Annual Report 08

JPMorgan Progressive Multi-Strategy Fund Limited

Annual Report & Financial Statements for the year ended 30th September 2008

JPMorgan Asset Management

Features

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History

JPMorgan Progressive Multi-Strategy Fund Limited (the "Company") is a closed-ended investment company with an unlimited life, incorporated in Guernsey and which is managed by JPMorgan Asset Management (UK) Limited (the "Manager"). The Company was incorporated on 14th February 2007 by a placing and offer for subscription. The Company was admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange and the Channel Islands Stock Exchange ("CISX") on 15th May 2007, raising £25,060,000 from the issue of 25,060,000 Sterling shares at £1 each.

Investment Objective and Policy

The Company's investment objective is to achieve over the medium to long term, a return broadly comparable to direct equity investments but at a lower level of volatility.

- The Company's investment objective will be achieved through an investment policy of investing substantially all available funds in the Luxembourg domiciled JPMorgan Progressive Multi-Strategy Fund ("PM-S Fund") (or any successor vehicle to PM-S Fund) thereby aligning the Company's investment objective with that of PM-S Fund.
- PM-S Fund seeks to achieve its investment objective by gaining exposure to a diversified range of asset classes which may include, but is not limited to, equities, fixed income securities, money market instruments, real estate property funds, hedge funds and other alternative asset classes, on a worldwide basis, primarily through investment in undertakings for collective investments ("UCIs") managed by members of the JPMorgan Chase & Co. group, but also through investment in UCIs managed by other investment managers (collectively, "Underlying Funds").
- PM-S Fund may also seek to gain exposure to such various asset classes directly (excluding real estate property) or through the use of financial derivative instruments including, but not limited to, credit default swaps.
- It is not intended that any dividends will be paid on the Company's shares.

PM-S Fund

- PM-S Fund, into which the Company invests, is a sub-fund of JPMorgan Portfolio Strategies Funds II ("Portfolio Strategies Umbrella Fund"). Portfolio Strategies Umbrella Fund is an investment company organised as a "société d'investissement à capital variable" (namely, an investment company with variable capital and commonly referred to as a "SICAV") under the laws of the Grand Duchy of Luxembourg. Portfolio Strategies Umbrella Fund was incorporated in Luxembourg on 7 December 2005 for an unlimited period.
- PM-S Fund was launched in October 2006 by the JPMorgan Chase & Co. group and, since January 2007, has been open to third party investors.
- Following the admission of the Company to AIM and the investment of a significant proportion of the proceeds from the placing into PM-S Fund, the Company is the largest shareholder in PM-S Fund. As at 30th September 2008 and the date of this report, the Company is still the largest shareholder in PM-S Fund.

Group

The Group comprises the Company and PM-S Fund.

Benchmark

MSCI World Index expressed in sterling terms.

Structure

The Company has an unlimited authorised share capital of redeemable participating shares of nil par value, designated as "Sterling shares". At 30th September 2008, 21,610,000 Sterling shares were in issue.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited to manage its assets.

Summary of Financial Results

–24.1%
Share price return
(2007[1]: –2.5%)

–9.6%
NAV per share return
(2007[1]: –1.3%)

–23.8%
Benchmark return[2]
(2007[1]: –3.1%)

Summary of Consolidated Results[3]

for the year ended 30th September 2008

	30th September 2008	30th September[1] 2007	Change %
Returns			
Net asset value per share	87.7p	97.0p	–9.6
Share price	74.0p	97.5p	–24.1
Assets			
Shareholders' funds (£'000)	18,943	24,303	–22.1
Share price (discount)/premium to net asset value	(15.6)%	0.5%	
Revenue			
Total income (£'000)	209	219	–4.6
Loss per share	1.9p	0.1p	

A glossary of terms and definitions is provided on page 44.

[1]The comparative results are for the period from 15th May 2007, which is the date on which the proceeds of the share placing were received by the Company, to 30th September 2007.

[2]The Company's benchmark is the MSCI World Index expressed in sterling terms.

[3]Consolidated refers to the Group

Chairman's Statement

I wrote in my last statement that as a Board we looked forward to seeing how the Company's strategy would perform under more normal market conditions. As shareholders will be only too aware, we have experienced anything but normal conditions and many of the world's major economies are now in a recession. However this disappointment can be tempered to some degree with continuing evidence that the Company is at least performing as designed, namely to outdo its benchmark, the MSCI World Index expressed in sterling terms, with lower volatility. Over the year to 30th September 2008, the Company produced a return on net assets of –9.6% compared with its benchmark which returned –23.8%. Volatility for the year, measured as standard deviation, was 9.38% compared with 17.23% for the benchmark.

That said, the performance of the Company's share price was undoubtedly disappointing, falling 24.1% over the year, which reflected a widening of the discount at which the Company's shares trade to their net asset value and the very difficult market conditions in the autumn of 2008.

Of course no one can accurately predict when global economies and markets will recover, but the Company is well placed to benefit from a turn-round when it occurs. I look forward to presenting better news for shareholders when this happens.

The Investment Manager's report provides an analysis of the Company's performance for the year, including the performance of some of the underlying investments held through the Luxembourg-based PM-S Fund.

The Company was established with a half-yearly redemption facility under which, subject to certain limitations and at the Directors' discretion, shareholders may request the redemption of all or part of their holdings of shares for cash. On 1st September 2008, the Directors approved the redemption of 3,450,000 shares at a redemption price of 89.72p per share. Subsequent to the year end the Company has received requests for redemptions in relation to the February 2009 redemption date. Directors have approved the requests up to the value of 5,402,500 shares. When exercising their discretion in respect of redemptions, the Board tries to balance the interests of Shareholders and the requirements of the Company.

I look forward to welcoming shareholders to our second Annual General Meeting to be held on Thursday 19th March 2009 at Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ.

Christopher Sherwell
Chairman

29th January 2009

Investment Manager's Report

Economic Background

The financial crisis caused by the "credit crunch" that we referred to in the September 2007 Investment Manager's report has deepened into one of the most damaging events that financial markets have experienced in living memory. The last 12 months have caused rapid, mass financial destruction, wiping out 158 year-old Lehman Brothers and compelling the US Government to nationalise the world's largest insurance company, AIG. This occurred only a week after it had bailed out the two titans of the mortgage sector, Fannie Mae and Freddie Mac. Merrill Lynch was forced to capitulate at a knockdown price to Bank of America. The two remaining investment banks, Goldman Sachs and Morgan Stanley hastily agreed to convert themselves into commercial banks in an attempt to avoid a similar fate. The decimated balance sheet of some UK banks forced them to go cap in hand to the government for fresh capital.

Indeed, the crunch has been so ferocious that it has called into question the very creditworthiness of whole countries. Monetary authorities around the world continue to pump record amounts of liquidity into the system in an attempt to re-open the credit arteries. Meanwhile, plummeting property prices have exacerbated the already deteriorating finances of the hard-pressed consumer whose confidence in the financial system is fading rapidly.

Last year we highlighted the irrational price movements caused by hedge funds unwinding leveraged positions to meet margin calls. This selling pressure continued through 2008 and was exacerbated over the summer by a glut of forced selling from managers who were caught in a potentially life-threatening pincer of redemptions from clients and demands for more collateral from their bankers. Many of these hedge funds have, or are in the process of, going out of business and are selling their remaining assets irrespective of price.

Global stock markets and property prices fell steeply in 2008, reflecting both the financial crisis caused by the credit crunch and the intense worries about what the knock-on effect of this will be for the wider economy. The decline in equities has continued, with the latter part of the year seeing a particularly savage sell-off. Government bonds have been perceived by many as one of the few safe havens for investors, and as a result, have performed reasonably well.

Investment Performance

The Company's objective is to provide an equity-like return over the long term with a lower level of volatility than that normally associated with equities.

In the 12 months to September 2008, your Company's NAV outperformed the benchmark by 14.2%, falling 9.6% compared with its benchmark, the MSCI World Index hedged into GBP, which fell 23.8% over the same period. Over the same period the Company's volatility was 9.38%, nearly half that of the benchmark at 17.23%.

Looking at the individual asset classes of the underlying PM-S Fund, the performance reflects the experience of the broader markets. The Bond Beta components of the portfolio returned 3.87% giving a positive contribution for the year of 2%. The US and European bond exposure provided the best contributions to returns while the UK element detracted slightly.

Despite a difficult 12 months for the JPM European Equity Market Neutral Fund, the Pure Alpha component returned –3.7% for the year, contributing –0.85% to the total return of the fund. The Hybrid Alpha component of the portfolio returned –16.4% over the year, detracting –3.9% from the overall return. The exposure to

Investment Managers' Report continued

emerging markets, including Greater China and Korea, was a significant detractor to performance as those markets fell sharply over the quarter to September 2008.

The Equity Beta and Property Beta components of the portfolio were the biggest detractors to performance returning –31.6% and –33.0% respectively, contributing –6.9% and –6.8% to the overall returns of the Company. Within the Equity Beta elements of the portfolio the European & Japanese fund selection were the biggest detractors, while the US funds held up relatively well in comparison.

Outlook

Despite the plethora of bad news, we are acutely aware that stockmarkets are a discounting mechanism and, having turned down before the global economies, they will certainly rally before global economies bottom.

Your Company has behaved as we would expect over the last 12 months, in the most trying of circumstances, producing a better return than the MSCI World with nearly half the volatility. When markets recover, we would expect the portfolio to recover alongside them, and in the meantime our prudent assumptions regarding the construction of the portfolio should continue to benefit shareholders relative to global equities while exposing investors to less volatility.

