

2nd Activity Report by the Liquidators

17th March 2010

1. Court Proceedings

On 17th March 2010, the liquidators of Herald (Lux) have filed a lawsuit at the Luxembourg District Court against the different parties that have intervened during the life-time of Herald (Lux) Sicav with the purpose to recover the assets of the Sicav, in the interest of the shareholders and the investors in the fund.

2. Share Holder / Investors

A shareholders' general meeting was held on 26 October 2009. The financial situation of the fund as of 31st December 2008 was presented to the shareholders' at this meeting. The net assets of the fund as recorded on 2nd April 2009, were represented by cash balances that were transmitted to the liquidators by HSBC Securities Services (Luxembourg) S.A..

The liquidators have made ongoing efforts to meet shareholders' in the liquidators' offices in Luxembourg as well as respond to single investors' queries as long as such investors could provide a) proof of their holdings and b) link of their holding to a registered shareholder.

The liquidators have not met with individual investors. At this point in time of the proceedings, they consider that the downstream distribution chain via the shareholders as per the fund's register is sufficient to cater for the investors' information requirements. Also, the liquidators have not accepted any changes to the share register as transmitted to them since the opening day of the liquidation.

3. Interaction with the Supervising Judge

The liquidators regularly meet with the Supervising District Court Judge to discuss the actions taken and planned. These meetings occur in principle on a monthly basis.

4. Interaction with concerned parties since the last activity report

4.1. CSSF

The liquidators met with the CSSF in December 2009 to provide a status update on the liquidation proceedings and confirm their understanding on the control processes that were applied before and during the life time of the fund. They further discussed a number of documents that had been handed over.

4.2. HSBC Securities Services (Luxembourg) S.A. as custodian bank

The liquidators met with the custodian bank in December 2009 to discuss a number of issues which came to their attention as a result of the review of the files that had been handed over in April 2009. They confirmed their understanding and requested a number of additional documents to complete their files.

4.3. Fund's Directors

No further meetings were held with the directors of the fund since the last activity report was issued.

4.4. Bank Medici A.G

In December 2009, discussions took place with the legal counsel of Bank Medici A.G.. A number of documents were handed over by Bank Medici A.G. These documents needed to be looked at in detail to assess their impact on the lawsuit.

4.5. Ernst & Young Luxembourg as réviseurs d'entreprises

No further meetings were held with the auditors of the fund. Reminders for unpaid invoices were received albeit without being associated to the filing of a claim against the fund.

5. Liquidators Recent / Current Activities

5.1. Court Proceedings

The liquidators have spent a considerable amount of time preparing the Court Proceedings. All parties but one, are being taken into liability with an aim to recover the assets of the fund.

5.2. Communication with Shareholders

Communication with shareholders is being made either via the installation of the website: www.heraldluxinliquidation.lu , or in direct meetings with shareholders on the premises of the liquidators in Luxembourg.

No meetings with professional organisations representing the fund industry have been held.

5.3. Financial Statements

5.3.1. Opening of the liquidation (2nd April 2009)

The liquidators have completed the preparation of the financial statements of opening of the liquidation. An unaudited version will be submitted to the next General Shareholders' meeting.

5.3.2. Financial Statements as of 31 December 2009

The liquidators have completed the preparation of the financial statements as of 31st December 2009. An unaudited version will be submitted to the next General Shareholders' meeting.

5.4. Reconciliation of Shareholder / Investor positions

The reconciliation of the shareholders and investors positions is an ongoing process in view of the increasing demands for information from single investors.

Luxembourg, 17th March 2010

Carlo Reding
Liquidator

Ferdinand Burg
Liquidator