCR**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	458,144.97
Cash at banks	62,842.67
Income receivable on portfolio	5,383.63
Interest receivable on bank accounts	72.14
Prepaid expenses	154.95
Total assets	<u>526,598.36</u>

#### **LIABILITIES**

Bank liabilities	6.15
Interest on bank liabilities and expenses payable	<u>10,223.96</u>
Total liabilities	<u>10,230.11</u>

NET ASSETS at the end of the year 516,368.25

Number of Category B-Shares outstanding	9,705.382
Net asset value per Category B-Share	53.20

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Pacific Equity Fund MSCR**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	12,662.68
Interest on bonds and other debt securities, net	1,870.63
Interest on bank accounts	1,144.98
Total income	15,678.29

#### **EXPENSES**

Advisory fees	10,363.93
Management fees	4,999.04
Custodian fees	922.46
Banking charges and other fees	4,538.69
Transaction fees	550.00
Central administration costs	24,128.52
Audit fees	10,775.40
Other administration costs	18,764.25
Subscription duty ("taxe d'abonnement")	320.20
Other expenses	6,912.40
Total expenses	82,274.89

NET INVESTMENT INCOME -66,596.60

#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-20,928.18
- on foreign exchange	9,462.83

REALISED RESULT -78,061.95

#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-260,181.87
---------------------------	-------------

RESULT OF OPERATIONS -338,243.82

Subscriptions 79,456.42

Redemptions -269,448.09

TOTAL CHANGES IN NET ASSETS -528,235.49

TOTAL NET ASSETS at the beginning of the year 1,044,603.74

TOTAL NET ASSETS at the end of the year 516,368.25

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Pacific Equity Fund MSCR**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	516,368.25
- as at 31.12.2007	1,044,603.74
- as at 31.12.2006	1,702,473.13

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	12,060.794
- issued	1,204.588
- redeemed	-3,560.000
<hr/>	
- outstanding at the end of the year	9,705.382

#### **Net asset value per Category B-Share**

- as at 31.12.2008	53.20
- as at 31.12.2007	86.61
- as at 31.12.2006	96.17

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## Pacific Equity Fund MSCR

### STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Shares</u></b>					
JPY	800	Arrk Corp	24,120.10	789.89	0.15
JPY	900	Canon Inc	30,326.62	19,535.64	3.78
JPY	1,200	Honda Motor Co Ltd	28,668.81	17,922.95	3.47
JPY	1,000	Mitsubishi UFJ Fin Group Inc	11,442.53	4,302.07	0.83
JPY	3	Mizuho Financial Group Inc	19,615.06	6,058.17	1.17
JPY	8	NTT DoCoMo Inc	10,431.19	11,058.44	2.14
JPY	3	Nippon Telegraph & Teleph Corp	11,456.58	11,002.02	2.13
JPY	2,500	Nissan Motor Co Ltd	24,436.16	6,268.96	1.21
JPY	400	Nomura Holdings Inc	6,315.58	2,285.04	0.44
JPY	1,000	Panasonic Co Ltd	17,352.60	8,721.69	1.69
JPY	2,500	Sakata Seed	25,133.76	25,859.45	5.01
JPY	19,000	Sanyo Electric Co Ltd	38,799.02	24,715.37	4.79
JPY	300	Seven & I Holdings Co Ltd	9,265.33	7,170.12	1.39
JPY	3,000	Sharp Corp	44,612.12	14,951.47	2.90
JPY	1	Sumitomo Mitsui Fin Group Inc	8,422.55	2,946.41	0.57
JPY	700	Takeda Pharmaceutical Co Ltd	35,491.53	25,451.97	4.93
JPY	500	Tokio Marine Holdings Inc	14,813.68	10,108.70	1.96
JPY	500	Tokyo Electric Power Co Inc	10,336.38	11,754.30	2.28
JPY	800	Toyota Motor Corp	34,918.57	18,211.33	3.53
<b>Total shares</b>			<b>405,958.17</b>	<b>229,113.99</b>	<b>44.37</b>
<b><u>Tracker funds</u></b>					
EUR	5,000	Lyxor ETF MSCI India A	63,214.65	28,150.00	5.45
EUR	1,800	iShares Plc MSCI Korea	53,289.79	21,852.00	4.23
EUR	1,000	iShares Plc MSCI Taiwan Index Fd	23,695.73	13,440.00	2.60
			<b>140,200.17</b>	<b>63,442.00</b>	<b>12.28</b>
USD	1,200	BLDRS Idx Fds Tr Asia 50 ADR Index Fd Dist	27,989.43	16,555.53	3.21
USD	2,000	SPDR Index Shares Fds Russ/Nom Sm Cap Jap ETF	67,704.75	47,830.85	9.26
USD	3,000	iShares Inc MSCI Hong Kong Idx Fd	44,799.62	21,786.94	4.22
USD	7,000	iShares Inc MSCI Malaysia Idx Fd	40,343.59	36,193.19	7.01
USD	2,000	iShares Inc MSCI Taiwan Idx Fd	21,255.46	10,691.94	2.07
			<b>202,092.85</b>	<b>133,058.45</b>	<b>25.77</b>
<b>Total tracker funds</b>			<b>342,293.02</b>	<b>196,500.45</b>	<b>38.05</b>
<b><u>Bonds</u></b>					
EUR	50,000	Shinsei Bank VAR 06/23.02.16	47,318.24	21,166.50	4.10
<b>Total bonds</b>			<b>47,318.24</b>	<b>21,166.50</b>	<b>4.10</b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Pacific Equity Fund MSCR**

