

August 13, 2007

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BARCLAYS GLOBAL INVESTORS

Dear Client,

Given the recent volatility in global equity markets, we wanted to reach out to discuss our understanding of the events of the past few weeks, their significance for the 32 Capital Fund Ltd, and the firm's response to these events. While we plan to continue to provide weekly gross return estimates, we felt that the current environment warranted an additional level of communication in order to add a note of clarity amidst the noise surrounding the recent market dislocations.

Over the past several days, the 32 Capital Fund Ltd has experienced an unusual rise in volatility and cross sectional risk. This spike in risk began with our US strategies and quickly spread to international markets. We believe that the catalyst for the abrupt rise in volatility has been non-BGI quantitatively managed hedge funds de-levering their portfolios, i.e. liquidating their positions. Other managers appear to be de-levering on account of several factors, including redemptions by fund-of-funds, voluntary reductions in gearing levels brought on by the recent change in the volatility regime, and selling by multi-strategy funds looking to raise cash to compensate for losses and reduced liquidity in their sub-prime and other fixed-income holdings.

Based on our own research and market knowledge, we believe that this increase in volatility is technical rather than fundamental in nature. By technical, we are referring to the need of many funds to raise liquidity over the short term. This de-levering, regardless of the rationale, has resulted in a number of funds closing out positions simultaneously. While this has had a significant short term impact on equity markets, the evidence does not suggest a change in underlying company fundamentals. Nor do we believe that there has been a significant shift in investor sentiment. Instead, the recent dislocation appears to be primarily driven by changes in short term liquidity, which have in turn impacted the risk and leverage of many of our equity market competitors.

For the 32 Capital Fund Ltd, the net impact of these events has been a sharp drop in performance over the past week. **While returns have turned positive since Friday, the past ten days on the whole were very negative and have pushed our month-to-date performance, as of Monday's close, to approximately -7%. On a year-to-date basis, we are approximately flat for all of 2007.** While we believe that these events are short term and a function of the acute change in liquidity, they still necessitate increased vigilance. We have therefore expanded the communication effort within our investment team to include a broader cross-section of BGI professionals, including operations, our prime brokerage finance team, and even representatives from different asset classes who can provide a different perspective on recent events. This coordinated effort is designed to respond to and re-assess both investment and operational issues in real-time as they unfold.

Consistent with our views that the current increase in volatility is driven by a change in liquidity as opposed to fundamentals, we believe the best course of action is to maintain our investment discipline. Thus, throughout this period we have maintained our exposure levels. While near term volatility may remain elevated, we believe this course of action is the best for the long term performance of the fund. We are supported in our position by strong liquidity as well as deep relationships with our prime brokers. We continue to assess events in real-time, and will adjust our positions should changing conditions necessitate further review.

While the short term environment has been difficult for both our clients and ourselves, it also has the potential to create both intermediate and longer term opportunities. In the intermediate term, we are witnessing significant security mis-pricings which we believe will provide interesting investment opportunities over the coming months. Over the longer term, a changing landscape for quantitative investors is likely in our view to present more alpha opportunities. Given our breadth of resources, capital base, liquidity, and strong counterparty relationships, we are confident that we are well positioned to address, manage, and ultimately benefit from the current period.

Sincerely

A handwritten signature in black ink, appearing to read 'Minder Cheng', with a stylized flourish at the end.

Minder Cheng

Please refer to the Fund's Confidential Memorandum for a discussion of other risks and other important information. You may not rely on these materials in evaluating the merits of investing in the Fund, and hence the Master Fund. Any investment decisions with respect to the Fund should be based solely on the information contained in the Fund's Confidential Memorandum. These materials are neither an offer to sell nor a solicitation of any offer to buy interests in the Fund. Any such offering is made only pursuant to the Fund's Confidential Memorandum and subscription agreement, which should be read in their entirety. No offer to purchase shares in the Fund will be accepted prior to receipt by the offeree of the aforementioned documents and completion of all appropriate documents. These materials are not an advertisement and are not intended for public use or dissemination. These materials have been presented to you in a confidential manner. The information contained herein may be proprietary. No part of these materials may be reproduced in any manner without the Investment Manager's prior consent. Some investors invest in a fund which invests in a master fund, in which case this disclaimer applies to both funds and performance of an investing fund may differ from that of the master fund. Past performance is no guarantee of future results. Interests in the Fund do not give rise to a deposit or other obligation of Barclays Bank PLC or its subsidiaries and affiliates, including the Investment Manager, or any other bank and are not guaranteed by Barclays Bank PLC or its subsidiaries and affiliates, including the Investment Manager or any other bank, and are not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency