

CLANMORE 2007 THIRD QUARTER REPORT

In September, **Clanmore Global Investment Limited** gained an estimated 4.47% versus 3.58% for the S&P 500 Index and a gain of 1.75% for the CSFB/Tremont Investable Hedge Fund Index.

For the year-to-date period, ending September 30, **Clanmore** has increased 5.72% compared to 7.60% for the S&P 500 Index and 5.41% for the CSFB/Tremont Investable Hedge Fund Index.

Over the last twelve months, **Clanmore** has earned 11.59% as apposed to 14.29% for the S&P 500 Index and 9.59% for the CSFB/Tremont Investable Hedge Fund Index.

For the third quarter, **Clanmore** rose 0.10% versus 1.56% for the S&P 500 Index and a loss of 1.02% for the CSFB/Tremont Investable Hedge Fund Index.

Over the last three years, **Clanmore** has earned a cumulative 30.08% versus 36.98% for the S&P 500 Index and 28.50% for the CSFB/Tremont Hedge Fund Index.

GLOBAL MARKET REVIEW

The past summer's sub-prime mortgage crisis in the U.S. was the most significant global event affecting credit since the demise of hedge fund *Long Term Capital Management* in 1998 and the subsequent rescue of the financial system in September of that year by Federal Reserve regional banks and Wall Street investment banks. In August 1998, the S&P 500 Index plunged 17%; this compares to a token decline of just 3% in July 2007 at the height of the sub-prime crisis.

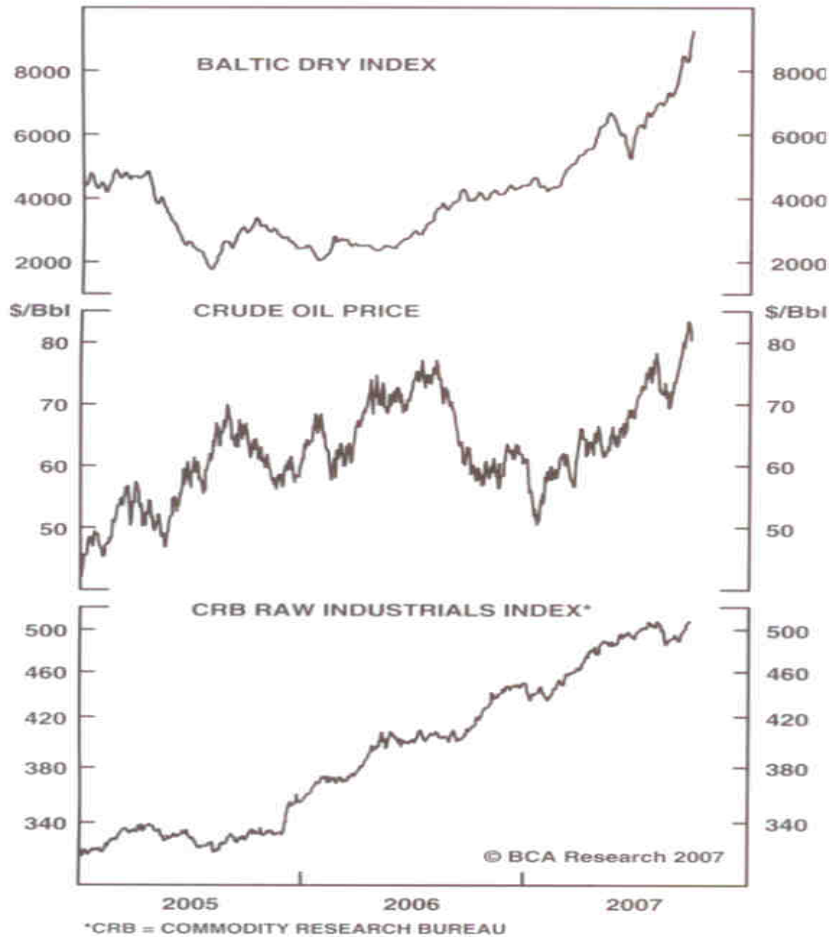
Like all market shocks in the post-WW II period, central banks have been quick to keep the credit cycle alive and thus far, have successfully rescued the financial system.