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS (continued)**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>OTHER TRANSFERABLE SECURITIES</u></b>					
<b><u>Undertakings for collective investment</u></b>					
USD	1,592.711	DWS Emerging Markets Equity Fd S	44,991.60	11,364.03	2.20
<b>Total undertakings for collective investment</b>			<u>44,991.60</u>	<u>11,364.03</u>	<u>2.20</u>
TOTAL INVESTMENTS IN SECURITIES			<u>840,561.03</u>	<u>458,144.97</u>	<u>88.72</u>
CASH AT BANKS				62,842.67	12.17
BANK LIABILITIES				-6.15	0.00
OTHER NET ASSETS/(LIABILITIES)				-4,613.24	-0.89
TOTAL				<u><u>516,368.25</u></u>	<u><u>100.00</u></u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Pacific Equity Fund MSCR**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Investment funds	40.25 %
Consumer durables and apparel	9.38 %
Automobiles and components	8.21 %
Banks	6.67 %
Retailing	6.40 %
Pharmaceuticals and biotechnology	4.93 %
Telecommunication services	4.27 %
Technology hardware and equipment	3.78 %
Utilities	2.28 %
Insurance	1.96 %
Diversified financial services	0.44 %
Commercial services and supplies	0.15 %
TOTAL	<u>88.72 %</u>

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

Japan	48.47 %
United States of America	27.97 %
Ireland	6.83 %
France	5.45 %
TOTAL	<u>88.72 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **World Flex Equity Fund**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	3,677,549.25
Deposits on futures contracts	5,000.00
Receivable on sales of securities	500,000.00
Receivable on issues of shares	6,599.93
Income receivable on portfolio	42,690.43
Prepaid expenses	613.15
	<hr/>
Total assets	4,232,452.76
	<hr/>

#### **LIABILITIES**

Bank liabilities	436,332.48
Interest on bank liabilities and expenses payable	36,856.97
	<hr/>
Total liabilities	473,189.45
	<hr/>

NET ASSETS at the end of the year	3,759,263.31
	<hr/> <hr/>

Number of Category B-Shares outstanding	49,859.705
Net asset value per Category B-Share	75.40

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **World Flex Equity Fund**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	90,412.38
Interest on bonds and other debt securities, net	31,073.41
Interest on bank accounts	103,457.47
Total income	<hr/> 224,943.26

#### **EXPENSES**

Advisory fees	74,496.66
Management fees	55,675.62
Custodian fees	9,205.35
Banking charges and other fees	8,160.69
Transaction fees	6,728.49
Central administration costs	27,060.69
Audit fees	10,775.40
Other administration costs	28,376.10
Subscription duty ("taxe d'abonnement")	3,606.64
Interest paid on bank liabilities	1,167.16
Other expenses	8,886.56
Total expenses	<hr/> 234,139.36

NET INVESTMENT INCOME -9,196.10

#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-743,869.17
- on foreign exchange	5,199.62

REALISED RESULT -747,865.65

#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-889,834.35
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RESULT OF OPERATIONS -1,637,700.00

Subscriptions 12,218,209.26

Redemptions -7,836,821.87

TOTAL CHANGES IN NET ASSETS 2,743,687.39

TOTAL NET ASSETS at the beginning of the year 1,015,575.92

TOTAL NET ASSETS at the end of the year 3,759,263.31

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **World Flex Equity Fund**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	3,759,263.31
- as at 31.12.2007	1,015,575.92
- as at 31.12.2006	1,264,746.57

