

MATRIX

ANNUAL REVIEW 2008



GROUP OVERVIEW

Matrix Group is a privately owned financial services business founded in 1987 whose areas of expertise include Asset Management, Corporate Capital, Property and Specialised Finance.

Matrix Group Limited is the holding company for the following business activities:

ASSET MANAGEMENT:

- Private Equity
- Hedge Funds
- Funds of Funds
- Private Client Investment Management
- Cash and Enhanced Cash Funds

CORPORATE CAPITAL:

- Corporate Finance
- Broking
- Research
- Market Making
- Primary and Secondary Issues

To date, Matrix has raised over £6.5 billion for its investment products and, as at end December 2008, has over £2 billion of funds under management.

Matrix's investment products are promoted through institutions, financial advisers, wealth managers, accountants and other intermediaries.

Matrix is based in the West End of London, at One Vine Street, W1.

PROPERTY:

- Investment
- Development
- Management

SPECIALISED FINANCE:

- Private Equity Fund Placement
- Project Finance
- Alternative Energies
- Structured Finance



INTRODUCTION FROM THE CHAIRMAN



David Royds, Chairman

“...we have never
been better
positioned...”

Welcome to our 2008 annual review, with coverage of some major developments in our business during the year.

At a time of great economic uncertainty, we continue to grow and enhance our business, and we will always strive to offer a broad range of innovative products and services to our clients.

Matrix has sailed through several recessions during our 22 year history. This one looks to be the most serious but, encouragingly, we have never been better positioned to weather it, and emerge stronger and wiser.

David Royds
Chairman

CHIEF EXECUTIVE'S REVIEW

Since the second half of 2008, the business environment has been severely challenging. The UK starts 2009 in recession, with low confidence in banks and governments and little idea of when the downturn will end.

Against this background, as a private company, we continue to take a long term and positive view. This year will be challenging, but will offer opportunity for businesses with the right strategy. We aim to combine careful management of the downturn with focused preparation for recovery.

As Sir Ernest Shackleton said, *"difficulties are just things to overcome, after all"*.

This annual review focuses on the steps that we have already taken to prepare for recovery and highlights some of our successes during the year.

In November, we welcomed a new investment funds team to Matrix Corporate Capital. We have also added key individuals to our broking and analysis teams. We now make markets in our chosen sectors, have an established secondary trading team and offer a broader research capability which includes house building and pharmaceuticals. We aim to emerge from the recession as a full service broker, with strong analysis and corporate finance teams, supporting clients in the public and private markets as they raise funds to grow their businesses.

We believe that new developments in our business, together with our existing teams, position us well for the recovery. Managing through the downturn will be tough, but we are optimistic for the future. I'd like to thank all our clients for their business and everyone in Matrix for their contribution in 2008.

Chris Merry
Chief Executive



Chris Merry, CEO

"difficulties are just things to overcome, after all".

Sir Ernest Shackleton



HIGHLIGHTS OF 2008 DEALS FROM DIFFERENT DIVISIONS

MATRIX CORPORATE CAPITAL

Our fastest growing business area, Matrix Corporate Capital (MCC) incorporates Corporate Finance, Broking and Research. The hiring of the thirteen strong Investment Funds team from Landsbanki brings the MCC team to over forty, also including a secondary market making team.

The sectors covered by the specialist research analysts has also grown and now encompasses:

Building Materials	Clean-Tech
House Builders	Power Generation
Tobacco	Metals & Mining
Food Manufacturing	Oil & Gas
Pharmaceuticals	Property
Biotech	Investment Trusts
New Energy	Funds

In a very difficult market, one of the more interesting deals of 2008 for MCC was the fundraising of around £45m in a private placement for Hurricane Oil Exploration.



Hurricane Exploration plc



Rupert Foster, Fund Manager

HEDGE FUNDS

On 8th August 2008, one of the most auspicious days of the Chinese calendar, we launched the Matrix Asia Fund, an Equity Long/Short Fund which aims to deliver consistent absolute returns through investments in Asian equities. The fund is managed by Rupert Foster, who's philosophy will be to commit capital in line with conviction and who thinks that fundamental primary research is the core alpha generator. In turbulent markets, the US\$ share class returned 16.69% from launch to end December 2008.

"The 8th August didn't feel very auspicious initially but I think the long term story on China and India remains very much intact. Markets remain highly volatile but opportunities for high returns from fundamental research have been accentuated. I look forward to a great 2009."

Rupert Foster, manager of the Matrix Asia Fund

PRIVATE EQUITY

Matrix Private Equity Partners LLP (MPEP), the private equity arm of Matrix Group, raise funds for venture capital trusts (VCTs) and now have total funds under management of around £120 million across five VCTs. In the first quarter of 2009 they are fund-raising for a top-up of the Matrix Income & Growth 2 VCT 'C' Share of up to £15m.