Chris Complin
JPMorgan Asset Management (UK) Limited

29th January 2009

List of Group Investments

at 30th September 2008

Group	Valuation £'000	% of units held in investee sub-fund
Cayman Islands		
JF Japan Absolute Return Fund	1,703	2.1
JF Korea Absolute Return Fund	1,395	5.1
JF Greater China Absolute Return Fund	1,384	11.5
JPM Ultra Global Emerging Markets Fund	1,145	4.5
	5,627	
Luxembourg		
JPMorgan Funds – Global Real Estate Securities Fund (USD) (JPM Global Real Estate Securities X Accumulation – USD)	5,874	83.2
JPMorgan Liquidity Funds – US Dollar Liquidity Fund (JPM USD Liquidity Fund X Distribution)	4,180	—
JPMorgan Investment Funds – JPM Highbridge Statistical Market Neutral Fund (JPM Highbridge Statistical Market Neutral X Accumulation – EUR)	2,522	0.1
JPMorgan Investment Funds – US Market Neutral Fund (JPM US Market Neutral Fund X Accumulation – USD)	2,496	8.1
JPMorgan Portfolio Strategies Funds – JPM Europe Equity Market Neutral Fund A – USD	1,636	18.1
JPMorgan Investment Funds – Japan Behavioural Finance Equity Fund (JPM Japan Behavioural Finance Equity Fund X Accumulation – USD)	1,163	3.0
JPMorgan Portfolio Strategies Funds – JPM Europe Dynamic Small Cap Long-Short Fund A – USD	1,059	6.8
JPMorgan Funds – US Select 130/30 Fund (JPM US Select 130/30 Fund X Accumulation – USD)	950	0.2
JPMorgan Funds – US 130/30 Fund (JPM US 130/30 X Accumulation – USD)	944	16.2
JPMorgan Funds – Europe Select 130/30 Fund (JPM Europe Select 130/30 Fund A Accumulation – EUR)	886	22.8
JPMorgan Funds – Europe 130/30 Fund (JPM Europe 130/30 A Accumulation – EUR)	880	20.3
JPMorgan Funds – JF Asia Alpha Plus Fund (JF Asia Alpha Plus X Accumulation – USD)	711	3.0
JPMorgan Portfolio Strategies Funds – JPM Europe Equity Market Neutral Fund A – USD	293	2.2
	23,594	
Total Portfolio	**29,221**	

The above investments are all managed by members of the JPMorgan Chase & Co. group, which includes the Manager. Further details of transactions with the Manager are given in note 21 on page 34.

Forward Currency Contracts and Financial Futures Contracts

as at 30th September 2008

Forward currency contracts held by the Company:

Settlement date	Currency	Amount purchased	Currency	Amount sold	Unrealised gain/(loss) £'000
7th October 2008	USD	225,594	GBP	122,826	4
7th October 2008	GBP	134,221	USD	244,094	(3)
7th October 2008	GBP	22,043,215	USD	39,636,059	(184)
7th October 2008	GBP	172,914	JPY	33,566,716	(5)
7th October 2008	GBP	119,024	AUD	252,927	7
7th October 2008	USD	939,978	GBP	523,294	4
7th October 2008	USD	129,618	GBP	72,999	—
7th October 2008	AUD	223,200	GBP	104,440	(6)
7th October 2008	JPY	21,778,484	GBP	113,761	1
7th October 2008	GBP	230,503	USD	402,551	5
7th October 2008	GBP	642,772	USD	1,145,260	1
7th October 2008	AUD	93,995	GBP	42,411	(1)
7th October 2008	USD	2,559,586	GBP	1,438,566	(3)
7th October 2008	JPY	18,998,144	GBP	101,751	(1)
7th October 2008	USD	454,577	GBP	253,761	1
7th October 2008	USD	354,726	GBP	195,163	4
7th October 2008	USD	130,105	GBP	70,202	3
7th October 2008	JPY	19,262,608	GBP	98,263	3
Total forward currency contracts held by the Company at fair value					(170)
Total derivative financial instruments held by the Company at fair value					(170)

Forward currency contracts held by PM-S Fund, the Subsidiary:

Settlement date	Currency	Amount purchased	Currency	Amount sold	Unrealised gain/(loss) £'000
7th October 2008	AUD	1,384,352	USD	1,123,271	(18)
7th October 2008	CAD	166,710	USD	159,201	(1)
7th October 2008	EUR	10,903,902	USD	16,671,277	(194)
7th October 2008	GBP	1,757,991	USD	3,165,482	(17)
7th October 2008	JPY	512,718,371	USD	4,883,572	(28)
7th October 2008	SGD	268,717	USD	187,393	—
7th October 2008	USD	3,233,137	GBP	1,757,991	55
7th October 2008	USD	1,171,981	AUD	1,384,352	45
7th October 2008	USD	4,715,970	JPY	512,718,371	(66)
7th October 2008	USD	159,656	CAD	166,710	2
7th October 2008	USD	189,738	SGD	268,717	1
7th October 2008	USD	16,024,919	EUR	10,903,902	393
8th October 2008	HKD	5,751,636	USD	740,475	—
8th October 2008	USD	737,198	HKD	5,751,636	(2)
6th November 2008	USD	985,618	AUD	1,212,175	17
6th November 2008	USD	187,530	SGD	268,717	—
6th November 2008	USD	740,728	HKD	5,751,636	—
6th November 2008	USD	4,900,539	JPY	512,718,371	24
6th November 2008	USD	2,548,874	GBP	1,410,501	16
6th November 2008	USD	11,161,518	EUR	7,748,902	135
6th November 2008	USD	159,278	CAD	166,710	1
Total forward currency contracts held by the Subsidiary at fair value					363

Outstanding financial futures contracts held by PM-S Fund, the Subsidiary:

Expiration date	Number of contracts	Security description	Currency	Unrealised gain/(loss) £
Bond futures				
December 2008	57	Long Gilt Future	GBP	24
December 2008	3	Japan 10 Year Bond Future	JPY	(18)
December 2008	67	Euro-Bond Future	EUR	36
December 2008	25	US 10 Year Note Future	USD	(14)
Outstanding financial futures contracts held by PM-S Fund, the Subsidiary, at fair value				28
Total derivative financial instruments held by the Subsidiary at fair value				391

Board of Directors

Christopher Sherwell (Chairman)
A Director since 14th February 2007.

A non-executive director of a number of investment related companies. His directorships include chairmanship of Hermes Absolute Return Fund (Guernsey) Limited and of Goldman Sachs Dynamic Opportunities Limited, both funds of hedge funds. Before joining Schroders in 1993 he worked as Far East regional strategist with Smith New Court Securities in London and then Hong Kong. He was previously a journalist, working for the Financial Times. He is a resident of Guernsey.

Donald Adamson (Chairman of the Audit Committee)
A Director since 14th February 2007.

A member of The Securities Institute. He is also Chairman of the Offshore Committee of the UK Association of Investment Companies. He started his career in fund management with Baillie Gifford in 1980 and has since gained experience in fund management, corporate finance and private equity. He serves as director or chairman of a number of listed and private investment companies.

Patrick Firth
A Director since 14th February 2007.

The Managing Director of Butterfield Fulcrum Group (Guernsey) Limited. He is based in Guernsey and holds a number of directorships for offshore funds and management companies. He qualified as a Chartered Accountant with KPMG in 1990 and is also a Member of The Securities Institute. He joined Rothschild Asset Management (C.I.) Limited in 1992, where he assumed responsibility for combined assets in excess of US$3 billion. There he gained experience in funds of funds, direct investment funds and venture capital funds. On the acquisition of the company by BISYS Fund Services in February 1999, he became Head of Operations and subsequently Managing Director before moving to Butterfield in 2002.

Jonathan Griffin
A Director since 14th February 2007.

A Managing Director of JPMorgan Asset Management (Europe) S.àr.L. in Luxembourg. He began his career with Barclays Bank plc in 1978, where he held various retail banking roles. In 1986 he moved to Global Custody Operations with Chase Manhattan Bank in London and Bournemouth and in 1989 became Global Custody Operations Manager for Chase Manhattan Bank Luxembourg SA. In 1995 he was appointed Operations Manager at Chase Manhattan Bank AG, Frankfurt and later that year was appointed Senior Relationship Manager for the Offshore Funds Group at Chase Investment Bank, London. Between 1996 and 2000 he held various management roles in the European Fund Management Group of JPMorgan Investment Management, London, being appointed head of that group in 1999. Immediately prior to his current position at JPMorgan Asset Management (Europe) S.àr.L., he was the Chief Operating Officer at JPMorgan Trust Bank in Tokyo relocating to Luxembourg in August 2001.

All Directors, save for Mr Griffin, are members of the Audit Committee.

All Directors are non-executive directors and, save for Mr Griffin, are independent of the Manager.

Directors' Report

The Directors present their report with the consolidated financial statements of JPMorgan Progressive Multi-Strategy Fund Limited (the 'Company') and JPMorgan Progressive Multi-Strategy Fund ('PM-S Fund'), together (the 'Group') for the year ended 30th September 2008.

Business Review

Business of the Company

JPMorgan Progressive Multi-Strategy Fund Limited (the 'Company') is a closed-ended investment company with an unlimited life, incorporated in Guernsey and which is managed by JPMorgan Asset Management (UK) Limited (the 'Manager'). The Company was incorporated on 14th February 2007 by a placing and offer for subscription. The Company was admitted to trading on the Alternative Investment Market ('AIM') of the London Stock Exchange and the Channel Islands Stock Exchange ('CISX') on 15th May 2007, raising £25,060,000 from the issue of 25,060,000 Sterling shares at £1 each.

Due to the Company having a controlling interest in PM-S Fund, the Company is required to present consolidated financial statements.

Investment Objective and Policies

The Company's investment objective is to achieve over the medium to long term, a return broadly comparable to direct equity investments but at a lower level of volatility.

The Company's investment objective will be achieved through an investment policy of investing substantially all of its net funds in PM-S Fund (or any successor vehicle to PM-S Fund) thereby aligning the Company's investment objective with that of PM-S Fund.