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	10,233.938
- issued	135,582.576
- redeemed	-95,956.809
<hr/>	
- outstanding at the end of the year	49,859.705

#### **Net asset value per Category B-Share**

- as at 31.12.2008	75.40
- as at 31.12.2007	99.24
- as at 31.12.2006	99.16

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## World Flex Equity Fund

### STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Tracker funds</u></b>					
EUR	2,540	Lyxor ETF Japan Topix FCP	214,166.31	170,484.80	4.54
EUR	6,670	Lyxor ETF MSCI USA FCP A	587,090.61	393,530.00	10.47
EUR	9,330	iShares DJ EURO STOXX 50	353,711.93	227,185.50	6.04
EUR	32,320	iShares Plc FTSE 100 Fd	255,786.66	145,924.80	3.88
EUR	7,675	iShares Plc MSCI AC Far East ex-Japan	226,041.53	131,472.75	3.50
EUR	5,580	iShares Plc MSCI Em Mks	162,298.55	88,833.60	2.36
EUR	66,720	iShares Plc S&P 500	615,794.29	416,332.80	11.08
<b>Total tracker funds</b>			<b>2,414,889.88</b>	<b>1,573,764.25</b>	<b>41.87</b>
<b><u>Bonds</u></b>					
EUR	100,000	Deutschland 3.75% T-Notes Ser 1 07/13.03.09	100,530.00	100,485.00	2.67
EUR	500,000	Italia FRN CCT 02/01.04.09	500,046.48	502,345.00	13.36
EUR	1,000,000	Italia FRN CCT 02/01.07.09	1,001,200.00	1,000,700.00	26.62
<b>Total bonds</b>			<b>1,601,776.48</b>	<b>1,603,530.00</b>	<b>42.65</b>
<b><u>TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</u></b>					
<b><u>Bonds</u></b>					
EUR	500,000	Italia 3% BTP 06/01.02.09	496,030.20	500,255.00	13.31
<b>Total bonds</b>			<b>496,030.20</b>	<b>500,255.00</b>	<b>13.31</b>
TOTAL INVESTMENTS IN SECURITIES			<b>4,512,696.56</b>	<b>3,677,549.25</b>	<b>97.83</b>
BANK LIABILITIES				-436,332.48	-11.61
OTHER NET ASSETS/(LIABILITIES)				518,046.54	13.78
TOTAL				<b>3,759,263.31</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **World Flex Equity Fund**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Countries and governments	55.96 %
Investment funds	41.87 %
TOTAL	<u>97.83 %</u>

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

Italy	53.29 %
Ireland	20.82 %
France	15.01 %
Germany	8.71 %
TOTAL	<u>97.83 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Profit Total Return**

### **STATEMENT OF NET ASSETS**

as at 31st December 2008

(in EUR)

#### **ASSETS**

Securities portfolio at market value	5,483,701.95
Option contracts at market value	86,705.00
Deposits on futures contracts	200,000.00
Cash at banks	52,516.16
Receivable on sales of securities	23,731.43
Income receivable on portfolio	138,709.87
Other receivables	110,000.00
Prepaid expenses	579.84
Total assets	<hr/> 6,095,944.25 <hr/>

#### **LIABILITIES**

Bank liabilities	122,066.93
Unrealised loss on futures contracts	19,930.71
Interest on bank liabilities and expenses payable	26,239.15
Other liabilities	9,513.10
Total liabilities	<hr/> 177,749.89 <hr/>

NET ASSETS at the end of the year 

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5,918,194.36

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Number of Category B-Shares outstanding	96,946.628
Net asset value per Category B-Share	61.05

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Profit Total Return**

### **STATEMENT OF OPERATIONS AND OTHER CHANGES IN NET ASSETS**

from 1st January 2008 to 31st December 2008

(in EUR)

#### **INCOME**

Dividends, net	113,919.55
Interest on bonds and other debt securities, net	147,056.59
Interest on bank accounts	16,615.48
Total income	277,591.62

#### **EXPENSES**

Advisory fees	145,419.20
Management fees	91,753.98
Custodian fees	10,055.80
Banking charges and other fees	6,307.64
Transaction fees	83,569.35
Central administration costs	26,778.51
Audit fees	10,775.40
Other administration costs	29,651.87
Subscription duty ("taxe d'abonnement")	4,126.22
Interest paid on bank liabilities	7,218.52
Other expenses	9,184.45
Total expenses	424,840.94