A recent example of an investment by MPEP was the £4.5 million MBO of Metropress from vendor, DMGT. The company publishes Antiques Trade Gazette, the "must read" journal for the art and antiques trade that provides the latest in market information, news and analysis for antiques trade professionals and collectors in the UK. Matrix took a significant minority stake in the business as part of an £8 million funding package involving bank debt provided by HSBC.



MBO of Metropress

pechel

Matrix Private Funds Group, who provide comprehensive advisory and fundraising services to International Private Equity and Venture Capital funds, advised Pechel Industries Partenaires who announced in October the final close of Pechel Industries III at €165m. Pechel is an independent private equity firm that focuses on Development Capital and LBO investments in the Lower Mid Market in France. Investors into the Fund include fund-of-funds, pension funds, and family offices from Europe and the US.



The Private Funds Group also advised the University of Manchester who achieved a successful first close of EUR 42m for their UMIP Premier Fund, Europe's largest institutional fund to have a single university focus.

FUNDS OF HEDGE FUNDS

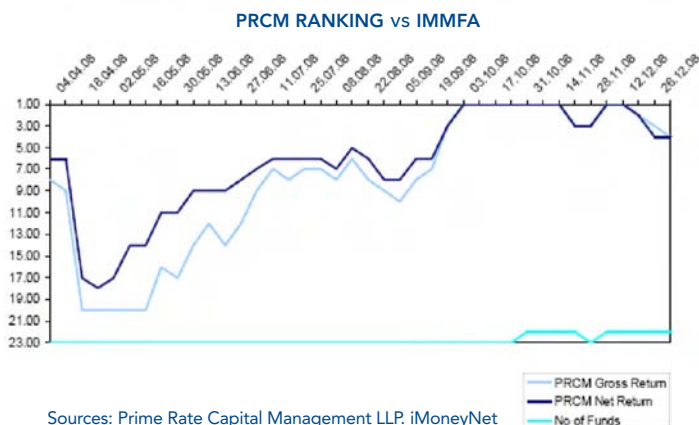
Our funds of hedge funds/retail investments team grew in 2008 to a team of twenty, including a new in-house fund management team headed up by Stuart Ratcliff, previously Partner and Portfolio Manager at Collingham Capital Management for over four years. The assets under management also grew to over £400 million.

The best performing funds of 2008 were the Ascension Closed End Fund (up approx 2.3% since July launch) and the Asset Based Lending 2 Fund (up approx 2.09% in 2008).



Stuart Ratcliff, CIO of our new in-house Funds of Hedge Funds team

Sterling Liquidity Fund Ranking (against IMMFA funds)



PRIME RATE CAPITAL MANAGEMENT

In March 2008, Prime Rate Capital Management LLP, our independent provider of AAA-rated liquidity funds, known as Qualifying Money Market Funds (QMMFs), launched their range of funds to the corporate and institutional market.

Authorised by the Financial Services Authority, the Prime Rate Sterling Liquidity Fund, Prime Rate Euro Liquidity Fund and Prime Rate US Dollar Liquidity Fund are domiciled in the UK and rated by S&P (AAAm) and Fitch (AAA/V-1+).

The graph demonstrates our Sterling Liquidity Fund's ranking against the International Money Market Funds Association funds.

MOVE TO VINE STREET

In June 2008, Matrix left its home at One Jermyn Street and moved into a new home at One Vine Street. With the entrance tucked away just off Swallow Street, the building is a new Crown Estate development behind the old Regent Street Nash façade.

In October, at the Office Development Awards, One Vine Street was not only West End Development of the Year but it was also voted joint UK Development of the Year.



One Vine Street
was voted
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development
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and joint UK
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MATRIX SHACKLETON CENTENARY EXPEDITION

Matrix Group was title sponsor to the **Matrix Shackleton Centenary Expedition**, a modern day re-enactment of the 1908 Nimrod Expedition, this time with the descendants of the original team. The expedition began in October 2008 and ended successfully at the South Pole at the end of January 2009.

The Ice Team, led by Lt. Col. Henry Worsley (47), a descendant of Frank Worsley (Shackleton's skipper) with Will Gow (35), related to Sir Ernest by marriage; and Henry Adams (33), another great-grandson of Jameson Boyd-Adams, set off in mid November 2008 from Shackleton's hut at Cape Royds on the 800 mile trek to the South Pole.

They were to endure the similar -35°C temperatures and 50mph headwinds that forced their forefathers to turn back, while pulling 300lb sledges for up to ten hours a day.



