



Annual Report 07

JPMorgan Progressive Multi-Strategy Fund Limited

Annual Report & Accounts for the period ended 30th September 2007

Features

Contents

About the Company

- 1 Summary of Financial Results
- 2 Chairman's Statement

Investment Review

- 3 Investment Manager's Report
- 4 List of Group Investments
- 5 Forward Currency Contracts and Financial Futures Contracts

Directors' Report

- 6 Board of Directors
- 7 Directors' Report
- 11 Corporate Governance

Accounts

- 15 Directors' Responsibilities in Respect of the Accounts
- 16 Independent Auditors' Report
- 17 Consolidated Income Statement
- 18 Company Income Statement
- 19 Consolidated Statement of Changes in Equity
- 19 Company Statement of Changes in Equity
- 20 Consolidated Balance Sheet
- 21 Company Balance Sheet
- 22 Consolidated Cash Flow Statements
- 23 Company Cash Flow Statement
- 24 Notes to the Accounts

Shareholder Information

- 39 Information about the Company
- 40 Notice of Meeting
- 41 Glossary of Terms

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 2007 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 (hedged into Sterling).

Structure

The Company has an unlimited authorised share capital of redeemable participating shares of nil par value, designated as "Sterling shares". At 30th September 2007, 25,060,000 Sterling shares were in issue.

Management Company

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

Summary of Financial Results

–2.5%

Share price return to
shareholders¹

–1.3%

NAV return on net assets²

–3.1%

Benchmark return³

Summary of Consolidated Results⁴

for the period ended 30th September 2007

	30th September 2007	15th May ⁵ 2007	Change %
Returns			
Net asset value	97.0p	98.3p	–1.3
Share price/placing price	97.5p	100.0p	–2.5
Assets			
Shareholders' funds (£'000)	24,303	24,621	–1.3
Share price premium to net asset value	0.5%	4.3%	
Revenue			
Total income (£'000)	219		
Loss per share	(0.1)p		
Gearing factor	0.99%		

A glossary of terms and definitions is provided on page 41.

¹Source: Standard & Poors – www.funds.morningstar.com

²Source: Fundamental Data Ltd. – www.funddata.com

³The Company's benchmark is the MSCI World Index (hedged into Sterling).

⁴Consolidated refers to the Group

⁵Date of admission to AIM and CISX

Chairman's Statement



Although the return on net assets was negative, the indications were that the Manager's strategy for diversifying the portfolio to cope with difficult market conditions had come through an early test.

"Although the return on net assets was negative, the indicators were that the Manager's strategy for diversifying the portfolio to cope with difficult market conditions had come through an early test."

I am pleased to present to shareholders the Company's first annual report for the period ended 30th September 2007.

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 25.06 million ordinary shares at £1 per share. As intended, the Company promptly invested substantially all of its net funds into the A class shares of the Luxembourg domiciled JP Morgan Progressive Multi-Strategy Fund (PM-S Fund), a sub-fund of JPMorgan Portfolio Strategies Funds II.

It is comforting to see that the PM-S Fund consistently delivered equity-like returns with lower volatility than the markets in a turbulent period. Although the return on net assets was negative, the indications were that the Manager's strategy for diversifying the portfolio to cope with difficult market conditions had come through an early test. Events since the period-end suggest this continues to be the case.

Under the Articles of Association of the Company the Directors have wide powers to issue further shares on a non-pre-emptive basis. Over the coming year, your Directors will be looking to increase the size of the Company to reduce costs per share to investors and improve liquidity of the shares. Further shares will not be issued at less than the prevailing net asset value after costs.

I look forward to welcoming shareholders to our first Annual General Meeting to be held on Thursday 6th March 2008 at Regency Court, Glatigny Esplanade, St Peter Port, Guernsey GY1 3NQ.

Christopher Sherwell
Chairman

31st January 2008

Investment Manager's Report



The Company subscribed substantially all of its net funds into the A class of shares of JPMorgan Progressive Multi-Strategy Fund (PM-S Fund), a sub-fund of JPMorgan Portfolio Strategies Funds II, a Luxembourg umbrella investment company, at the end of May 2007.

Since investing into PM-S Fund we have seen the NAV of the consolidated Group fall 1.3%, compared to the MSCI World Index (hedged into Sterling), which has fallen 3.1%. The volatility in equity markets was reflected in the MSCI World Index volatility rising to 7.15%. In contrast, the volatility of the underlying PM-S Fund was 3.21%, less than half of that of the MSCI World Index.