Investment Objective and Policy of PM-S Fund

PM-S Fund's investment objective is to achieve an equity type return over the long term while maintaining a lower risk than the normal risk related to investment in equities. PM-S Fund seeks to achieve its investment objective by seeking exposure to a diversified range of asset classes which may include but is not limited to equities, fixed income securities, money market instruments and real estate property funds, hedge funds and other alternative asset classes, on a worldwide basis, primarily through investment in UCIs managed by members of the JPMorgan Chase & Co. group, but also through investment in UCIs managed by other investment managers. Such UCIs may be traditional long-only UCIs but also UCIs which invest in financial derivative instruments and/or make use of leverage, short sales, borrowings for investment purposes or otherwise pursue so-called 'hedge fund' strategies. PM-S Fund may also seek to gain direct exposure to the various asset classes referred to above directly (except real estate property) or through the use of financial derivative instruments including but not limited to credit default swaps.

Performance

In the year to 30th September 2008, the Company produced a negative total return to shareholders of 24.1% and a negative total return on consolidated net assets of 9.6%. As at 30th September 2008, the value of the Group's investment portfolio was £29.2m. The Investment Managers' Report on pages 3 and 4 includes a review of the different portfolio components and their performance.

Redemption Facility

The Company has been established with a half-yearly Redemption Facility under which, subject to certain limitations and the Directors exercising their discretion to operate the facility on any relevant occasion, shareholders may request the redemption of all or part of their holdings of shares for cash. Redemptions will be effected at the prevailing month-end net asset value of the shares on the Redemption Date (less the costs of redemption (which may include early redemption penalties in respect of the underlying funds). Notice of intention to redeem must be given to the Company by shareholders not less than 60 days prior to a Redemption Date (or such other period as the Directors may, in their absolute discretion, determine). Payments in respect of shares redeemed under the Redemption Facility may be made by cheque or crediting of CREST accounts. Cheques are expected to be dispatched (at the recipient's risk) within 10 business days after the completion of the calculation of the month-end net asset value as at the Redemption Date. Subject to the above limitations and the Directors' discretion being exercised on any relevant occasion, this facility will operate on 28th February and 31st August of each year or, if such dates are not business days, on the immediately following business day.

A redemption charge of up to 2% of the net asset value of the shares in respect of which redemption requests have been received may be applied by the Directors to cover any redemption charges levied by PM-S Fund.This charge will be borne by those shareholders who elect to redeem their shares. The general administrative costs of making the Redemption Facility available will be borne by the Company.

Redemptions on any Redemption Date will be restricted to such proportion of the shares as the Directors may decide, not exceeding 25% in aggregate of the shares then in issue (or of each class of share, if there is more than one class of share in issue) with any redemption requests in excess of 25% in aggregate of the shares (or each class) or such lower proportion as the Directors may determine being scaled back pro rata. The Directors may, as a result of the Company being limited in its ability to redeem its holding of shares in PM-S Fund, limit redemptions on each Redemption Date to less than 25% in aggregate of the shares (or each class) then in issue. Investors should note that PM-S Fund may impose a limit of 5% on the redemption of its shares.

On 1st September 2008, 3,450,000 sterling shares were redeemed by the Company at a price of 89.72p per sterling share.

Purchases of Own Shares by the Company
In addition to having the Redemption Facility available, the Company may purchase shares in the market with a view to addressing any imbalance between the supply of, and demand for, such shares, to increase the net asset value per share and/or to assist in maintaining a narrow discount to net asset value at which the shares may be trading.

The Company presently has authority to make market purchases of up to 14.99% of its own issued shares. A renewal of the Company's authority to make purchases of its own issued shares will be sought from shareholders at each annual general meeting of the Company or, more frequently, at a general meeting of shareholders, if required. Purchases of shares will be made in accordance with The Companies (Purchase of Own Shares) Ordinance 1998 and within guidelines established from time to time by the Board. The timing of any such purchases will be decided by the Board.

Purchases will only be made through the market for cash and at prices below the prevailing net asset value of the shares where the Directors believe that such purchases would result in an increase in the net asset value of the remaining shares and as a means of addressing any imbalance between the supply of and demand for the shares.

Share Capital
During the year the Company redeemed 3,450,000 sterling shares, representing 13.8% of the Company's issued share capital at the beginning of the financial year for a consideration of £3,095,000.

Treasury Shares
The Company is able to repurchase up to 10% of its issued share capital into Treasury. Shares held in Treasury can be reissued or cancelled at a later date. The Directors believe that the effective use of Treasury shares could assist the Company in improving liquidity in the shares (or the relevant class of share, if there is more than one class of share in issue) and in maintaining a narrow discount to net asset value at which the shares (or the relevant class of share, if there is more than one class of share in issue) may be trading will be held in Treasury for a maximum period of one year from the date of repurchase before being cancelled.

Further issues of Shares
Under the Articles of Association, the Directors have wide powers to issue further shares (or shares of each class, if there is more than one class of share in issue) on a non-pre-emptive basis. The Directors will consider issuing further shares (or shares of each class, if there is more than one class of share in issue) at not less than their prevailing net asset value as part of the process of managing the premium of the market price of the shares (or the relevant class of share, if there is more than one class of share in issue) as compared to their respective net asset values.

The Manager will seek to invest the proceeds of any further issues where possible, and considered appropriate in investments comprising the Company's portfolio at the prevailing date so as to avoid dilution of existing shareholders' exposure to the prevailing composition of the Company's portfolio.

Whilst the Manager will have regard to the Company's investment objective and investment policy, there can be no assurance that further additions to existing holdings can be achieved.

The Company did not issue any new shares during the year.

Distribution Policy
It is not intended that dividends will be paid on the shares.

Discount Management
In order to address any imbalance in the supply of and demand for the shares and to assist in maintaining a narrow discount to the net asset value at which the shares may be trading, the Company will, at the sole discretion of the Directors and subject to consideration of 'close periods':

(i) purchase shares in the market when deemed appropriate; and

(ii) allow a six monthly redemption of up to 25% of the shares in issue (or each class of share if there is more than one class of share in issue) at their relevant prevailing net asset value.

Shareholders should have no expectation that the Directors will exercise any such discretion on any one or more occasions in respect of the shares.

Summary of Risk Factors Relating to the Company
Although substantially all of the Company's assets will be invested in the PM-S Fund, the Company controls but is a

Directors' Report continued

passive investor in this fund and is not able to influence or direct the investment strategy of PM-S Fund or any of the underlying funds in which it indirectly invests.

The performance of the Company's investment depends on correct assessments of future price movements of investments by managers of underlying funds.

The strategies employed by the fund managers of the underlying funds may involve substantial risk of loss in the event of failure or deterioration.

The success of the investment programme of the Company and the PM-S Fund is significantly dependent upon the expertise of the managers of the underlying funds and their ability to attract and retain suitable staff.

There is no guarantee that diversification amongst the underlying funds would be achieved by PM-S Fund at all times and investors could potentially be exposed to a heavy concentration of investment in one or a few underlying funds.

In calculating the Company's net asset value the Administrator, Butterfield Fulcrum Group (Guernsey) Limited, relies on valuations supplied by the administrator of PM-S Fund and/or the underlying funds (which may themselves be unquoted). There is no guarantee that the shares in PM-S Fund will ultimately be realised by the Company at any such valuation.

Substantial redemptions by shareholders in PM-S Fund and/or the underlying funds within a short period of time could require the liquidation of positions more rapidly than would otherwise be desirable, possibly reducing the value of assets and/or disrupting the relevant investment strategy.

Financial risk management policies and procedures are dealt with in note 23 on pages 35 to 41.

Future Developments

The future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments, and the Investment Manager discusses the outlook in his report on page 4.

Manager and Management Fees

In order to avoid a duplication of fees, no management fee is payable to the Manager by the Company.

The Company and the Manager, JPMorgan Asset Management (UK) Limited, have entered into a Management Agreement under which the Manager has been given responsibility for the day-to-day discretionary management of the Company's assets (including uninvested cash) in accordance with the Company's investment objective and policy, subject to the overall supervision of the Directors. The Manager will be entitled to an aggregate fee from PM-S Fund and from PM-S Fund's investment in underlying funds of an amount equal to 1.75% per annum of total funds invested. PM-S Fund will charge the Company a fee of 0.15% per annum of the value of the Company's investment in it in respect of its operating and administrative expenses.

No performance fee is payable by the Company to the Manager or PM-S Fund to its Investment Manager. Performance fees may be payable by underlying funds in which PM-S Fund invests or become payable by PM-S Fund as an investor in such funds as a result of its investments (provided in such circumstances that double payment does not occur where the manager of the underlying funds is the Investment Manager); such amounts will not be recoverable by PM-S Fund.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for its management to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company at the end of the year, together with their beneficial interests in the Company's share capital are given below.

	30th September 2008	30th September 2007
Christopher Sherwell	30,000	30,000
Donald Adamson	30,000	30,000
Patrick Firth	—	—
Jonathan Griffin	—	—

No changes in the above holdings have been notified by any Director between the year end and the date of this report.

In accordance with the Articles of Association and the AIC Code on Corporate Governance, the Directors will all retire at the forthcoming Annual General Meeting, and being eligible, will all offer themselves for election at the forthcoming Annual General Meeting.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
JPMorgan Asset Management Charitable Trust	5,663,000	26.2
JPMorgan Asset Management	5,010,000	23.2
Cazenove Capital Management Ltd	3,913,000	18.1
Shore Capital Clients	3,471,525	16.1
JPMorgan Asset Management Benefit Trust	1,642,000	7.6
Brown Shipley	1,300,000	6.0

Independent Auditors

PricewaterhouseCoopers CI LLP have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment, and to authorise the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

Annual General Meeting

Resolutions relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

(i) **Authority to Repurchase the Company's shares (resolution 4)**

As set out in the Company's prospectus, authority will be sought from shareholders at each annual general meeting to renew the Company's authority to make market purchases of its own issued Shares. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, since the repurchase of shares at a discount to the underlying net asset value ('NAV') would enhance the NAV of the remaining shares. The Directors therefore recommend that shareholders vote in favour of the resolution.