NET INVESTMENT INCOME -147,249.32

#### **NET REALISED GAIN/(LOSS)**

- on securities portfolio	-1,106,130.49
- on options	-788,715.02
- on futures contracts	361,405.03
- on foreign exchange	74,857.90

REALISED RESULT -1,605,831.90

#### **NET VARIATION OF THE UNREALISED GAIN/(LOSS)**

- on securities portfolio	-2,026,138.40
- on options	-23,010.00
- on futures contracts	-20,920.51

RESULT OF OPERATIONS -3,675,900.81

Subscriptions 5,615,250.36

Redemptions -2,549,488.94

TOTAL CHANGES IN NET ASSETS -610,139.39

TOTAL NET ASSETS at the beginning of the year 6,528,333.75

TOTAL NET ASSETS at the end of the year 5,918,194.36

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Profit Total Return**

### **STATISTICAL INFORMATION**

as at 31st December 2008

(in EUR)

#### **Total net assets**

- as at 31.12.2008	5,918,194.36
- as at 31.12.2007	6,528,333.75
- as at 31.12.2006	893,110.35

#### **Number of Category B-Shares**

- outstanding at the beginning of the year	66,801.484
- issued	62,198.128
- redeemed	-32,052.984
<hr/>	
- outstanding at the end of the year	96,946.628

#### **Net asset value per Category B-Share**

- as at 31.12.2008	61.05
- as at 31.12.2007	97.73
- as at 31.12.2006	98.71

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## Profit Total Return

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>INVESTMENTS IN SECURITIES</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Shares</u></b>					
EUR	170,000	Banca Italease SpA	835,151.29	376,975.00	6.37
EUR	168,000	Best Union Co SpA	562,549.78	305,760.00	5.17
EUR	57,286	FMR Art 'e' SpA	400,142.96	229,144.00	3.87
EUR	20,000	Fiat SpA	140,079.60	91,800.00	1.55
EUR	20,000	Fiat SpA Risip	76,953.60	60,700.00	1.03
EUR	384,187	I Viaggi del Ventaglio SpA	173,385.14	84,521.14	1.43
EUR	8,300	ING Groep NV Certif	50,706.21	64,017.90	1.08
EUR	1,419,215	IT Holding SpA	746,984.84	340,185.84	5.75
EUR	719,367	Inv e Sviluppo Mediterraneo	700,570.54	704,979.66	11.91
EUR	400,000	Lehman Brothers Hgs Inc	20,050.00	9,200.00	0.16
EUR	150,000	Management Capitali SpA	109,070.05	68,625.00	1.16
EUR	50,000	Parmalat SpA	74,385.97	58,250.00	0.98
EUR	70,000	Piquadro SpA	143,256.89	51,800.00	0.88
EUR	50,000	Realty Vailog SpA	161,753.35	69,700.00	1.18
EUR	2,000,000	Seat Pagine Gialle SpA	158,917.20	116,200.00	1.96
EUR	90,000	Tiscali SpA	77,338.37	62,910.00	1.06
			4,431,295.79	2,694,768.54	45.54
GBP	25,000	3i Group Plc	70,710.67	67,360.46	1.14
GBP	30,000	Barclays Plc	44,436.57	45,621.41	0.77
GBP	286,000	DSG Intl Plc	47,484.11	51,081.69	0.86
GBP	25,000	EasyJet Plc	70,189.70	70,103.36	1.19
GBP	4,000	GlaxoSmithKline Plc	52,185.73	51,398.08	0.87
GBP	25,000	Marks & Spencer Group Plc	59,543.17	54,602.80	0.92
GBP	160,000	Premier Foods Plc	47,760.28	47,764.69	0.81
			392,310.23	387,932.49	6.56
SEK	25,000	Boliden AB	45,308.75	40,616.54	0.69
USD	25,000	Advanced Micro Devices Inc	73,345.78	39,069.41	0.66
USD	1,400	CF Industries Holdings Inc	54,573.40	47,153.41	0.80
USD	5,000	Dell Inc	39,920.66	36,170.14	0.61
USD	4,000	Herbalife Ltd	52,683.47	58,296.50	0.99
USD	10,000	MBIA Inc	44,585.45	29,204.82	0.49
USD	4,000	MEMC Electronic Materials Inc	114,290.37	38,836.05	0.66
USD	8,000	Manitowook Co Inc (The)	52,049.21	46,558.00	0.79
USD	6,000	Morgan Stanley	86,189.36	64,448.61	1.09
USD	4,500	Wabco Holdings Inc	52,423.08	47,509.10	0.80
USD	6,500	Western Digital Corp	58,551.87	51,617.58	0.87
USD	10,000	Yahoo Inc	102,799.53	84,644.49	1.43
USD	20,000	Yingli Green Energy Hg Co Ltd ADR repr 1 Share	62,745.29	87,826.61	1.48
			794,157.47	631,334.72	10.67
<b>Total shares</b>			5,663,072.24	3,754,652.29	63.46