In July 2007, the true state of the U.S. sub-prime crisis and its resultant effects caused several hedge funds to collapse, the weakest sub-prime lenders to fold and the housing bear market to sink to levels unseen since WW II. The crisis has been global with several European banks under pressure as inter-bank lending in Europe remains largely unsettled despite numerous European Central Bank cash injections since August 9. Earlier in September, England suffered its first run on a mortgage bank in over one hundred and forty years as *Northern Rock's* assets were collateralized by The Bank of England: an effective bail-out.

We are now in the latter stages of a major global economic super-cycle predicated upon cheap credit and a boom in emerging markets growth. Although the super-cycle has been damaged by the recent sub-prime crisis, it should remain alive as foreign markets assume economic leadership at a time when the United States is slowing. Despite signs of a marked U.S. slowdown in housing and domestic consumption (principally retail spending), other traditional indicators do not portend a major slowdown, particularly commodity prices, shipping transport costs, credit spreads on riskier debt and corporate insider purchases (see chart below, "No Recession Here"): also broader trends in employment growth and wage gains remain benign.

The secular bull-market trend that started in late 2002 should continue for at least another twelve-eighteen months before peaking; ahead of this flash point in the growth cycle, however, **Clanmore** will grow more defensive as a hedge against the next global bear market. Increasingly, we will tighten risk exposure and introduce several products with a highly negative correlation to common stocks to hedge market exposure ahead of the next bear, probably in 2009 or sooner. **Clanmore** considers that governments, large banks and the world's central banks will plug the holes in sub-prime and mortgage-backed securities at this juncture, thus, delaying the reckoning. However, the problem, literally an oncoming iceberg of unfathomable depths, will resurface again post-2008, but with far greater velocity and collateral damage to investors. **Clanmore** plans on becoming far more defensive prior to that secular event and will structure investors' portfolios to earn profits in that economic environment.

CHART III-11
No Recession Here



Clanmore's outlook for world markets over the next twelve months therefore remains cautiously optimistic. Despite growing risks on the macroeconomic front, including a recession in the United States, soaring oil prices denting consumer spending, carry-trade turmoil and additional sub-prime headaches coming our way in 2008 as over \$500 billion dollars' worth of resets come due, history provides a clear path suggesting to stay invested in common stocks. *The thrust of our bullish argument lies in the expansion of bank credit. This is particularly the case with an accommodating Federal Reserve since September, a Presidential election in 2008 and China's hosting of the Beijing Games next July. The odds of a major slowdown threatening the global economy are, in our opinion, highly unlikely in 2008 with two major macro political events dominating the world stage. Should the European Central Bank reverse course and start cutting rates next year, which we expect, the world's two largest central banks (the Fed and ECB) will be busy injecting swaths of bank credit, another boon for capital markets.*

With the Federal Reserve now reducing short-term interest rates at a time when oil prices are hovering above \$90 per barrel and gold trading at a twenty-eight-year high above \$750 an ounce, it's quite clear to investors that the United States is now on course to reflate the money-supply and develop the economy at all costs – even at the expense of higher inflation and a weaker dollar (see chart below).



The U.S. dollar, now in its sixth year of a secular bear market, trades at a fifteen-year low against the world's major currencies and continues to hit lows against virtually all currencies in Latin America, Europe and Asia. However, as the selling approaches a climax, the American dollar will probably form a cyclical bottom and post a major bear market rally for most of 2008 after six years of protracted selling.

The most devout bear would have to concede that virtually all U.S. dollar-priced assets are literally "On Sale" when compared to the value of high-priced foreign currencies; provided the dollar does not head into a freefall, which we doubt, foreigners will begin accumulating U.S. securities most aggressively because assets priced in relative euros, pounds and other units are comparatively much more expensive in late 2007.

While on the subject of currencies, we also wish to stress the significance of a most singular consideration: conjure how a weak American dollar translates into overseas earnings!

Clanmore continues to overweight global large-cap multinationals while shunning exposure to small stocks and adopting a very limited position in emerging markets. By and large, our equity thrust remains in large-cap companies: many based in the United States. Over the next few quarters, the markets' saving grace won't be in small-cap earnings. Instead, earnings will be powered by an extremely competitive dollar. Over 50% of all Dow 30 constituent stocks generate their earnings from abroad. The S&P 500 Index derives almost 20% of its total corporate profits from overseas.