Date	Price
Company's Placing price at 15 May 2007	100.0p
Company's NAV on date of admission to AIM and CISX	98.3p
Company's NAV as at 30 June 2007	96.7p
Company's NAV as at 31 July 2007	96.9p
Company's NAV as at 31 August 2007	96.9p
Group NAV as at 30 September 2007	97.0p

Since the initial subscription, volatility has increased in all of the markets to which the Company is exposed. This was caused by the sub-prime crisis in the United States of America and the subsequent "credit crunch", which resulted in markets experiencing challenging conditions across all asset classes in July and August. The "credit crunch" impacted a large part of the hedge fund community, which were forced to de-leverage and unwind positions in order to meet margin calls. While we saw some recovery in equity markets in September following easing of interest rates in the US, significant concerns still surrounded the pricing of risk and whether the effects of the sub-prime crisis would lead to a recession in the US.

"We are pleased that the Company behaved as we predicted in what have been very difficult market conditions."

After a difficult first month, where hybrid alpha and the property and bond beta components of the portfolio produced negative returns, the PM-S Fund has consistently provided investors with a lower volatility to equity markets, while producing returns ahead of the MSCI World Index (hedged into Sterling). The effects of diversifying the portfolio across largely uncorrelated asset classes have been to offset the worst effects of the markets.

The diversity of sources of returns from the alpha and beta components have consistently created a lower volatility environment for investors with positive contributors regularly offsetting the negative impacts of turbulent markets.

We are pleased that the Company behaved as we predicted in what have been very difficult market conditions. The return assumptions that were used regarding the long term expectations have been shown to be prudent and as markets become less volatile we believe that the construction of the portfolio will continue to generate returns that are broadly comparable to equities, but at a lower level of risk, over the medium to long term.

Chris Complin

JPMorgan Asset Management (UK) Limited

31st January 2008

List of Group Investments

at 30th September 2007

Group	Valuation £'000
Cayman Islands	
JF Greater China Absolute Return Fund	1,642
JF Japan Absolute Return Fund	1,527
JPM Ultra Global Emerging Markets Fund	1,511
JF Korea Absolute Return Fund	1,478
	6,158
Luxembourg	
JPM Global Real Estate Securities Fund 'X' Accumulation USD	6,559
JPM USD Liquidity Fund X Distribution	5,669
JPM Highbridge Statistical Market Neutral Fund 'X' Accumulation EUR	2,966
JPM US Market Neutral Fund 'X' Accumulation USD	2,645
JPMorgan Portfolio Strategies Funds - Europe Equity Market Neutral Fund 'A' 057 USD	1,819
JPM Japan Behavioural Finance Equity Fund 'X' Accumulation USD	1,421
JF Asia Equity Fund 'X' Accumulation USD	1,157
JPM US Select 130/30 Fund 'X' Accumulation USD	1,154
JPM Europe Select 130/30 Fund 'A' Accumulation EUR	1,107
JPM Europe 130/30 Fund 'A' Accumulation EUR	1,106
JPMorgan Portfolio Strategies Funds - Europe Equity Market Neutral Fund 'A' 106 USD	1,060
JPMorgan Portfolio Strategies Funds - Europe Dynamic Small Cap L/S Fund 'A' 057 USD	876
JPMorgan Portfolio Strategies Funds - Europe Dynamic Small Cap L/S Fund 'A' 106 USD	598
JPM Sterling Liquidity Fund 'X' Distribution ¹	436
JPM US Dynamic Fund 'X' Accumulation USD	365
	28,938
Total Portfolio	35,096

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 31.

¹This investment is held by the Company and not through PM-S Fund.

Forward Currency Contracts and Financial Futures Contracts

period ended 30th September 2007

Forward currency contracts held by PM-S Fund Limited, the (parent) Company:

Settlement date	Currency	Amount purchased	Currency	Amount sold	Unrealised gain/(loss) £'000
4th October 2007	CHF	123,787	GBP	51,498	1
4th October 2007	CHF	153,382	GBP	64,712	—
4th October 2007	DKK	576,216	USD	105,892	2
4th October 2007	EUR	112,558	GBP	78,579	—
4th October 2007	EUR	362,576	GBP	252,889	—
4th October 2007	GBP	22,685,259	USD	45,790,127	209
4th October 2007	GBP	112,077	SEK	1,553,919	(6)
4th October 2007	GBP	243,608	USD	492,682	2
4th October 2007	GBP	146,953	CHF	356,335	(3)
4th October 2007	GBP	418,862	EUR	615,657	(11)
4th October 2007	GBP	252,900	USD	511,310	2
4th October 2007	NOK	1,073,888	USD	184,792	7
4th October 2007	SEK	1,797,359	USD	262,841	7
4th October 2007	USD	103,114	GBP	51,142	(1)
4th October 2007	USD	108,100	GBP	53,595	(1)
4th October 2007	USD	167,133	GBP	82,839	(1)
4th October 2007	USD	484,572	GBP	238,755	(1)
4th October 2007	USD	133,435	GBP	65,778	—
4th October 2007	USD	148,214	GBP	73,084	—
4th October 2007	USD	103,002	GBP	51,179	(1)
Total derivative financial instruments held by the Company at fair value					205