The accompanying notes are an integral part of these financial statements.

# ARCOBALENO FUND

## Profit Total Return

### **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS (continued)**

as at 31st December 2008

(in EUR)

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Bonds</u></b>					
EUR	363,636	Alitalia Linee Aeree Italiane 7.5% Conv 02/22.07.10	315,694.46	156,436.21	2.64
EUR	600,000	American General Finance Inc 4.625% Ser A 04/22.06.11	390,000.00	269,999.88	4.56
EUR	1,600,000	American Intl Group Inc VAR Jr Sub 08/22.05.38	355,400.00	531,040.00	8.97
EUR	100,000	Bank of America Corp FRN EMTN Sen 05/08.02.10	92,500.00	93,265.41	1.58
			1,153,594.46	1,050,741.50	17.75
USD	500,000	Gaz Capital SA 6.51% EMTN 07/07.03.22	284,841.30	212,725.10	3.59
<b>Total bonds</b>			<b>1,438,435.76</b>	<b>1,263,466.60</b>	<b>21.34</b>
<b><u>TRANSFERABLE SECURITIES DEALT IN ON ANOTHER REGULATED MARKET</u></b>					
<b><u>Bonds</u></b>					
EUR	300,000	American Intl Group Inc VAR Ser A3 Sub A3 07/15.03.67	58,200.00	80,110.47	1.35
USD	350,000	General Electric Capital Corp FRN MTN Ser A 05/21.10.10	234,886.26	224,463.00	3.79
<b>Total bonds</b>			<b>293,086.26</b>	<b>304,573.47</b>	<b>5.14</b>
<b><u>OTHER TRANSFERABLE SECURITIES</u></b>					
<b><u>Undertakings for collective investment</u></b>					
EUR	200.64	Iris Fund SICAV-FIS Peak Hedge Fd Cap	200,000.00	161,009.59	2.72
<b>Total undertakings for collective investment</b>			<b>200,000.00</b>	<b>161,009.59</b>	<b>2.72</b>
<b>TOTAL INVESTMENTS IN SECURITIES</b>			<b>7,594,594.26</b>	<b>5,483,701.95</b>	<b>92.66</b>
<b><u>OPTIONS</u></b>					
<b><u>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</u></b>					
<b><u>Index options</u></b>					
EUR	20	DAX GERMANY EURO CALL 01/09 EUX 4700	23,285.00	22,580.00	0.38
EUR	30	S&P/MIB Index CALL 01/09 MIL 19500	50,340.00	42,375.00	0.72
EUR	30	S&P/MIB Index CALL 01/09 MIL 20000	36,090.00	21,750.00	0.37
<b>TOTAL OPTIONS</b>			<b>109,715.00</b>	<b>86,705.00</b>	<b>1.47</b>
<b>CASH AT BANKS</b>				<b>52,516.16</b>	<b>0.89</b>
<b>BANK LIABILITIES</b>				<b>-122,066.93</b>	<b>-2.06</b>
<b>OTHER NET ASSETS/(LIABILITIES)</b>				<b>417,338.18</b>	<b>7.04</b>
<b>TOTAL</b>				<b>5,918,194.36</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Profit Total Return**

### **INDUSTRIAL CLASSIFICATION OF INVESTMENTS**

as at 31st December 2008  
(in percentage of net assets)

Diversified financial services	21.80 %
Investment companies	13.05 %
Insurance	10.81 %
Commercial services and supplies	9.04 %
Consumer durables and apparel	6.63 %
Transportation	3.83 %
Investment funds	2.72 %
Automobiles and components	2.58 %
Software and services	2.49 %
Banks	2.35 %
Media	1.96 %
Food, beverage and tobacco	1.79 %
Retailing	1.78 %
Capital goods	1.59 %
Materials	1.49 %
Technology hardware and equipment	1.48 %
Energy	1.48 %
Hotels, restaurants and leisure	1.43 %
Semiconductors and semiconductor equipment	1.32 %
Real estate	1.18 %
Health care equipment and services	0.99 %
Pharmaceuticals and biotechnology	0.87 %
TOTAL	<u>92.66 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **Profit Total Return**