The text of all the resolutions is set out in full in the Notice of Meeting on page 43.

Approved by the Board of Directors.

Donald Adamson
Director

Patrick Firth
Director

29th January 2009

Corporate Governance

Compliance

As the Company is not incorporated within the United Kingdom it is not, strictly speaking, required to comply with the Combined Code published by the Financial Reporting Council (the '2006 FRC Code'). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and the Company has voluntarily decided to comply with the 2007 AIC Code of Corporate Governance©.

Directors' Statement of Compliance with the 2007 AIC Code of Corporate Governance© ('the AIC Code') and AIC's Corporate Governance Guide for Investment Companies ('AIC Guide')

The Board has noted the Financial Reporting Council ('FRC')'s announcement on 14th February 2007 endorsing the AIC Code. Following the FRC's endorsement AIC member companies who report against the 2007 AIC Code and who follow the AIC Guide will be meeting their obligations in relation to the Combined Code.

The Board has considered the principles and recommendations of the 2007 AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders. The Board considers that it has managed its affairs throughout the year ended 30th September 2008 in compliance with the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below. Like the Combined Code, the AIC Code specifies a 'comply or explain' basis and the Board's report under this section explains any deviations from its recommendations.

The Combined Code includes provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

For the reasons set out in the AIC Guide, and the Pre-amble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Role of the Board

A management agreement between the Company and the Manager sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting and some marketing services. The Company also has an administration agreement with Butterfield Fulcrum Group (Guernsey) Limited in relation to the provision of administration and company secretarial services. The Manager's Agreement and the Administration Agreement can be terminated by either party giving at least one year and 90 days' written notice respectively. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved for decisions by the Board has been approved by the Board. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely financial and administrative information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice in the furtherance of their duties and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board consists of four non-executive Directors, chaired by Christopher Sherwell, three of whom are considered to be independent of the Company's Manager. Given his employment with the Manager, Jonathan Griffin is not deemed to be independent. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 7.

The Company complies with the provisions of The Companies (Guernsey) Law, 1994 in regard to the re-election of Directors every two years. The Board does not consider that Directors should serve for a fixed period of time. However, in order to achieve a balance of skills, experience, ages and length of service, it is the Board's policy to refresh itself in an orderly manner over time.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a maximum term of two years. A Director may thereafter be invited to serve for one or more further terms of two years, in every case subject to the normal requirements for re-election by shareholders at Annual General Meetings.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the AGM.

Meetings and Committees

The Board delegates certain responsibilities and functions to the Audit Committee. Details of membership of the Audit Committee is shown with the Directors' profiles on page 7. Jonathan Griffin who is not a member of the Audit Committee may attend at the invitation of the Chairman.

During the year there were four Board meetings and two Audit Committee Meetings.

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and Directors.

Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment companies.

The Board undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Board also reviews Directors' fees.

Board Committees

Audit Committee

The Audit Committee comprises Christopher Sherwell, Donald Adamson and Patrick Firth. Donald Adamson is the Chairman. The Committee meets at least twice a year. The Committee reviews the actions and judgements of the Manager in relation to the interim and annual financial statements and the Company's compliance with the AIC Code on Corporate Governance. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. Representatives of the Company's auditors attend the committee meeting at which the draft annual report and financial statements are considered. Details of the auditors' fees are disclosed in note 8 on page 29. The Directors' statement on the Company's system of internal control is set out below.

The Audit Committee has written terms of reference which define clearly the Committee's responsibilities, copies of which are available for inspection on the Company's website, on request at the Company's registered office and at the Annual General Meeting.

The Company does not intend to establish separate remuneration and nomination committees, as the Board is satisfied that any relevant issues can be properly considered by the Board. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and will report formally to shareholders twice a year by way of the Annual Report and Financial Statements and the Interim Report.

This is supplemented by the weekly publication, through AIM and the CISX, of the net asset value and share price of the Company's shares. All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors are available in person to meet their shareholders and answer questions. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 42.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working

Corporate Governance continued

days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 42.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Internal Control and Financial Reporting

The Board is responsible for establishing and maintaining the Company's system of internal control.

Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Butterfield Fulcrum Group (Guernsey) Limited, acting on behalf of the Company, is responsible for the provision of administration and company secretarial duties. Some of those responsibilities have been delegated to the Manager, through a Delegation Agreement.
- The duties of investment management, accounting and the custody of assets are segregated, within the JPMorgan group.
- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts.
- The Board reviews financial information produced by the Manager.
- The Board reviews the internal controls of the Manager and the Administrator via regular compliance reports it receives from the Manager and Butterfield Fulcrum Group (Guernsey) Limited respectively. These are reviewed on a 6 monthly basis.

The Company's system of internal control mainly comprises monitoring the services provided by the Manager, its associates and Butterfield Fulcrum Group (Guernsey) Limited, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of the Manager and Butterfield Fulcrum Group (Guernsey) Limited. The key elements designed to provide effective internal control are as follows:

Financial Reporting – Regular review by the Board of key investment and financial data, including analysis of transactions and performance.

Management Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's compliance department which regularly monitors compliance with FSA rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- the Board, through the Audit Committee, reviews the terms of the management and administration agreements and receives regular reports from the Manager and Butterfield Fulcrum Group (Guernsey) Limited's respective compliance departments; and
- the Board reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed.

By the means of the procedures set out above, which accord with the Turnbull guidance on internal controls, the Board confirms that it has reviewed and is satisfied with the effectiveness of the Company's system of internal control for the year ended 30th September 2008, and to the date of approval of this Annual Report and Financial Statements.

Corporate Social Responsibility

The following is a summary of the Manager's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group for that period and are in accordance with applicable laws. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with applicable company law. The Company is admitted for trading on the AIM market. The Directors are also responsible for ensuring compliance with the ongoing requirements of the AIM rules for companies and the CISX.

The financial statements are published on websites maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMorgan'). The maintenence and integrity of these websites is the responsibility of JPMorgan; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan Progressive Multi-Strategy Fund Limited

We have audited the financial statements of JPMorgan Progressive Multi-Strategy Fund Limited for the year ended 30th September 2008 which comprise the Consolidated and Company Income Statements, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities in respect of the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company and the Group's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company and the Group has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Features, the Summary of Financial Results, the Chairman's Statement, the Investment Managers' Report, the List of Group Investments, the Forward Currency Contracts and the Financial Futures Contracts, the Board of Directors, the Directors' Report, the Corporate Governance Statements, the Statement of Directors' Responsibilities in respect of the Financial Statements, the information about the Company, the Notice of Meeting and the Glossary of Terms.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of affairs of the Company and the Group as at 30th September 2008 and of the results and cash flows of the Company and the Group for the year then ended;
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers CI LLP

Chartered Accountants
Guernsey, Channel Islands 29th January 2009

Consolidated Income Statement

for the year ended 30th September 2008

	Notes	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007[1] Revenue £'000	2007[1] Capital £'000	2007[1] Total £'000
Investment income	4	179	—	179	159	—	159
Other income	4	30	—	30	60	—	60
		209	—	209	219	—	219
(Losses)/gains on investments held at fair value through profit or loss	5	—	(5,777)	(5,777)	—	658	658
Net foreign exchange (losses)/gains	6	—	(2,521)	(2,521)	—	174	174
Total income/(loss)		209	(8,298)	(8,089)	219	832	1,051
Expenses							
Management fees	7	(344)	—	(344)	(133)	—	(133)
Other administrative expenses	8	(398)	—	(398)	(105)	—	(105)
(Loss)/profit before finance costs and taxation		(533)	(8,298)	(8,831)	(19)	832	813
Finance costs	9	(4)	—	(4)	(2)	—	(2)
(Loss)/profit before taxation		(537)	(8,298)	(8,835)	(21)	832	811
Taxation	10	(16)	—	(16)	(8)	—	(8)
Net (loss)/profit after taxation		(553)	(8,298)	(8,851)	(29)	832	803
Attributable to:							
Equity holders of the Company		(469)	(6,383)	(6,852)	(29)	815	786
Minority interest		(84)	(1,915)	(1,999)	—	17	17
		(553)	(8,298)	(8,851)	(29)	832	803
(Loss)/earnings per share	11	(1.9)p	(25.8)p	(27.7)p	(0.1)p	3.2p	3.1p

[1]Details of the period covered by the comparatives are given in note 2 to the financial statements.

The 'Total' column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary 'Revenue' and 'Capital' columns are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Company Income Statement

for the year ended 30th September 2008

	Notes	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007[1] Revenue £'000	2007[1] Capital £'000	2007[1] Total £'000
Investment income	4	12	—	12	52	—	52
Other income	4	9	—	9	12	—	12
		21	—	21	64	—	64
Losses on investments held at fair value through profit or loss	5	—	(951)	(951)	—	(727)	(727)
Net foreign exchange (losses)/gains	6	—	(2,497)	(2,497)	—	783	783
Total income/(loss)		21	(3,448)	(3,427)	64	56	120
Expenses							
Management fees	7	—	—	—	—	—	—
Other administrative expenses	8	(310)	—	(310)	(91)	—	(91)
(Loss)/profit before finance costs and taxation		(289)	(3,448)	(3,737)	(27)	56	29
Finance costs	9	(4)	—	(4)	(1)	—	(1)
(Loss)/profit before taxation		(293)	(3,448)	(3,741)	(28)	56	28
Taxation	10	—	—	—	—	—	—
Net (loss)/profit after taxation		(293)	(3,448)	(3,741)	(28)	56	28
(Loss)/earnings per share	11	(1.2)p	(13.9)p	(15.1)p	(0.1)p	0.2p	0.1p

[1]Details of the period covered by the comparatives are given in note 2 to the financial statements.