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

Settlement date	Currency	Amount purchased	Currency	Amount sold	Unrealised gain/(loss) £'000
4th October 2007	GBP	168,000	USD	341,058	1
4th October 2007	JPY	22,446,516	USD	193,356	1
4th October 2007	USD	339,814	GBP	168,000	(1)
4th October 2007	USD	194,191	JPY	22,446,516	(1)
7th November 2007	EUR	1,678,966	USD	2,307,017	40
7th November 2007	GBP	266,552	USD	538,658	2
7th November 2007	HKD	1,183,152	USD	151,607	—
7th November 2007	JPY	43,960,424	USD	378,852	2
7th November 2007	USD	1,389,424	AUD	1,618,602	(20)
7th November 2007	USD	157,151	CAD	166,710	(5)
7th November 2007	USD	19,584,926	EUR	14,286,483	(368)
7th November 2007	USD	3,810,112	GBP	1,887,437	(16)
7th November 2007	USD	941,930	HKD	7,353,691	(2)
7th November 2007	USD	5,343,519	JPY	621,504,749	(41)
7th November 2007	USD	177,515	SGD	268,717	(2)
Total forward currency contracts held by the Subsidiary at fair value					(410)

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

Expiration date	Number of contracts	Security description	Unrealised gain/(loss) £
Bond futures			
6th December 2007	77	Euro-Bund Future (EUX)	(36)
19th December 2007	105	US 10 Year Note Future (CBT)	14
Equity futures			
11th December 2007	10	FTSE 100 Index Future	(16)
21st December 2007	20	S&P 500 Future (MSE)	(2)
Outstanding financial futures contracts held by PM-S Fund, the Subsidiary, at fair value			(40)
Total derivative financial instruments held by the Subsidiary at fair value			(450)

Board of Directors



Christopher Sherwell (Chairman)

A Director since 14th February 2007.

A non-executive director of a number of investment related companies. He was Managing Director of Schroders (CI) Limited from April 2000 until January 2004 and served as a director of various Schroder group companies and investment funds. He remains a non-executive director of Schroders (CI) Limited. His other 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 Fund Services (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.

Jonathan Griffin, aged 45, is Managing Director of JPMorgan Asset Management (Europe) S.à.r.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.à.r.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 period ended 30th September 2007.

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 accounts.

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 period to 30th September 2007, the Company produced a total return to shareholders of -2.5% and a total return on consolidated net assets of -1.3%. As at 30th September 2007, the value of the Group's investment portfolio was £35.1m. The Investment Managers' Report on page 3 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)), the first of which will be 28th February 2008. 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

Directors' Report continued

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.

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.

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 period, other than the initial issue.

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 PM-S Fund, the Company is a passive investor in this fund and is not be 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 Fund Services (Guernsey) Limited, relies on valuations supplied by the administrator of PM-S Fund and/or the underlying funds (which may themselves be unquoted) and the administrator of the JPM Sterling Liquidity Fund. 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.

Risk management policies and procedures are dealt with in note 23 on page 32.

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 3.

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 accounts.

Directors

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

30th September 2007

Christopher Sherwell	30,000
Donald Adamson	30,000
Patrick Firth	—
Jonathan Griffin	—

No changes in the above holdings have been notified by any Director between the period 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 period 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.

Directors' Report continued

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

Shareholders	Number of voting rights	%
Shore Capital Clients	7,711,000	30.8
JPMorgan Asset Management		
Benefit Trust	5,242,000	20.9
The Northern and Shell Group		
Pension Scheme	5,010,000	20.0
JPMorgan Asset Management	4,573,000	18.2
Brown Shipley	1,300,000	5.2

Independent Auditors

PricewaterhouseCoopers CI LLP were appointed during the period and 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 8)

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 40.

Approved by the Board of Directors.