### **GEOGRAPHICAL CLASSIFICATION OF INVESTMENTS**

(by domicile of the issuer)  
as at 31st December 2008  
(in percentage of net assets)

Italy	46.94 %
United States of America	28.61 %
United Kingdom	6.56 %
Grand Duchy of Luxembourg	6.31 %
Cayman Islands	2.47 %
The Netherlands	1.08 %
Sweden	0.69 %
TOTAL	<u>92.66 %</u>

The accompanying notes are an integral part of these financial statements.

# **ARCOBALENO FUND**

## **NOTES TO THE FINANCIAL STATEMENTS**

as at 31st December 2008

### **NOTE 1 - GENERAL INFORMATION**

ARCOBALENO FUND (the "SICAV") is an investment company organised as a "Société d'Investissement à Capital Variable" under the laws of the Grand Duchy of Luxembourg.

The SICAV incorporated on 24th June 2003 in Luxembourg for an unlimited period is governed by the amended Luxembourg laws of 10th August 1915 on commercial companies and by the Part I of the amended law of 20th December 2002 on undertakings for collective investment (the "2002 Law").

The SICAV's Articles of Incorporation were published in the "*Mémorial, Recueil des Sociétés et Associations*" (the "*Mémorial*") on 25th July 2003, were last modified on 27th April 2007, and published in the "*Mémorial*" on 24th July 2004.

The SICAV is registered in the "*Registre de Commerce et des Sociétés de Luxembourg*" under the number B 94 352.

The SICAV's financial year begins on 1st January and ends on 31st December of the same year.

At the date of the report, the following Sub-Funds are currently being offered for subscription:

- ARCOBALENO FUND - Linea Azzurra	in EUR
- ARCOBALENO FUND - Linea Bianca	in EUR
- ARCOBALENO FUND - Flexible International	in EUR
- ARCOBALENO FUND - Blu	in EUR
- ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR)	in EUR
- ARCOBALENO FUND - Europe Equity Fund MSCR	in EUR
- ARCOBALENO FUND - Pacific Equity Fund MSCR	in EUR
- ARCOBALENO FUND - World Flex Equity Fund	in EUR
- ARCOBALENO FUND - Profit Total Return	in EUR

At the date of the report, only Category B-Shares (capitalisation) are opened.

The Board of Directors decided with effect 26th August 2008 the redenomination of the Sub-Fund ARCOBALENO FUND - America Equity Fund MSCR into ARCOBALENO FUND - America Equity Fund.

The prospectus, the articles of incorporation, the most recent audited annual and unaudited semi-annual reports are available free of charge at the registered office of the SICAV.

The Net Asset Value per share and the issue, redemption and conversion price of share may be obtained at the registered office of the SICAV.

### **NOTE 2 - PRINCIPAL ACCOUNTING METHODS**

#### **1. Presentation of the financial statements**

The financial statements of the SICAV are established in accordance with the Luxembourg legal and regulatory requirements concerning undertakings for collective investment.

#### **2. Valuation of securities**

- a) the value of securities, which are listed or dealt in on any stock exchange, is based on the last available price on the stock exchange, which is normally the principal market for such securities;

# **ARCOBALENO FUND**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

as at 31st December 2008

- b) the value of securities dealt in on any other regulated market is based on the last available price;
- c) in the event that any securities are not listed or dealt in on any stock exchange or on any other Regulated Market, or if, with respect to assets listed or dealt in on any stock exchange, or other regulated market as aforesaid, the price as determined pursuant to sub-paragraph (b) or (c) is not representative of the fair market value of the relevant assets, the value of such assets is based on the reasonably foreseeable sales price determined prudently and in good faith;
- d) the liquidating value of futures, forward and options contracts not traded on exchanges or on other Regulated Markets means their net liquidating value determined, pursuant to the policies established in good faith by the Board of Directors in a fair and reasonable manner, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward and options contracts traded on exchanges or on other Regulated Markets is based upon the last available settlement prices of these contracts on exchanges and Regulated Markets on which the particular futures, forward or options contracts are traded by the SICAV; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract is such value as the Board of Directors deems fair and reasonable;
- e) the value of money market instruments not listed or dealt in on any stock exchange or any other regulated market and with remaining maturity of less than 12 months are valued by the amortised cost method, which approximates market value;
- f) units/shares of UCITS and/or other UCI is evaluated at their last available Net Asset Value per unit;
- g) all other securities and other assets is valued at fair market value as determined in good faith pursuant to procedures established by the Board of Directors.