The 'Total' column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. The supplementary 'Revenue' and 'Capital' columns are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30th September 2008

	Attributable to equity holders							
	Share capital £'000	Share premium £'000	Other reserve[1] £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 30th September 2007	—	—	24,614	(282)	(29)	24,303	11,199	35,502
Shares subscribed	—	—	—	—	—	—	375	375
Shares redeemed	—	—	(3,095)	—	—	(3,095)	(67)	(3,162)
Exchange gain on translation	—	—	—	4,587	—	4,587	—	4,587
Loss for the year	—	—	—	—	(6,852)	(6,852)	(1,999)	(8,851)
Transfer of loss to other capital reserve	—	—	—	(6,383)	6,383	—	—	—
Balance at 30th September 2008	—	—	21,519	(2,078)	(498)	18,943	9,508	28,451

for the period from 14th February 2007 to 30th September 2007

	Attributable to equity holders							
	Share capital £'000	Share premium £'000	Other reserve[1] £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
Proceeds of share placing	—	25,060	—	—	—	25,060	—	25,060
Costs of share placing	—	(446)	—	—	—	(446)	—	(446)
Minority interest on acquisition of subsidiary	—	—	—	—	—	—	11,182	11,182
Cancellation of share premium	—	(24,614)	24,614	—	—	—	—	—
Exchange loss on translation	—	—	—	(1,097)	—	(1,097)	—	(1,097)
Profit for the period	—	—	—	—	786	786	17	803
Transfer of profit to other capital reserve	—	—	—	815	(815)	—	—	—
Balance at 30th September 2007	—	—	24,614	(282)	(29)	24,303	11,199	35,502

[1]The share premium has been cancelled and the 'Other reserve' created for the purposes of financing share buybacks.

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 30th September 2008

	Share capital £'000	Share premium £'000	Other reserve[1] £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 30th September 2007	—	—	24,614	56	(28)	24,642
Shares redeemed	—	—	(3,095)	—	—	(3,095)
Loss for the year	—	—	—	—	(3,741)	(3,741)
Transfer of loss to other capital reserve	—	—	—	(3,448)	3,448	—
Balance at 30th September 2008	—	—	21,519	(3,392)	(321)	17,806

for the period from 14th February 2007 to 30th September 2007

	Share capital £'000	Share premium £'000	Other reserve[1] £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Proceeds of share placing	—	25,060	—	—	—	25,060
Costs of share placing	—	(446)	—	—	—	(446)
Cancellation of share premium	—	(24,614)	24,614	—	—	—
Profit for the period	—	—	—	—	28	28
Transfer of profit to other capital reserve	—	—	—	56	(56)	—
Balance at 30th September 2007	—	—	24,614	56	(28)	24,642

[1]The share premium has been cancelled and the 'Other reserve' created for the purpose of financing share buybacks.

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Consolidated Balance Sheet

at 30th September 2008

	Notes	2008 £'000	2007 £'000
Non current assets			
Investments held at fair value through profit or loss	12(a)	29,221	35,096
Current assets	14		
Other receivables		46	51
Derivative financial instruments at fair value through profit or loss		782	205
Cash and cash equivalents		676	740
		1,504	996
Current liabilities	15		
Other payables		(116)	(140)
Bank overdrafts		(1,597)	—
Derivative financial instruments at fair value through profit or loss		(561)	(450)
Net current (liabilities)/assets		(770)	406
Net assets		28,451	35,502
Equity attributable to equity holders			
Called up share capital	16	—	—
Other reserve	17	21,519	24,614
Capital reserves	17	(2,078)	(282)
Revenue reserve	17	(498)	(29)
Equity attributable to equity holders of the Company		18,943	24,303
Minority interest	18	9,508	11,199
Total equity		28,451	35,502
Net asset value per share	19	87.7p	97.0p

The financial statements on pages 18 to 41 were approved by the Board of Directors and authorised for issue on 29th January 2009 and signed on its behalf by:

Donald Adamson
Director

Patrick Firth
Director

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Company Balance Sheet

at 30th September 2008

	Notes	2008 £'000	2007 £'000
Non current assets			
Investments held at fair value through profit or loss	12(b)	—	436
Investment in subsidiary undertaking	13	19,652	23,877
		19,652	24,313
Current assets	14		
Other receivables		6	14
Derivative financial instruments at fair value through profit or loss		33	205
Cash and cash equivalents		2	202
		41	421
Current liabilities	15		
Other payables		(87)	(92)
Bank overdrafts		(1,597)	—
Derivative financial instruments at fair value through profit or loss		(203)	—
Net current (liabilities)/assets		(1,846)	329
Net assets		17,806	24,642
Equity attributable to equity holders			
Called up share capital	16	—	—
Other reserve	17	21,519	24,614
Capital reserves	17	(3,392)	56
Revenue reserve	17	(321)	(28)
Total equity		17,806	24,642
Net asset value per share	19	82.4p	98.3p

The financial statements on pages 18 to 41 were approved by the Board of Directors and authorised for issue on 29th January 2009 and signed on its behalf by:

Donald Adamson
Director

Patrick Firth
Director

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30th September 2008

	2008 £'000	2007[1] £'000
Operating activities		
(Loss)/profit before taxation	(8,835)	811
Add back interest	4	2
Add back losses/(gains) on investments held at fair value through profit or loss	5,777	(658)
(Decrease)/increase of foreign exchange contracts	(426)	205
Net sales/(purchases) of investments held at fair value through profit or loss	3,750	(11,405)
Decrease/(increase) in other receivables	5	(51)
(Decrease)/increase in other payables	(24)	134
Net cash inflow/(outflow) from operating activities before interest payable and taxation	251	(10,962)
Interest paid	—	(2)
Tax paid	(16)	(8)
Net cash inflow/(outflow) from operating activities	235	(10,972)
Investing activities		
Acquisition of subsidiary	—	(12,763)
Net cash outflow from investing activities	—	(12,763)
Financing activities		
Proceeds of share subscriptions	375	—
Cost of shares redeemed	(3,162)	—
Net proceeds from Share Placing	—	24,620
Net cash (outflow)/inflow from financing activities	(2,787)	24,620
(Decrease)/increase in cash and cash equivalents	(2,552)	885
Cash and cash equivalents at start of the year	740	—
Effect of foreign exchange translation	891	(145)
Cash and cash equivalents at the end of the year (including bank overdrafts)	(921)	740

[1]Details of the period covered by the comparatives are given in note 2 to the financial statements.

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Company Cash Flow Statement

for the year ended 30th September 2008

	2008 £'000	2007[1] £'000
Operating activities		
(Loss)/profit before taxation	(3,741)	28
Add back interest	4	1
Add back losses on investments held at fair value through profit or loss	951	727
(Decrease)/increase on foreign exchange contracts	375	(205)
Net sales/(purchases) of investments held at fair value through profit or loss	436	(441)
Decrease/(increase) in other receivables	8	(14)
(Decrease)/increase in other payables	(5)	86
Net cash (outflow)/inflow from operating activities before interest payable and taxation	(1,972)	182
Interest paid	—	(1)
Tax paid	—	—
Net cash (outflow)/inflow from operating activities	(1,972)	181
Investing activities		
Disposal/(acquisition) of shares in subsidiary	3,270	(24,599)
Net cash inflow/(outflow) from investing activities	3,270	(24,599)
Financing activities		
Cost of shares redeemed	(3,095)	—
Net proceeds from Share Placing	—	24,620
Net cash (outflow)/inflow from financing activities	(3,095)	24,620
(Decrease)/increase in cash and cash equivalents	(1,797)	202
Cash and cash equivalents at start of the year	202	—
Cash and cash equivalents at the end of the year (including bank overdrafts)	(1,595)	202

[1]Details of the period covered by the comparatives are given in note 2 to the financial statements.

The accompanying notes on pages 26 to 41 form an integral part of these financial statements.

Notes to the Financial Statements

1. Principal activity

The principal activity of JPMorgan Progressive Multi-Strategy Fund Limited (the 'Company') is that of an investment company, incorporated and domiciled in Guernsey. The principal activity of its 'subsidiary', JPMorgan Progressive Multi-Strategy Fund ('PM-S Fund') a sub-fund of JPMorgan Portfolio Strategies Funds II (a Luxembourg SICAV), is also that of an investment company.

The Group comprises the Company and PM-S Fund.

2. Comparative accounting period

The comparative financial statements cover the period from the date of incorporation of the Company on 14th February 2007 to 30th September 2007. The proceeds of the share placing were received by the Company on 15th May 2007. The comparative consolidated financial statements include the results of the Company and the PM-S Fund from 1st June 2007, which is the date control commenced, to 30th September 2007.

3. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect. The financial statements have been prepared in accordance with The Companies (Guernsey) Law, 1994.

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting except for the measurement at fair value of certain financial assets and financial liabilities.

The amounts in the financial statements are rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. There were no areas in the preparation of these financial statements requiring estimates which were significant to the financial statements or areas requiring a higher degree of judgement.

Standards, amendments and interpretations to existing standards that are not yet effective and may be relevant but have not yet been adopted by the Group and Company are as follows:

- IAS 1 (Amendment) 'Presentation of financial statements' (effective for periods beginning on or after 1st January 2009).
- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for periods beginning on or after 1st January 2009).
- IAS 23 (Amendment) 'Borrowing costs' (effective from 1st January 2009).
- IFRS 3 (Revision) 'Business combinations' (effective for periods beginning on or after 1st July 2009).
- IAS 27 (Amendment) 'Consolidated and separate financial statements' (effective for periods beginning on or after 1st July 2009).
- IAS 39 (Amendment) 'Eligible hedged items' (effective for periods beginning on or after 1st January 2009).