Donald Adamson
Director

Patrick Firth
Director

31st January 2008

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 period ended 30th September 2007 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-ambles 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 JPMorgan Asset Management (UK) Limited (‘JPMAM’) 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 Fund Services (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 intends to meet at least quarterly during the next year and additional meetings are arranged as necessary. Full and timely 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 JPMAM, 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 6.

The Company will comply with the provisions of the AIC Code in regard to the re-election of Directors every three

Corporate Governance continued

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 three years. A Director may thereafter be invited to serve for one or more further terms of three 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.

The Board recommends the election of all Directors, who will retire at this year's 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 6. Jonathan Griffin who is not a member of the Audit Committee may attend at the invitation of the Chairman.

During the period there were three Board meetings and one Committee of the Board.

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 has agreed procedures for the formal evaluation of the Manager, its own performance and of that of the Audit Committee and individual Directors. Questionnaires, drawn up by the Board, will be completed by each Director. The first evaluation will take place in May 2008. The responses will be collated and then discussed at a private meeting. The evaluation of individual Directors will be led by the Chairman. The Board as a whole evaluates the Manager, its own performance and that of the Audit Committee.

The evaluation of the Chairman will be led by the Audit Committee Chairman.

Board Committees

Audit Committee

The Audit Committee comprises Christopher Sherwell, Donald Adamson and Patrick Firth. Donald Adamson is the Chairman. The Committee will meet at least twice a year going forward. 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 27. 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 Accounts and the Interim Report. The Company's first Interim Report will be published in June 2008.

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 39.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working 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 39.

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 Fund Services (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 on a regular basis.
- The Board reviews the internal controls of the Manager and the Administrators via regular compliance reports it receives from JPMAM and Butterfield Fund Services (Guernsey) Limited respectively. These will be reviewed on a 6 monthly basis going forward.

The Company's system of internal control mainly comprises monitoring the services provided by JPMAM, its associates and Butterfield Fund Services (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 JPMAM and Butterfield Fund Services (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 JPMAM'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 JPMAM's and Butterfield Fund Services (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 period ended 30th September 2007, and to the date of approval of this Annual Report and Accounts.

Corporate Governance continued

Corporate Social Responsibility

The following is a summary of JPMAM'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 Accounts

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 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 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 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 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 following notes relate to financial statements published on a website and are not included in the printed version of the annual report and accounts:

The maintenance and integrity of the website is the responsibility of the Company; 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 the United Kingdom 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 period ended 30th September 2007 which comprise the Consolidated and Company's Income Statements, the Consolidated and Company's Statements of Changes in Equity, the Consolidated and Company's Balance Sheets, Consolidated and the Company's 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 Accounts.

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'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 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, Summary of Financial Results, Chairman's Statement, Investment Managers' Report, List of Group Investments, Board of Directors, Directors' Report and Corporate Governance.

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'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 2007 and of the results and cash flows of the Company and the Group for the period from 14th February 2007 to 30th September 2007;
- 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

31st January 2008

Consolidated Income Statement

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

	Notes	Revenue £'000	Capital £'000	Total £'000
Investment income	4	159	—	159
Other income	4	60	—	60
		219	—	219
Gains on investments held at fair value through profit or loss	5	—	658	658
Net foreign exchange gains	6	—	174	174
Total income		219	832	1,051
Expenses				
Management fees	7	(133)	—	(133)
Other administrative expenses	8	(105)	—	(105)
(Loss)/profit before finance costs and taxation		(19)	832	813
Finance costs	9	(2)	—	(2)
(Loss)/profit before taxation		(21)	832	811
Taxation	10	(8)	—	(8)
Net (loss)/profit after taxation		(29)	832	803
Attributable to:				
Equity holders of the parent		(29)	815	786
Minority interest		—	17	17
		(29)	832	803
(Loss)/earnings per share	11	(0.1p)	3.2p	3.1p

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. Details of the accounting period covered by this statement and the basis of consolidation are given in note 2 and 3 to the accounts.

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Company Income Statement

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

	Notes	Revenue £'000	Capital £'000	Total £'000
Investment income	4	52	—	52
Other income	4	12	—	12
		64	—	64
Losses on investments held at fair value through profit or loss	5	—	(727)	(727)
Net foreign exchange gains	6	—	783	783
Total income		64	56	120
Expenses				
Management fees	7	—	—	—
Other administrative expenses	8	(91)	—	(91)
(Loss)/profit before finance costs and taxation		(27)	56	29
Finance costs	9	(1)	—	(1)
(Loss)/profit before taxation		(28)	56	28
Taxation	10	—	—	—
Net (loss)/profit after taxation		(28)	56	28
(Loss)/earnings per share	11	(0.1p)	0.2p	0.1p

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. Details of the accounting period covered by this statement are given in note 2 to the accounts.