### 3. Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each Sub-Fund that are denominated in a currency other than that of the Sub-Fund is converted to the Sub-Fund's currency at the average exchange rates prevailing on the date of purchase.

### 4. Net realised gain/(loss) on sales of securities

The net realised gain/(loss) on sales of securities is determined on the basis of the average cost of securities sold.

### 5. Investment income

Dividend income is recognised on an ex-dividend basis and are recorded net of withholding taxes.

Interest income is recorded on an accrual basis.

### 6. Formation expenses

All formation expenses are amortised over a five-year-period.

# **ARCOBALENO FUND**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

as at 31st December 2008

### **NOTE 3 - ADVISORY, MANAGEMENT AND PERFORMANCE FEES**

In accordance with the Management Company Services Agreement concluded on 12th July 2007, the Board of Directors has appointed ARC Asset Management S.A. as the Management Company to be responsible for the execution of the duties concerning the SICAV's investment management, administrative and registrar and transfer duties and distribution.

The Management Company receives the following Management Fees payable monthly and calculated on the basis of the net assets of such relevant week (the "weekly net assets"):

- for the Sub-Funds America Equity Fund (formerly America Equity Fund MSCR) and Profit Total Return: up to a maximum of 2.5% p.a.;
- for the Sub-Funds Linea Azzurra, Flexible International, Blu, Europe Equity Fund MSCR, Pacific Equity Fund MSCR and World Flex Equity Fund: up to a maximum of 2% p.a.;
- for the Sub-Fund Linea Bianca: up to a maximum of 1.10% p.a.

In addition, the Management Company receives from the Linea Azzurra and Linea Bianca Sub-Funds a Performance Fee calculated as follows: 15% of the performance (P).

The Management Company also receives from the Flexible International, Blu, Europe Equity Fund MSCR, America Equity Fund (formerly America Equity Fund MSCR), Pacific Equity Fund MSCR, World Flex Equity Fund, Profit Total Return, China Equity, Conservativo Small, Conservativo Large, Global Opportunities and Free Enterprise Sub-Funds a Performance Fee calculated as follows: 20% of the performance (P).

The detailed calculation method of the Performance Fee is presented in the current prospectus. As at the date of the report, no Performance Fee has not been paid.

In accordance with the Investment Advisory Agreement concluded on August 2007, the Company ARC ASSET MANAGEMENT S.A. (acting on behalf of ARCOBALENO FUND) has appointed ARC ADVISORY COMPANY S.A. as Investment Advisor of the SICAV.

Rates of Advisory Fees applied from 26th November 2008 to 31st December 2008:

ARCOBALENO FUND - Linea Azzurra	2.00%
ARCOBALENO FUND - Linea Bianca	1.10%
ARCOBALENO FUND - Flexible International	2.00%
ARCOBALENO FUND - Blu	2.00%
ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR)	2.50%
ARCOBALENO FUND - Europe Equity Fund MSCR	2.00%
ARCOBALENO FUND - Pacific Equity Fund MSCR	2.00%
ARCOBALENO FUND - World Flex Equity Fund	2.00%
ARCOBALENO FUND - Profit Total Return	2.50%

# **ARCOBALENO FUND**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** as at 31st December 2008

Rates of Advisory Fees applied from 14th February 2008 to 25th November 2008:

ARCOBALENO FUND - Linea Azzurra	2.00%
ARCOBALENO FUND - Linea Bianca	0.85%
ARCOBALENO FUND - Flexible International	2.00%
ARCOBALENO FUND - Blu	2.00%
ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR)	2.00%
ARCOBALENO FUND - Europe Equity Fund MSCR	2.00%
ARCOBALENO FUND - Pacific Equity Fund MSCR	2.00%
ARCOBALENO FUND - World Flex Equity Fund	1.45%
ARCOBALENO FUND - Profit Total Return	2.50%

Rates of Advisory Fees applied from 1st January 2008 to 13th February 2008:

ARCOBALENO FUND - Linea Azzurra	2.00%
ARCOBALENO FUND - Linea Bianca	1.10%
ARCOBALENO FUND - Flexible International	2.00%
ARCOBALENO FUND - Blu	2.00%
ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR)	2.00%
ARCOBALENO FUND - Europe Equity Fund MSCR	2.00%
ARCOBALENO FUND - Pacific Equity Fund MSCR	2.00%
ARCOBALENO FUND - World Flex Equity Fund	2.00%
ARCOBALENO FUND - Profit Total Return	2.50%

### **NOTE 4 - SUBSCRIPTION DUTY ("TAXE D'ABONNEMENT")**

The Fund is governed by Luxembourg Law.