The Board are currently assessing the impact which the above amendments and revisions may have on the Group's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and not currently relevant for the Group's and Company's operations are as follows:

- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective for periods beginning on or after 1st January 2008).
- IFRIC 12 'Service concession arrangements' (effective for periods beginning on or after 1st January 2008).
- IFRIC 13 'Customer loyalty programmes' (effective for periods beginning on or after 1st July 2008).
- IFRS 2 (Amendment) 'Share based payment vesting conditions and cancellations' (effective for periods beginning on or after 1st January 2009).

(b) Basis of consolidation

The consolidated financial statements incorporate the accounts of PM-S Fund (its subsidiary), together referred to as the Group. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commenced. Intra group transactions, balances, income and expenses are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those adopted by the Group.

(c) Presentation of the Income Statement

In order to better reflect the activities of a closed ended investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue nature and capital nature has been presented in the Income Statement.

(d) Investments held at fair value through profit or loss

All 'regular way' purchases and sales of investments are recognised and derecognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery within a timeframe established by regulation or convention in the market concerned.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as 'at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments.

Investments in Open Ended Investment Companies are held at fair value which is the applicable redemption price.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Income Statement within 'Gains or losses on investments held at fair value through profit or loss'. Transaction costs incurred on the acquisition and disposal of investments are also included within this caption.

(e) Investment in the subsidiary undertaking

Investments in the subsidiary undertaking are valued at fair value, based on the bid market price.

(f) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature, in which case it is taken to capital.

Deposit interest receivable is taken to revenue on an accruals basis.

(g) Expenses

All expenses and interest payable are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the income statement.

(h) Financial instruments (including finance costs)

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other debtors are non interest bearing, short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Other creditors are non interest bearing, short term in nature and are accordingly stated at nominal value.

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method. Finance costs are allocated wholly to the revenue column of the income statement.

(i) Taxation

The Company is registered for taxation purposes in Guernsey where it pays an annual exempt status fee of £600 under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

Notes to the Financial Statements continued

3. Accounting policies continued

(j) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Directors have considered the primary economic environment of the Company and considered the currency in which the original finance was raised and ultimately what currency would be returned to investors on a break up basis. The Directors have also considered the currency to which the underlying investments are exposed. On balance, the Directors believe sterling best represents the functional currency of the Company. Sterling is also the presentation currency of the Company and the Group.

(ii) Transactions and balances

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains or losses arising on retranslation are included in net profit or loss for the year and presented as revenue or capital as appropriate.

(ii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

(iv) Derivatives and forward foreign exchange contracts

The values of derivatives and forward foreign exchange contracts are included at fair value with gains and losses recognised in the Income Statement.

4. Income

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Dividends	179	12	159	52
Other interest receivable and similar income				
Deposit interest	30	9	60	12
Total income	209	21	219	64

5. (Losses)/gains on investments held at fair value through profit or loss

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Realised gains/(losses) based on historical cost	475	(69)	458	(5)
Amounts recognised in fair value adjustment in the previous year	482	98	—	—
Realised gains based on the carrying value at the previous balance sheet date	957	29	458	(5)
(Decrease)/increase in fair value adjustment	(6,738)	(984)	200	(722)
Other capital charges	4	4	—	—
Total (losses)/gains on investments held at fair value through profit or loss	(5,777)	(951)	658	(727)

6. Net foreign exchange (losses)/gains

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Net foreign currency (losses)/gains on cash and short term deposits	(2,166)	(2,122)	584	578
Net (losses)/gains on foreign exchange contracts	(355)	(375)	(410)	205
Net foreign exchange (losses)/gains	(2,521)	(2,497)	174	783

7. Management fees

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Management fees	344	—	133	—

Details of management agreement are given in the Directors' Report on page 10.

8. Other administrative expenses

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Other administrative expenses	262	174	55	41
Directors' fees[1]	82	82	24	24
Auditors remuneration – for audit services	54	54	26	26
	398	310	105	91

[1]The Chairman is entitled to £25,000 per annum. Each of the Directors receives £20,000. Mr Griffin has waived his fee.

9. Finance costs

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Interest on overdrafts	4	4	2	1

10. Taxation

Taxation on ordinary activities

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Luxembourg taxe d'abonnement	16	—	8	—
Current tax	16	—	8	—

The Company is registered in Guernsey as an exempt company and is therefore not resident in Guernsey for the purposes of liability to Guernsey income tax. The Company pays an exempt status fee which is currently £600 per annum. PM-S Fund is not liable to any Luxembourg income tax nor are any dividends paid by PM-S Fund liable to Luxembourg withholding tax. No tax is payable in Luxembourg on realised or unrealised capital appreciation of the assets of PM-S Fund. PM-S Fund is liable in Luxembourg to a tax rate of 0.1% per annum on the value of non Luxembourg investments; (taxe d'abonnement).

As the Company is exempt from Guernsey income tax, no reconciliation of the normal rate applicable to the actual tax charge can be presented.

Notes to the Financial Statements continued

11. (Loss)/earnings per share

	Group					
	2008			2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/earnings attributable to equity shareholders	(469)	(6,383)	(6,852)	(29)	815	786
(Loss)/earnings per share	(1.9)p	(25.8)p	(27.7)p	(0.1)p	3.2p	3.1p

	Company					
	2008			2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/earnings attributable to equity shareholders	(293)	(3,448)	(3,741)	(28)	56	28
(Loss)/earnings per share	(1.2)p	(13.9)p	(15.1)p	(0.1)p	0.2p	0.1p

The (loss)/earnings per share is based on the (loss)/profit for the year after taxation and on the weighted average number of shares in issue during the year of 24,734,528 (period ended 30th September 2007: 25,060,000).

12. Investments held at fair value through profit or loss

(a) Group

	2008 £'000	2007 £'000
Investments	29,221	35,096
Opening book cost	33,810	—
Opening fair value adjustment	1,315	—
Translation reserve	(29)	—
Opening valuation	35,096	—
Movements in the year:		
Investments acquired on the purchase of a controlling interest in subsidiary	—	24,289
Purchases at cost	11,513	43,014
Sales – proceeds	(15,263)	(31,609)
Sales – realised gains on investments	393	188
(Decrease)/increase in fair value adjustment	(6,791)	178
Translation gain/(loss)	4,273	(964)
Closing valuation	29,221	35,096
Closing book cost	34,967	33,810
Closing fair value adjustment	(5,475)	1,315
Translation reserve	(271)	(29)
	29,221	35,096

(b) Company

	2008 £'000	2007 £'000
Investments listed on a recognised investment exchange	—	436
Opening book cost	436	—
Opening fair value adjustment	—	—
Opening valuation	436	—
Movement in the year:		
Purchases at cost	300	26,135
Sales – proceeds	(736)	(25,694)
Sales – realised losses on investments	—	(5)
Closing valuation	—	436
Closing book cost	—	436
Closing fair value adjustment	—	—
	—	436

13. Investment in subsidiary undertaking

	2008 £'000	2007 £'000
Opening book cost	24,599	—
Opening fair value adjustment	(722)	—
Opening valuation	23,877	—
Shares acquired during the year	—	24,599
Sales – proceeds	(3,270)	—
Sales – realised gains on investments	29	—
Decrease in fair value adjustment	(984)	(722)
Closing valuation	19,652	23,877
Closing book cost	21,358	24,599
Closing fair value adjustment	(1,706)	(722)
	19,652	23,877

The above investment comprises 86.2% (2007: 73.7%) of the A class shares of JPMorgan Progressive Multi-Strategy Fund (PM-S Fund), a sub fund of JPMorgan Portfolio Strategies Funds II, which is incorporated in Luxembourg. The Company's holding in PM-S Fund represents 64.9% (2007: 68.7%) of its total capitalisation.

Notes to the Financial Statements continued

14. Current assets

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Other receivables				
Prepayments and accrued income	35	—	24	3
Other receivables	11	6	27	11
	46	6	51	14

The Directors consider that the carrying amount of other receivables approximates to their fair value.

Derivative financial instruments

Derivative financial instruments comprise the unrealised gain on forward foreign currency contracts outstanding at the year end. Further details are given on page 6.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash held by the Group, including short term bank deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

15. Current liabilities

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Other payables				
Other payables and accruals	116	87	140	92

The Directors consider that the carrying amount of other payables approximates to their fair value.

Bank overdrafts

The carrying amount of bank overdrafts represent their fair value.

Derivative financial instruments

Derivative financial instruments in the Consolidated Balance Sheet comprise the unrealised losses on forward foreign currency contracts and short term index futures outstanding at the year end. Derivative financial instruments in the Company Balance Sheet comprise forward foreign currency contracts. Further details are given on page 6.

16. Called up share capital

	2008 Number of shares	2007 Number of shares
Authorised share capital		
Management Shares of nil par value	2	2
Sterling Shares ('shares') of nil par value	Unlimited	Unlimited
Allotted, called up and fully paid		
Management Shares of nil par value	2	2
Opening balance of shares of nil par value	25,060,000	—
Placing of shares of nil par value	—	25,060,000
Shares redeemed	(3,450,000)	—
Closing balance of shares of nil par value	21,610,000	25,060,000

The Management Shares carry no rights to dividends and on a winding up are entitled to be repaid the amount (if any) paid up.

The shares are entitled to receive dividends or other distributions out of the profits of the Company and shall be entitled to the surplus assets remaining after payment of all creditors and Management Shares.

17. Reserves

	Group			
	Other reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
At 1st October 2007	24,614	(282)	(29)	24,303
Shares redeemed	(3,095)	—	—	(3,095)
Exchange gain on translation[1]	—	4,587	—	4,587
Revenue loss for the year	—	—	(8,851)	(8,851)
Transfer of loss to other capital reserve	—	(8,298)	8,298	—
At 30th September 2008	21,519	(3,993)	(582)	16,944
Reserves attributable to minority interest	—	1,915	84	1,999
Reserves attributable to equity holders of the parent	21,519	(2,078)	(498)	18,943

[1]The financial statements of the subsidiary are prepared in US$. The exchange gain arises on translation of the assets and liabilities of the subsidiary into sterling, which is the reporting currency of the Group.