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Consolidated Statement of Changes in Equity

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

	Attributable to equity holders					Total £'000	Minority interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Other reserve' ¹ £'000	Other capital reserves £'000	Revenue reserve £'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 to other capital reserve	—	—	—	815	(815)	—	—	—
Balance at 30th September 2007	—	—	24,614	(282)	(29)	24,303	11,199	35,502

¹The share premium account has been cancelled and the "Other reserve" created for the purposes of financing share buybacks.

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Company Statement of Changes in Equity

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	—	—	—
Costs of share placing	—	(446)	—	—	—	(446)
Cancellation of share premium	—	(24,614)	24,614	—	—	—
Profit for the period	—	—	—	—	28	28
Transfer to other capital reserve	—	—	—	56	(56)	—
Balance at 30th September 2007	—	—	24,614	56	(28)	24,642

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

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Consolidated Balance Sheet

at 30th September 2007

	Notes	£'000
Non current assets		
Investments held at fair value through profit or loss	12(a)	35,096
Current assets		
Other receivables	14	51
Derivative financial instruments at fair value through profit or loss		205
Cash and cash equivalents		740
		996
Current liabilities		
Other payables	15	(140)
Derivative financial instruments at fair value through profit or loss		(450)
Net current assets		406
Net assets		35,502
Equity attributable to equity holders		
Called up share capital	16	—
Other reserve	17	24,614
Capital reserves	17	(282)
Revenue reserve	17	(29)
Equity attributable to equity holders of the parent		24,303
Minority interest	18	11,199
Total equity		35,502
Net asset value per share	19	97.0p

The accounts on pages 17 to 38 were approved by the Board of Directors and authorised for issue on 31st January 2008 and signed on its behalf by:

Donald Adamson
Director

Patrick Firth
Director

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Company Balance Sheet

at 30th September 2007

	Notes	£'000
Non current assets		
Investments held at fair value through profit or loss	12(b)	436
Investment in subsidiary undertaking held at fair value through profit or loss	13	23,877
		24,313
Current assets		
Other receivables	14	14
Derivative financial instruments at fair value through profit or loss		205
Cash and cash equivalents		202
		421
Current liabilities		
Other payables	15	(92)
		329
Net current assets		
		24,642
Net assets		
Equity attributable to equity holders		
Called up share capital	16	—
Other reserve	17	24,614
Capital reserves	17	56
Revenue reserve	17	(28)
		24,642
Total equity		
		24,642
Net asset value per share		
	19	98.3p

The accounts on pages 17 to 38 were approved by the Board of Directors and authorised for issue on 31st January 2008 and signed on its behalf by:

Donald Adamson
Director

Patrick Firth
Director

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Consolidated Cash Flow Statement

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

	Notes	£'000
Operating activities		
Profit before taxation		811
Add back interest paid		2
Gains on investments held at fair value through profit or loss		(658)
Losses on foreign exchange contracts		205
Net purchases of investment held at fair value through profit or loss		(11,405)
Increase in other receivables		(51)
Increase in other payables		134
Net cash outflow from operating activities before interest payable and taxation		(10,962)
Interest paid		(2)
Tax paid		(8)
Net cash outflow from operating activities		(10,972)
Investing activities		
Acquisition of subsidiary	26	(12,763)
Net cash outflow from investing activities		(12,763)
Financing activities		
Net proceeds from the issue of shares		24,620
Net cash inflow from financing activities		24,620
Increase in cash and cash equivalents		
Cash and cash equivalents at start of the period		—
Effect of foreign exchange translation		(145)
Cash and cash equivalents at end of the period		740

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Company Cash Flow Statement

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

	Notes	£'000
Operating activities		
Profit before taxation		28
Add back interest paid		1
Losses on investments held at fair value through profit or loss		727
Gains on foreign exchange contracts		(205)
Net purchases of investments held at fair value through profit or loss		(441)
Increase in other receivables		(14)
Increase in other payables		86
Net cash inflow from operating activities before interest payable and taxation		182
Interest paid		(1)
Tax paid		—
Net cash inflow from operating activities		181
Investing activities		
Acquisition of subsidiary	26	(24,599)
Net cash outflow from investing activities		(24,599)
Financing activities		
Net proceeds from the issue of shares		24,620
Net cash inflow from financing activities		24,620
Increase in cash and cash equivalents		202
Cash and cash equivalents at start of the period		—
Cash and cash equivalents at end of the period		202

The accompanying notes on pages 24 to 38 form an integral part of these accounts.