Pursuant to the legislation and regulations in force, the SICAV is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.05% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

Pursuant to Article 129 (3) of the amended Law of 20th December 2002 the net assets invested in undertakings for collective investments already subject to the "*taxe d'abonnement*" are exempt from this tax.

# ARCOBALENO FUND

## NOTES TO THE FINANCIAL STATEMENTS (continued) as at 31st December 2008

### NOTE 5 - FUTURES CONTRACTS

At the date of the report, the SICAV is committed in the following futures contracts:

#### **ARCOBALENO FUND - Profit Total Return**

	Number of contracts	Denomination	Currency	Market value (in EUR)	Unrealised result (in EUR)
Purchase	2	DAX GERMANY EURO FUT 03/09 DTB	EUR	241,725.00	2,500.00
Sale	20	EURO BUND GVT BOND 10 Y FUT 03/09 EUX	EUR	-2,496,800.00	-23,570.00
Purchase	2	S&P/MIB Index (The) FUT 03/09 MIL	EUR	194,220.00	-2,430.00
Purchase	1	NASDAQ 100 INDEX FUT 03/09 CME	USD	85,280.91	767.25
Purchase	1	S&P 500 Composite Index FUT 03/09 CME	USD	157,020.12	2,802.04
					-19,930.71

### NOTE 6 - FORWARD FOREIGN EXCHANGE CONTRACTS

At the date of the report, the SICAV is not committed in any forward foreign exchange contract.

### NOTE 7 - ISSUED OPTIONS

At the date of the report, the SICAV is committed in the following issued options:

#### **ARCOBALENO FUND - America Equity Fund**

#### **(formerly ARCOBALENO FUND - America Equity Fund MSCR)**

Currency	Number	Denomination	Commitment (in EUR)
Issued options on transferable securities			
EUR	6	ENEL SpA CALL 02/09 -1 4.6	13,800.00
EUR	2	ENI SpA CALL 01/09 MIL 16.5	16,500.00
EUR	2	ENI SpA CALL 02/09 MIL 15.5	15,500.00
EUR	20	Italcementi SpA CALL 01/09 MIL 9	18,000.00
			63,800.00

### NOTE 8 - STATEMENT OF CHANGES IN THE INVESTMENTS

The statement of changes in the investments for the period referring to report is available free of charge at the registered office of the SICAV.

### NOTE 9 - SUBSEQUENT EVENTS

The Board of Directors has decided with effect on 19th March 2009 to close the Sub-Fund ARCOBALENO FUND - Pacific Equity Fund MSCR and merge it with the Sub-Fund ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR) and change the denomination of the Sub-Fund ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR) into ARCOBALENO FUND - Anteo International Fund.

# **ARCOBALENO FUND**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

as at 31st December 2008

### **NOTE 10 - SIGNIFICANT EVENTS**

The Sub-Fund ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR) holds investments in Herald Fd SPC USA Segregated Ptf 1 USD at 31st December 2008. Herald Fd SPC USA Segregated Ptf 1 USD had allocated substantially its assets to Bernard L. Madoff Investment Securities LLC ("BMIS") as at the same date.

On 11th December 2008, Bernard Madoff ("BM") was arrested on fraud charges for allegedly operating a Ponzi scheme, BM's assets were frozen and a receiver was appointed over BM and BMIS. Information currently available indicated that the alleged fraud may have been perpetrated for some time.

As a result, the Board of Directors of the SICAV decided to write down on 25th March 2009 the value of its investment in Herald Fd SPC USA Segregated Ptf 1 USD to 10% of the last price available NAV as of 28th November 2008, resulting in a value adjustment of USD 45,562.62, representing 2.53% of the Net Asset Value as at 31st December 2008 of the Sub-Fund ARCOBALENO FUND - America Equity Fund (formerly ARCOBALENO FUND - America Equity Fund MSCR).