	Company			
	Other reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
At 1st October 2007	24,614	56	(28)	24,642
Shares redeemed	(3,095)	—	—	(3,095)
Revenue loss for the year	—	—	(3,741)	(3,741)
Transfer of loss to other capital reserve	—	(3,448)	3,448	—
At 30th September 2008	21,519	(3,392)	(321)	17,806

Notes to the Financial Statements continued

18. Minority interest

	2008 £'000	2007 £'000
Minority interest in share capital	10,615	10,307
Reserves	(1,107)	892
	9,508	11,199

The minority interest comprises 35.1% (2007: 31.3%) of JPMorgan Progressive Multi-Strategy Fund (PM-S Fund), a sub fund of JPMorgan Portfolio Strategies II.

19. Net asset value per share

The net asset values per share of the Group and Company are based on the net assets attributable to shareholders of £18,943,000 (2007: £24,303,000) and £17,806,000 (2007: £24,642,000) respectively and on the 21,610,000 (2007: 25,060,000) shares in issue at the year end.

The Company has no securities in issue that could dilute the net asset value per share.

20. Contingent liabilities

At 30th September 2008 there were no contingent liabilities for either the Group or the Company.

21. Related party transactions

Transactions with the Manager:

In order to avoid duplication of fees, no management fee is payable by the Company to the Manager. The Manager will be entitled to an aggregate fee from PM-S Fund and from PM-S Fund's investment in underlying funds of an amount equal to 1.75% per annum of the total funds invested. The total fees payable by the Group for the year was £344,000 (2007: £133,000) of which £23,000 (2007: nil) was prepaid at the year end.

The Group's portfolio comprises investments in undertakings for collective investments managed by members of the JPMorgan Chase and Co. group. A list of the Group's investments is given on page 5 and details of investment transactions during the year are given in note 12 on pages 30 and 31. Income amounting to £179,000 (2007: £159,000) was receivable from these investments during the year, of which £10,000 (2007: £23,000) was outstanding at the year end.

The Group and Company bank balances are held with JPMorgan Chase. Interest is receivable on credit balances or payable on overdrafts at commercial rates based on LIBOR less a margin for credit balances and LIBOR plus a margin for overdraft balances. At the year end, the Group's bank accounts amounted to a net overdraft of £921,000 (2007: credit balance of £740,000) and the Company's accounts amounted to a net overdraft of £1,595,000 (2007: credit balance of £202,000). A net amount of interest of £26,000 (2007: £58,000) and £5,000 (2007: £11,000) was receivable by the Group and Company respectively during the year from JPMorgan Chase of which £2,000 (2007: £1,000) and nil (2007: nil) respectively was outstanding at the year end.

The Group may use JPMorgan Chase or its associates as the counterparty for forward currency contracts. Such contracts are made using the best available rates in the market and no fees are payable.

22. Financial instruments

The Group's and Company's financial instruments comprise:

– a diversified range of asset classes which may include, but is not limited to, equities, fixed income securities, money market instruments, real estate property, hedge funds and other alternative asset classes on a worldwide basis, primarily through investment in undertakings for collective investments (the 'underlying funds'); PM-S Fund may also gain exposure to such investments directly or through the use of derivative financial instruments including, but not limited to, credit default swaps;
– holdings in liquidity funds;
– currency hedging contracts;
– short term receivables, payables and cash arising directly from investing operations; and
– a borrowing facility, which is currently undrawn.

23. Risk management policies and procedures

The Group's and Company's investments are for the long term as stated in the investment objective on the features page at the front of the Report. In pursuing this objective, the Group and Company are exposed to a variety of risks that could result in a reduction in net assets.

These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates risk management.

The Group's and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the Company's financial performance. The Group and Company use derivative financial instruments to moderate certain risk exposure.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Group and Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) to this note, together with sensitivity analysis where appropriate. The Board reviews and agrees policies for managing these risks. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Group's and Company's assets, liabilities and income are denominated in currencies other than sterling which is the functional currency and the currency in which the financial statements are prepared. As a result, movements in exchange rates may affect the sterling value of those items.

Management of currency risk

The Manager monitors the Group's and Company's exposure to foreign currencies on a daily basis and reports to the Board, which aims to meet on at least four occasions each year. The Manager measures the risk of the foreign currency exposure by considering the effect on the net asset value and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed.

Forward currency contracts may be used to limit the exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are also used to achieve the portfolio characteristics that assist the Group and Company in meeting their investment objective. These borrowings and contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Group and Company do not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The fair value of the Group's and Company's monetary items that have foreign currency exposure at 30th September 2008 are shown below. Where the investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

Notes to the Financial Statements continued

23. Risk management policies and procedures continued

	Group									
	2008					2007				
	US$ £'m	Euro £'m	Yen £'m	Other £'m	Total £'m	US$ £'m	Euro £'m	Yen £'m	Other £'m	Total £'m
Investments at fair value through profit or loss that are monetary items	3.6	—	—	—	3.6	4.2	—	—	—	4.2
Cash at bank	0.3	—	—	—	0.3	0.2	0.1	0.1	—	0.4
Forward currency contracts	(9.6)	(4.8)	(2.2)	(1.0)	(17.6)	(12.5)	(6.6)	(1.9)	(0.7)	(21.7)
Index futures	1.4	5.2	1.9	—	8.5	4.7	4.5	(4.2)	—	5.0
Foreign currency exposure on net monetary items	(4.3)	0.4	(0.3)	(1.0)	(5.2)	(3.4)	(2.0)	(6.0)	(0.7)	(12.1)
Investments at fair value through profit or loss that are equities	17.9	3.7	—	—	21.6	17.5	3.8	—	—	21.3
Total net foreign currency exposure	13.6	4.1	(0.3)	(1.0)	16.4	14.1	1.8	(6.0)	(0.7)	9.2

	Company							
	2008				2007			
	US$ £'m	Euro £'m	Other £'m	Total £'m	US$ £'m	Euro £'m	Other £'m	Total £'m
Forward currency contracts	(19.3)	0.1	—	(19.2)	(22.6)	(0.1)	0.1	(22.6)
Foreign currency exposure on net monetary items	(19.3)	0.1	—	(19.2)	(22.6)	(0.1)	0.1	(22.6)
Investments at fair value through profit or loss that are equities	20.0	—	—	20.0	23.9	—	—	23.9
Total net foreign currency exposure	0.7	0.1	—	0.8	1.3	(0.1)	0.1	1.3

The forward currency contracts in the above analysis are all short term. The remaining amounts are broadly representative of the exposure to currency risk during the year.

In the above analysis, the Group's and Company's investments have been analysed into the currency in which those shares or units are dealt. This may not be the currency to which the investments are exposed which is dependent on economic activity.

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after taxation and of shareholders' equity with regard to the Group's and Company's monetary financial assets and financial liabilities and the exchange rate for sterling/US$. This analysis is based on monetary currency financial instruments held at the year end including forward foreign currency contracts which offset the effect of changes in currency exchange rates and assumes an appreciation or depreciation in sterling against US$ of 10% (2007: 5%) with the sterling exchange rates against all other currencies held constant.

This percentage is deemed a reasonable illustration based on the volatility of the sterling/US$ exchange rate in the year.

(i) Currency risk continued

If sterling had weakened against the US$ this would be likely to have had the following effect:

	Group			
	2008		2007	
		Total		Total
	£'m	£'m	£'m	£'m
Income statement profit after taxation	(0.4)	(0.4)	(0.2)	(0.2)
Net assets	(0.4)	(0.4)	(0.1)	(0.1)

	Company			
	2008		2007	
		Total		Total
	£'m	£'m	£'m	£'m
Income statement profit after taxation and net assets	(1.9)	(1.9)	(1.1)	(1.1)

Conversely if sterling had strengthened against the US$ this would have had the following effect:

	Group			
	2008		2007	
		Total		Total
	£'m	£'m	£'m	£'m
Income statement profit after taxation	0.4	0.4	0.2	0.2
Net assets	0.4	0.4	0.1	0.1

	Company			
	2008		2007	
		Total		Total
	£'m	£'m	£'m	£'m
Income statement profit after taxation and net assets	1.9	1.9	1.1	1.1

(ii) Interest rate risk

Interest rate movements may affect the fair value of the investments in fixed interest rate securities and the level of income receivable on cash deposits.

Management of interest rate risk

The majority of the Group's and Company's financial assets and liabilities are non interest bearing. As a result, the Group and Company are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Group and Company do not normally hold significant cash balances. Short term borrowings are used when required. Derivatives may be used to hedge against the exposure to interest rate risk.

Notes to the Financial Statements continued

23. Risk management policies and procedures continued

Interest rate exposure

The exposure at 30th September, of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates, giving cash flow interest rate risk when the interest rate is due to be re-set; and
- fixed interest rates, giving fair value interest rate risk when the financial instrument is due for repayment.

	Group	
	2008 Within one year £'000	2007 Within one year £'000
Exposure to floating interest rates		
Net (overdraft)/cash at bank	(921)	740
	(921)	740
Exposure to fixed interest rates	—	—
Total exposure to interest rates	(921)	740

	Company	
	2008 Within one year £'000	2007 Within one year £'000
Exposure to floating interest rates		
Net (overdraft)/cash at bank	(1,595)	202
	(1,595)	202
Exposure to fixed interest rates	—	—
Total exposure to interest rates	(1,595)	202

The above amounts are broadly representative of exposure to interest rates during the year.

Interest rate sensitivity

The Group's and Company's exposure to interest rate risk has not been significant at any time during the year and changes in interest rates would only have a negligible impact on profit after taxation and equity.