Notes to the Accounts

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. Accounting period

The accounts 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 consolidated accounts include the results of the Company and the PM-S Fund from 1st June 2007, which is the date control commenced.

3. Accounting policies

(a) Basis of accounting

The accounts 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 accounts 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 accounts have been prepared on the historical cost basis of accounting except for the measurement at fair value of certain financial assets and financial liabilities.

The amounts in the accounts 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 accounts requiring estimates which were significant to the accounts or areas requiring a higher degree of judgement.

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

- 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).

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 11 ‘IFRS2 – Group and treasury share transactions’ (effective for periods beginning on or after 1st March 2007).
- 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 8 ‘Operating Segments’ (effective for periods beginning on or after 1st January 2009).

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of PM-S Fund (its subsidiary) which is controlled by the Company, together referred to as the Group. Control is achieved where the Company has the power to govern the financial or operating policies of an entity so as to obtain benefits from its activities. 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) Investments in subsidiary undertakings

Investments in subsidiary undertakings are valued at fair value.

(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 Fund 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.

(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

Notes to the Accounts continued

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 period and presented as revenue or capital as appropriate.

iii. 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. Forward exchange contracts

The values of the forward exchange contracts are included at fair value and are recognised in the Income Statement.

4. Income

	Group 2007 £'000	Company 2007 £'000
Dividends	159	52
	159	52
Other interest receivable and similar income		
Deposit interest	60	12
Total income	219	64

5. Gains/(losses) on investments held at fair value through profit or loss

	Group 2007 £'000	Company 2007 £'000
Realised gains/(losses) based on historical cost	458	(5)
Unrealised gains/(losses)	200	(722)
	658	(727)

6. Net foreign exchange gains

	Group 2007 £'000	Company 2007 £'000
Net foreign currency gains on cash and short term deposits	584	578
Net (losses)/gains on foreign exchange contracts	(410)	205
Net foreign exchange gains	174	783

7. Management fees

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

Details of management fees are given on page 9.

8. Other administrative expenses

	Group 2007 £'000	Company 2007 £'000
Other administrative expenses	55	41
Directors' fees ¹	24	24
Auditors remuneration – for audit services	26	26
	105	91

¹The 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 2007 £'000	Company 2007 £'000
Interest on bank loans and overdrafts	2	1

10. Taxation**(a) Taxation on ordinary activities**

	Group 2007 £'000	Company 2007 £'000
Luxembourg taxe d'abonnement	8	—
Current tax	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 annual exempt status fee of £600, which for the period ended 30th September 2007 amounted to £400. 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 of 0.01 per cent. per annum of its net asset value; (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 Accounts continued

11. (Loss)/earnings per share

	Revenue £'000	Group 2007 Capital £'000	Total £'000
(Loss)/earnings attributable to equity shareholders	(29)	815	786
(Loss)/earnings per share	(0.1)p	3.2p	3.1p

	Revenue £'000	Company 2007 Capital £'000	Total £'000
(Loss)/earnings attributable to equity shareholders	(28)	56	28
(Loss)/earnings per share	(0.1)p	0.2p	0.1p

The (loss)/earnings per share is based on the (loss)/profit for the period after taxation and on the number of shares in issue throughout the period of 25,060,000.

12. Investments held at fair value through profit or loss

(a) Group

	£'000
Investments	35,096
	Total 2007 £'000
Opening valuation	—
Movements in the period:	
Investments acquired at fair value on the purchase of a controlling interest in PM-S Fund	24,289
Purchases at cost	43,014
Sales – proceeds	(31,609)
Sales – realised gains on investments	188
Net movement in unrealised gains	178
Translation loss	(964)
Closing valuation	35,096
Closing book cost	33,810
Minority interest in unrealised gains	1,137
Closing unrealised gains	178
Translation reserve	(29)
	35,096

(b) Company

	£'000
Investments	436
	Total
	2007
	£'000
Opening valuation	–
Movement in the period:	
Purchases at cost	26,135
Sales – proceeds	(25,694)
Sales – realised losses on investments	(5)
Net movement in unrealised loss	–
Closing valuation	436
Closing book cost	436
Closing unrealised loss	–
	436

13. Investment in subsidiary undertaking

	Company
	2007
	£'000
Shares acquired during the period	24,599
Movement in unrealised loss	(722)
Closing valuation	23,877

The above investment comprises 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.

14. Current assets

	Group	Company
	2007	2007
	£'000	£'000
Other receivables		
Prepayments and accrued income	24	3
Other receivables	27	11
	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 period end. Further details are given on page 5.