The commodity bull market is also another major investment theme for our portfolios.

Adjusted for inflation and compared to the high-flying emerging markets, commodities are still cheap. This applies to the non-oil sector, including the grains, precious metals and non-grain agricultural commodities. For the most part, the growth in commodities this decade has a very positive correlation to the boom in emerging markets as consumption hits new records; **Clanmore**, however, prefers to own natural resources, water infrastructure equities and agricultural commodities in its portfolios where value-based earnings are still expanding based on real cash-flow growth. **Clanmore's** managers are unable to say the same for all emerging markets, particularly countries like India and China which exhibit the classic characteristics of financial "bubbles" as central banks in both markets continue to drain liquidity, (by raising interest rates, for example).

Basically, **Clanmore** believes it's far safer and more economically prudent to own those commodities and the natural resource companies positioned to benefit from India and China rather than own those countries' domestic "high-flying" equities in both markets which resemble casinos rather than orderly market places.

Stocks and commodities are expected to surge ahead to even newer highs over the next twelve months as central banks in the United States, and eventually in Europe, cut interest rates and boost liquidity. Volatility, however, will increase and it is expected more bumps will be experienced along the road to a profitable year.

The risk of a U.S. economic recession is growing and remains a distinct possibility, mainly because of the pervasive weakness in housing. But provided employment growth and wage gains do not decline and retail sales do not plummet, then the United States will stay above water in 2008. In addition, foreign economies should continue to drive global economic growth at a time when the United States is slowing, thus providing a further cushion to profit expectations.

It is expected that stocks will continue to perform better than all asset classes over the next several quarters and **Clanmore's** Managers intend to ride the rally in a cautious manner using further advances to judiciously add to post-2008 defensive strategies.

REVIEW OF MANAGERS' PERFORMANCE

The third quarter was extraordinarily volatile. Despite incessant daily moves in stock values beginning in mid-July, indices actually finished the quarter with a gain. At their worst levels, global stocks were down more than 10% from their highs in mid-August.

Based on positive performance attribution results for the period from July to September, foreign currencies played a pivotal role in **Clanmore's** increased earnings.

Clanmore currently holds 23.5% of its assets in foreign currency-denominated Managers' in Canadian dollars and euro.

During the third quarter, the Canadian dollar ranked as one of the top-performing currencies in the world, achieving a stunning 6.6% return versus the beleaguered American dollar. In September, the Canadian dollar also soared above par value vis-à-vis the U.S. dollar for the first time since 1976 and has now gained a cumulative 17% in 2007.

Clanmore's investment in the BluMont Hirsch Offshore Long/Short Fund, which invests in Canadian stocks, surged 10.5% during the third quarter as portfolio manager, Veronika Hirsch, earned strong profits in the materials sector.

A strong quarter was also recorded by euro-denominated La Fayette European Growth Fund, up 4%, mainly due to a strong euro rising to new all-time highs against the U.S. dollar.

Despite the credit crunch and the virtual freeze of credit markets in July, commodity prices were barely affected by the market sell-off. After an initial decline in early August, benchmark commodity indices achieved new record highs for the year as the grains, precious metals and crude oil all rose to new peaks, indeed, multi-decade highs, in September following the Fed's interest rate cut.

Clanmore's investment in Galtere International, a global commodities fund, also posted profits in the third quarter, rising 2.7%. Galtere continued to ride the huge rally in the grains, namely wheat and soybeans, soft commodities (cocoa and coffee) and a host of commodity-related currencies, including the Brazilian real – also rising to new records against the American dollar this year.

Overall, the third quarter was profitable for **Clanmore**, although most of our profit attribution was generated in September's powerful recovery rally. Currencies made a significant impression on our investments and continue to reward dollar-based portfolios since 2002.

Stocks continue to hit record or multi-year highs this fall on the heels of additional Federal Reserve interest rate cuts, a cheap dollar boosting U.S. large-cap earnings and generally strong bank credit growth worldwide. However, risks remain, largely in the sub-prime and mortgage-backed securities markets.