(iii) Other price risk

Other price risks include changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments. The Company's exposure to a wide range of asset classes through its investment in PM-S Fund and the Underlying Funds acts to reduce market price risk. However the risks relating to the Group's investments are summarised below:

- The success of investment activities will be affected by general economic and market conditions.
- Although substantially all of the Company's assets are invested in PM-S Fund, the Company is a passive investor and cannot influence or direct the investment strategy of the PM-S Fund or the Underlying funds.
- The performance of the Group's investments depends on correct assessments of future price movements of investments by managers of the Underlying funds.
- The strategies employed by the managers of the Underlying Funds are speculative and involve substantial risk of loss in the event of failure or deterioration.
- There is no guarantee that diversification amongst the Underlying Funds would be achieved by PM-S Fund at all times and investors could potentially be exposed to a heavy concentration of investment in one or a few of the Underlying Funds.

(ii) Other price risk continued

– The Underlying Funds may:

take positions in the same security or in issues of the same industry or country at the same time;

be established in jurisdictions where no or limited supervision is exercised by regulators;

invest in debt securities which may be unrated, below investment grade, rank behind other outstanding securities of the issuer or not be protected by financial covenants;

utilise derivatives, which can be highly volatile and expose investors to a high risk of loss;

invest in emerging markets, which involves a greater degree of risk than an investment in securities of issuers based in developed countries;

operate with a substantial degree of leverage, which may increase the volatility of PM-S Fund and risk of loss to the Company;

use gearing, which may expose investors to risks by increasing market exposure and volatility;

enter into forward foreign exchange contracts, which are neither regulated by any regulatory authority nor guaranteed by an exchange or clearing house;

hold relatively few investments or invest in another Underlying Fund;

invest in special event companies carrying greater risk of loss;

engage in short selling of securities, which may expose a portion of an Underlying Fund's assets committed to such activities to unlimited risk; and

postpone redemption requests, which could materially extend the period over which the Company is able to realise its investments and materially detrimentally affect returns to Shareholders.

Management of other price risk

The Board aims to meet on at least four occasions each year to consider asset allocation and the risk associated with the Underlying Funds.

Other price risk exposure

The Group's and Company's exposure to other changes in market prices comprises its investments. The fair value of these investments at the year end was £29.2m (2007: £35.1m) and £20.0m (2007: £24.3m) respectively. This is broadly representative of the exposure to other price risk during the year.

Concentration of exposure to other price risk

An analysis of the Group's investments is given on page 5. This shows that there is no concentration of exposure to any particular country.

Other price risk sensitivity

For illustrative purposes, an increase or decrease of 20% in the fair value of the Groups' investments would increase or decrease capital return by £5.8m and net assets by £3.8m excluding minority interest, assuming other variables are held constant. An increase or decrease of 20% in the fair value of the Company's investments would increase or decrease capital return and shareholders' net assets by £4.0m assuming other variables are held constant.

(b) Liquidity risk

This is the risk that the Group and Company will encounter difficulty in meeting obligations associated with financial liabilities, as and when they fall due.

Management of the risk

Liquidity risk is not significant as the Group's and Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities.

Notes to the Financial Statements continued

23. Risk management policies and procedures continued

Liquidity risk exposure

The following are the contractual maturities of financial liabilities at the year end, based on the earliest date on which payment can be required. Further details are given on page 6.

	Group 2008 Three months or less £'000	Group 2007 Three months or less £'000
Creditors: amounts falling due within one year		
Bank overdraft	1,597	—
Other creditors and accruals	116	180
Currency contracts	170	410
	1,883	590

	Company 2008 Three months or less £'000	Company 2007 Three months or less £'000
Creditors: amounts falling due within one year		
Bank overdraft	1,597	—
Other creditors and accruals	87	92
Currency contracts	170	—
	1,854	92

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Group or Company.

Management of credit risk

The Group and Company have no significant exposure to credit risk. The Company and its subsidiary will only deal with brokers with high credit ratings assigned by international credit rating agencies and limits have been set as to the maximum exposure to any one counterparty at any time.

Credit risk exposure

Compared to the balance sheet the maximum exposure to credit risk at the year end was as follows:

	Group 2008 Balance sheet £'000	Group 2008 Maximum exposure £'000	Group 2007 Balance sheet £'000	Group 2007 Maximum exposure £'000
Current assets				
Financial assets at fair value through profit or loss – currency contracts	396	396	205	205
Debtors – amount due from brokers, dividends and interest receivable	35	35	24	24
Cash at bank[1]	676	676	740	740
	1,107	1,107	969	969

[1]Cash at bank is deposited with JPMorgan Chase Bank which has a AA+ credit rating with Standard & Poor's Corporation.

	Company			
	2008		2007	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Current assets				
Financial assets at fair value through profit or loss – currency contracts	—	—	205	205
Debtors – amount due from brokers, dividends and interest receivable	—	—	3	3
Cash at bank[1]	2	2	202	202
	2	2	410	410

[1]Cash at bank is deposited with JPMorgan Chase Bank which has a AA+ credit rating with Standard & Poor's Corporation.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

24. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders. There is no intention to gear the Company structurally, however it should be noted that the Company will be geared on a look through basis by virtue of its investment in PM-S Fund.

	2008 £'000	2007 £'000
Equity		
Equity share capital – 21,610,000 (2007: 25,060,000) shares of nil par value	—	—
Reserves	17,806	24,642
Total capital	17,806	24,642

The Board, with the assistance of the Manager, monitors and reviews the structure of the Company's capital on an ongoing basis. This review includes the need for issuing new shares or buying back shares into Treasury or for cancellation.

25. Business and geographical segments

The Directors are of the opinion that the Group is engaged in a single segment of business of investing in a diversified range of asset classes, primarily through investment in undertakings for collective investments.

26. Post balance sheet event

Subsequent to the year end the Company has received requests to redeem shares. Having exercised their discretion, the Directors have acceded to a percentage of the requests and as a result, 5,402,500 will be redeemed on 2nd March 2009.

Information about the Company

Financial Calendar

Financial year end	30th September
Interim results announced	June
Final results announced	January
Annual General Meeting	March
Redemption Dates	28th February and 31st August

History
JPMorgan Progressive Multi-Strategy Fund Limited (the 'Company') is a closed-ended investment company with an unlimited life, incorporated in Guernsey and which is managed by JPMorgan Asset Management (UK) Limited (the 'Manager'). The Company was incorporated on 14th February 2007 by a placing and offer for subscription. The Company was admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange and the Channel Islands Stock Exchange ("CISX") on 15th May 2007, raising £25,060,000 from the issue of 25,060,000 Sterling shares at £1 each.

Company Numbers
Company registration number: 46407
AIM code: PMSF
Bloomberg code: PMSF LN
Reuters code: PMSF.L

Market Information
The Company's shares are traded on the AIM market of the London Stock Exchange and the CISX and are quoted in the Financial Times, The Times, The Daily Telegraph, The Scotsman and The Independent.

Website
www.jpmprogressivemultistrategy.co.uk

Share Transactions
The Company's shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf.

Manager
JPMorgan Asset Management (UK) Limited
Telephone: 020 7742 6216

Company's Registered Office
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

Redemptions
Please contact Alison Vincent at JPMorgan Asset Management (UK) Limited for further information.

Nominated Adviser
Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Broker
Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Administrator, Secretary and Registrars
Butterfield Fulcrum Group (Guernsey) Limited
(formerly Butterfield Fund Services (Guernsey) Limited)
2nd Floor
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

Auditors
PricewaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey GY1 4ND

Custodian
JPMorgan Chase Bank
(London Wall Branch)
125 London Wall
London EC2Y 5AJ

UK Transfer and Paying Agent
Equiniti
Reference 3137
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0870 600 3984

aic
The Association of Investment Companies
A member of the AIC

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of JPMorgan Progressive Multi-Strategy Fund Limited will be held at Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3NQ on Thursday 19th March 2009 at 11.00 a.m. for the following purposes:

1 To receive the Directors' Report, the Annual Report & Financial Statements and the Auditors' Report for the year ended 30th September 2008

2 To appoint PricewaterhouseCoopers CI LLP as Auditors to the Company.

3 To authorise the Directors to determine the remuneration of the Auditors.

Special Business:

To consider the following resolution:

Authority to repurchase the Company's shares – Special Resolution

4 THAT the Company be and is hereby generally and unconditionally authorised in accordance with The Companies (Purchase of Own Shares) Ordinance 1998 to make market purchases, as defined in that Ordinance, of and cancel its Sterling shares of nil value, PROVIDED THAT:

(i) the maximum number of shares hereby authorised to be purchased shall be 3,239,339 or, if less, that number of shares which is equal to 14.99% of the Company's issued Sterling share capital as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for a Sterling share shall be nil;

(iii) the maximum price which may be paid for a Sterling share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the AIM Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2010, unless the authority is renewed prior to such time;

(v) the Company may make a contract to purchase Sterling shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract; and

(vi) any Sterling shares so purchased shall be cancelled or if the Directors so determine and subject to the provisions of The Companies (Purchase of Own Shares) Ordinance, 1998 and any applicable regulations of the United Kingdom Listing Authority, be held as treasury shares.

By order of the Board
Butterfield Fulcrum Group (Guernsey) Limited,
Secretary
29th January 2009

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Secretary, not less than 48 hours before the time appointed for holding the meeting.

2 Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

3 The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting: (a) A statement of Directors' interests in the share capital of the Company; and (b) The Articles of Association.

Glossary of Terms

Share Price Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

NAV Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the shares of the Company at the NAV at the time the shares were quoted ex-dividend.

Discount/Premium

If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for the shares of an investment company to trade at a discount than a premium.

For all enquiries please contact:

Alison Vincent
JPMorgan Asset Management (UK) Ltd
on 020 7742 6216

Dru Danford – Nominated Adviser
Shore Capital and Corporate Limited
on 020 7468 7905

www.jpmprogressivemultistrategy.co.uk