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 approximates to their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

Notes to the Accounts continued

15. Current liabilities

	Group 2007 £'000	Company 2007 £'000
Other payables		
Other creditors and accruals	140	92

The Directors consider that the carrying amount of other payables approximates to 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 period end. Derivative financial instruments in the Company Balance Sheet comprise forward foreign currency contracts. Further details are given on page 5.

16. Called up share capital

	2007 £'000
Authorised share capital	
2 Management shares of nil par value	—
Unlimited number of Sterling shares (“shares”) of nil par value	—
Allotted, called up and fully paid	
2 Management shares of nil par value	—
25,060,000 Sterling shares of nil par value	—

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 Sterling 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

	Share premium £'000	Other reserve ¹ £'000	Group Other capital reserve £'000	Revenue reserve £'000	Total £'000
Premium on issue of shares	25,060	—	—	—	25,060
Share issue costs	(446)	—	—	—	(446)
Cancellation of share premium ¹	(24,614)	24,614	—	—	—
Exchange loss on translation	—	—	(1,097)	—	(1,097)
Revenue profit for the period	—	—	—	803	803
Transfer to other capital reserve	—	—	832	(832)	—
	—	24,614	(265)	(29)	24,320
Reserves attributable to minority interest	—	—	(17)	—	(17)
Reserves attributable to equity holders of the parent	—	24,614	(282)	(29)	24,303

¹The share premium account has been cancelled and the “Other reserve” created for the purposes of financing share buybacks.

	Share premium £'000	Other reserve ¹ £'000	Company Other capital reserve £'000	Revenue reserve £'000	Total £'000
Premium on issue of shares	25,060	—	—	—	25,060
Share issue costs	(446)	—	—	—	(446)
Cancellation of share premium ¹	(24,614)	24,614	—	—	—
Revenue profit for the period	—	—	—	28	28
Transfer to other capital reserves	—	—	56	(56)	—
	—	24,614	56	(28)	24,642

¹The share premium account has been cancelled and the "Other reserve" created for the purposes of financing share buybacks.

18. Minority interest

	2007 £'000
Share capital	10,307
Reserves	892
	11,199

The minority interest comprises 26.3% of the A Class shares of JPMorgan Progressive Multi-Strategy Fund (PM-S Fund).

19. Net asset value per share

The net asset value per share is based on the net assets attributable to shareholders and on the 25,060,000 shares in issue at the period end.

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

20. Contingent liabilities

At 30th September 2007 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 period was £133,000 of which nil was outstanding at the period 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 period are given in note 12 on pages 28 and 29. Income amounting to £159,000 was receivable from these investments during the period, of which £23,000 was outstanding at the period end.

At the period end, the Group and Company held bank balances of £740,000 and £202,000 respectively with JPMorgan Chase. The Group and Company received interest amounting to £60,000 and £12,000 respectively during the period from JPMorgan Chase.

Notes to the Accounts continued

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 to minimise exposure to the Sterling/US Dollar exchange rate;
- short term debtors, creditors 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 page 7. 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 summary of the Group's and Company's classes of financial instruments is given in note 22.

(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 price 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 accounts 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 2007 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.

	Group 2007				Total £'m
	US\$ £'m	Euro £'m	Yen £'m	Other £'m	
Investments at fair value through profit or loss that are monetary items	4.2	—	—	—	4.2
Cash at bank	0.2	0.1	0.1	—	0.4
Forward currency contracts	(12.5)	(6.6)	(1.9)	(0.7)	(21.7)
Index futures	4.7	4.5	(4.2)	—	5.0
Foreign currency exposure on net monetary items	(3.4)	(2.0)	(6.0)	(0.7)	(12.1)
Investments at fair value through profit or loss that are equities	17.5	3.8	—	—	21.3
Total net foreign currency exposure	14.1	1.8	(6.0)	(0.7)	9.2

	Company 2007				Total £'m
	US\$ £'m	Euro £'m	Other £'m	Other £'m	
Forward currency contracts	(22.6)	(0.1)	0.1	—	(22.6)
Foreign currency exposure on net monetary items	(22.6)	(0.1)	0.1	—	(22.6)
Investments at fair value through profit or loss that are equities	23.9	—	—	—	23.9
Total net foreign currency exposure	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 period.

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 the 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 period 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 5% with the Sterling exchange rates against all other currencies held constant.

This percentage is deemed reasonable based on the volatility of the Sterling/US\$ exchange rate in the period.