Clanmore remains vigilant, retaining its allocation of assets across global equity markets but also diversified in commodities and currency markets which will provide negative stock-market correlation. **Clanmore** will remain defensive heading into 2008 and is on track to produce another year of profits, notwithstanding the economic cycle.

CLAN OF CORE MANAGERS – 2007

CLAN FUND	CORE MANAGERS	ASSET CLASS
AHL Diversified PLC	ED & F Man Ltd.	Futures/Options Long & Short
Mangart Global Macro Fund	Team Managed	Global Macro Long & Short
BluMont Hirsh Long/Short Offshore Fund	Veronika Hirsh	Canadian Stocks Long & Short
Galtere International Fund	Renee Huggerud	Commodities/Currencies/Bonds
GAM Global Diversified Fund	Andrew Green	Global Value Stocks
Glenrock Global Partners BVI Fund	Michael Katz	Global Stocks Long & Short
La Fayette Europe: Euro Class	Multi-Managers	European Equities Long & Short
Orbis Global Equity Fund	Allan Gray	Global Value Stocks
AHL MAN IP International	ED & F Man Ltd.	Global Futures & Options

CLANMORE AND BENCHMARK PERFORMANCES

3RD QUARTER 2007

Set forth below you will find the respective performances of the **Clanmore** Core Managers currently appointed for the third quarter.

CLAN FUND	ASSET CLASS	3 RD QUARTER 2007
AHL Diversified PLC	Futures/Options Long & Short	-0.80%
Mangart Global Macro Fund	Global Macro Long & Short	+0.70%
BluMont Hirsh Long/Short Offshore Fund	Canadian Stocks Long & Short	+10.45%
Galtere International Fund	Commodities/Currencies/Bonds	+2.68%
GAM Global Diversified Fund	Global Value Stocks	-0.35%
Glenrock Global Partners BVI Fund	Global Stocks Long & Short	-0.89%
La Fayette Europe: Euro Class	European Equities Long & Short	+4.02%
Orbis Global Equity Fund	Global Value Stocks	+1.35%
AHL MAN IP International	Global Futures & Options	-0.93%

September Return:	
Clanmore:	+4.47%
CSFB/Tremont Investable Hedge Fund Index:	+1.75%
S&P 500 Index:	+3.58%
2007 Third Quarter:	
Clanmore:	+0.10%
CSFB/Tremont Investable Hedge Fund Index:	-1.02%
S&P 500 Index:	+1.56%
2007 Year-to-Date:	
Clanmore:	+5.72%
CSFB/Tremont Investable Hedge Fund Index:	+5.41%
S&P 500 Index:	+7.60%
Last 12 Months:	
Clanmore:	+11.59%
CSFB/Tremont Investable Hedge Fund Index:	+9.59%
S&P 500 Index:	+14.29%
3-Year Cumulative Return:	
Clanmore:	+30.08%
CSFB/Tremont Investable Hedge Fund Index:	+28.50%
S&P 500 Index:	+36.98%
5-Year Cumulative Return:	
Clanmore:	+46.04%
CSFB/Tremont Investable Hedge Fund Index:	+48.97%
S&P 500 Index:	+87.28%
10-Year Cumulative Return:	
Clanmore:	+122.00%
CSFB/Tremont Investable Hedge Fund Index:	N/A
S&P 500 Index:	+64.90%

INVESTOR PORTFOLIO STATEMENTS

Clanmore shareholders will find their individual portfolio statements updated to include the period September 30, 2007 attached to this report. Should you require any additional information relating to this statement kindly advise.

If you wish to obtain further detailed information with respect to any aspects of the foregoing report or to increase your current investment position in the **Clanmore Global Investment Limited Fund**, please communicate with our North American Sub-Advisor, E.N.R. Asset Management Inc., 1 Westmount Square, Suite 1125, Westmount, Quebec, H3Z 2P9, telephone: (514) 989-8027, fax: (514) 989-7060, e-mail: enr@qc.aibn.com, at your convenience. They will be pleased to convey any request to **Clanmore's** Managers on your behalf or put you in touch directly with one of its sub-advisors.

Prepared as at October 31, 2007 for the period ending September 30, 2007.