The Ice Team; Henry Worsley, Will Gow and Henry Adams at the South Pole



The full team at the 97 mile point on 9th January 2009



With minutes to spare on 9th January 2009, the Ice Team met up with the 97 Mile Team at the spot where, exactly 100 years earlier, Sir Ernest decided to turn back, putting the lives of his team ahead of glory.

The 97 Mile Team included David Cornell (38), a great-grandson of Jameson Boyd-Adams and Tim Fright (24), the great-great-nephew of Frank Wild, the only explorer to accompany Shackleton on all his missions.

Matrix also ran a competition for a member of public to win a "Place at the Pole" and join the 97 Mile Team. Andrew Ledger (23), a policy researcher from Dronfield won the competition, beating 3,000 other people who showed interest in joining the five descendants of the original 1908/09 Nimrod Expedition.

Both teams then went onto complete unfinished family business walking the final 97 miles, arriving at the South Pole at the end of January 2009.

OTHER SPONSORSHIP

Matrix continues with its support of Olympic qualifying events, having sponsored the **GBR 470 girls**, Christina Bassadone and Saskia Clark, in their bid for gold in Qingdao at the 2008 Olympics. They put in a fantastic effort but sadly they missed their dreams of a medal and came away a very respectable sixth place.

We also carried on with our support of bob skeleton, sponsoring three students to the British trials in Cesana in November 2008. Richard Luddington and Kristian Brauten-Smith, along with Leon Yandle (all competed in our original Matrix Skeleton Universities Challenge), were all selected for the 2014 Winter Olympic Development Squad. They are now on the four month talent confirmation programme with UK Sport and the BBSKA.

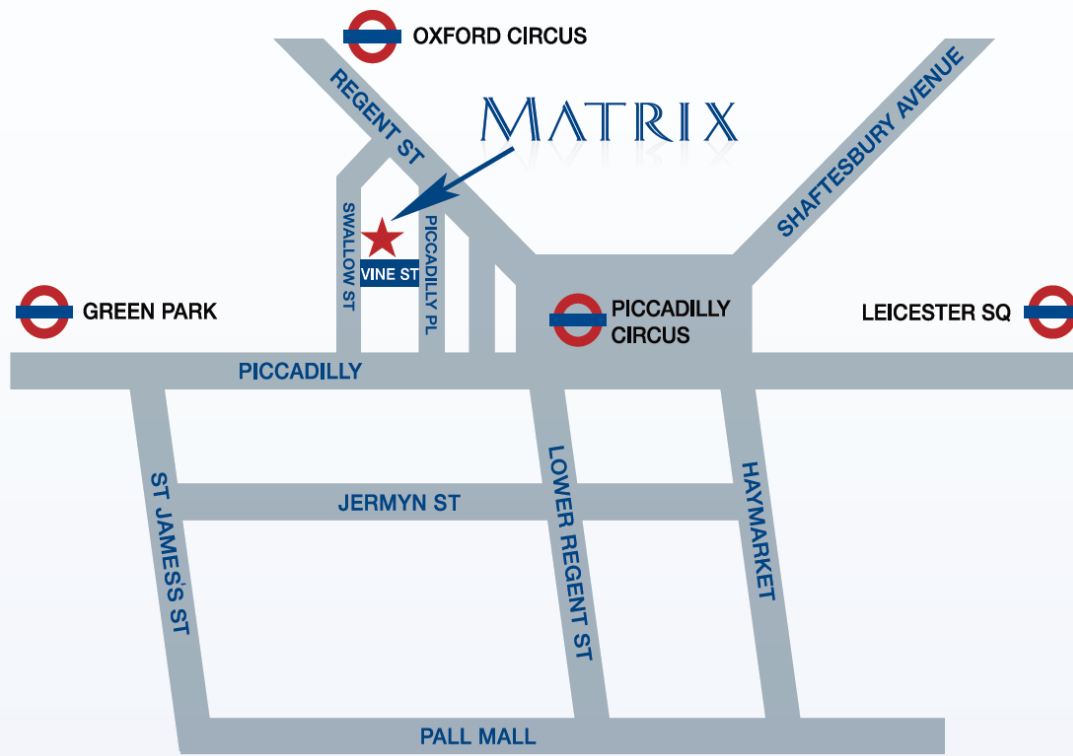
The students also joined us at our annual sporting event, the **Matrix Skeleton Challenge 2009**, in St Moritz, where 25 riders competed at speeds of up to 113 km/h, including Matrix employees and clients.



“Matrix continues with its support of Olympic qualifying events...”



OUR CONTACT DETAILS



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