Notes to the Accounts continued

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

	Group 2007	
	US\$ £'m	Total £'m
Income statement profit after taxation	(0.2)	(0.2)
Equity	(0.1)	(0.1)

	Company 2007	
	US\$ £'m	Total £'m
Income statement profit after taxation and equity	(1.1)	(1.1)

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

	Group 2007	
	US\$ £'m	Total £'m
Income statement profit after taxation	0.2	0.2
Equity	0.1	0.1

	Company 2007	
	US\$ £'m	Total £'m
Income statement profit after taxation and equity	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.

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 2007 Within one year £'000
Exposure to floating interest rates	
Cash at bank	740
	740
Exposure to fixed interest rates	—
Total exposure to interest rates	740
	Company 2007 Within one year £'000
Exposure to floating interest rates	
Cash at bank	202
	202
Exposure to fixed interest rates	—
Total exposure to interest rates	202

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

Interest rate sensitivity

The Group's and Company's exposure to interest rate risk has not been significant at any time during the period 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 that company 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.

Notes to the Accounts 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 the asset allocation of the portfolio 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 period end was £35.1m and £24.3m respectively. This is broadly representative of the exposure to other price risk during the period.

Concentration of exposure to other price risk

An analysis of the Group's investments is given on pages 4 and 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 10% in the fair value of the Groups' investments would increase or decrease capital return by £3.5m and equity by £2.6m excluding minority interest, assuming other variables are held constant. An increase or decrease of 10% in the fair value of the Company's investments would increase or decrease capital return and equity by £2.4m 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.

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.

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 5.

	Group Three months or less £'000
Creditors: amounts falling due within one year	
Other creditors	180
Currency contracts	410
	590

	Company Three months or less £'000
Creditors: amounts falling due within one year	
Other creditors	92
	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

This risk is not significant and is managed as follows:

- The Group and Company only deal with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies.
- 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 period end was as follows:

	Group 2007	
	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	24	24
Cash at bank ¹	740	740
	969	969

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

	Company 2007	
	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	202	202
	410	410

¹Cash 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.

Composition of the Company's capital

	2007 £'000
Equity	
Equity share capital – 25,060,000 shares of nil par value	—
Reserves	24,642
Total capital	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. Acquisition of subsidiary

On 31 May 2007 the Company acquired a controlling interest in JPM Progressive Multi Strategy Fund, a Luxembourg SICAV.

	2007 £'000
Fair value of the assets and liabilities arising from the acquisition:	
Total purchase consideration	24,599
Foreign exchange gains on currency	79
Receivables	4
Payables	(15)
Bank overdraft	(5,363)
Sales receivable	687
Purchase payable	(8,155)
	11,836
Shares issued by subsidiary	(24,599)
Cash outflow on acquisition	(12,763)

Information about the Company

Financial Calendar

Financial year end	30th September
Interim results announced	June
Final results announced	January
Annual General Meeting	February/March

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: PMSFL

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

Company’s Registered Office

Regency Court
 Glatigny Esplanade
 St Peter Port
 Guernsey GY1 3NQ

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 Fund Services (Guernsey) Limited
 Regency Court
 Glatigny Esplanade
 St Peter Port
 Guernsey GY1 3NQ

Auditors

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 National Westminster House
 Le Truchot
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Custodian

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 Spencer Road
 Lancing
 West Sussex BN99 6DA
 Telephone: 0870 600 3984

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The Association of
 Investment Companies A member of the AIC

Notice of Meeting

Notice is hereby given that the first Annual General Meeting of JPMorgan Progressive Multi-Strategy Fund Limited will be held at Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3NQ on Thursday 6th March 2008 at 11.00 a.m. for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the period ended 30th September 2007
- 2 To elect Mr Christopher Sherwell as a Director.
- 3 To elect Mr Donald Adamson as a Director.
- 4 To elect Mr Patrick Firth as a Director.
- 5 To elect Mr Jonathan Griffin as a Director.
- 6 To appoint PricewaterhouseCoopers CI LLP as Auditors to the Company.
- 7 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

- 8 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 3,756,494 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 2008, 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, 2006 and any applicable regulations of the United Kingdom Listing Authority, be held as treasury shares.

By order of the Board
Butterfield Fund Services (Guernsey) Limited,
Secretary
31st January 2008

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 (net of tax) 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 (net of tax) were reinvested in the shares of the Company at time the shares were quoted ex-dividend.

Gearing Factor

Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio was to increase by 100%.

Discount/Premium

If the share price of an investment company is lower than the NAV per share, the trust is 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 an investment company to trade at a discount than a premium.

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