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August 10, 2007

Dear Investor,

Many of you may have heard rumors concerning us over the last few days. If the rumors are that we've had better weeks, then they are accurate. If the rumors are that we are in some pain over the recent widespread quant stock selection woes, then they are accurate. If the rumors are more severe than that, then they are simply false.

To summarize things you probably know, AQR's business is quite diversified consisting of an estimated $27 billion in traditional products and $10 billion in absolute return hedge funds. Our business is stable and healthy, and we have top-notch clients who, like us, focus on the long-term.

This month our stock selection strategy, which involves, among other things, looking for companies to buy possessing good value, momentum, and earnings quality characteristics (and the opposite to short), has come under severe pressure. It is notable that this is only one of the many things that we do, and our family of macro oriented funds is posting a meaningfully positive month. Our stock selection investment process, a long-term winning strategy, has very recently been shockingly bad for us and for all of those pursuing similar strategies. We believe that this has occurred as the very success of the strategy over time has drawn in too many investors. Now we are witnessing some of them exit, and then with reductions by almost all participants it's painful. I occasionally hear broad statements like “this just shows computer models don’t always work.” That’s true, of course, they don’t, nothing always works. However, this isn’t about models, this is about a strategy getting too crowded, as other successful strategies both quantitative and non-quantitative have gotten many times in the past, and then suffering when too many try to get out the same door. We knew this was a risk-factor but, like most others, in hindsight, we underestimated the magnitude and the speed with which danger could strike.

We manage a variety of products for our clients and those that do not include stock selection have been generally unaffected by the recent market dislocations, with some having meaningfully positive performance this month. However, our two hedge funds that concentrate solely on quantitative stock selection have admittedly performed more poorly than would be predicted in “regular” drawdowns (with funds that do some stock selection affected proportionately). But, this is decidedly not a regular drawdown. It’s a deleveraging of historical proportions. In the face of this dramatically increased risk profile, we have temporarily been managing a reduction of our notional exposure to these strategies in the several hedge funds where they are utilized. Despite this reduction, we strongly view that the exit of many others from this style of stock picking represents a striking opportunity for future gains, which we fully intend to capitalize on for our clients. To that end, we’ve already seen increased client demand for our aggressive market-neutral equity fund.

Most of all, we remain a diversified and stable business which is able to view dislocations like this recent one as an opportunity. Running the risk of unusual events is part-and-parcel of what we do, and we are strong believers that it will pay off over the long-term.

Thank you for your investment and please do not hesitate to contact me with any questions.

Sincerely,

Clifford S. Asness
Managing & Founding Principal

THIS COMMENTARY IS NOT TO BE CONSTRUED AS ADVERTISING OR MARKETING MATERIAL AND IS INTENDED FOR AQR INVESTORS ONLY.

Minder Cheng
Managing Director
Global Chief Investment Officer, Active Equities

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August 13, 2007

BARCLAYS GLOBAL INVESTORS

Dear Client,

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

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

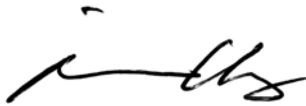
Based on our own research and market knowledge, we believe that this increase in volatility is technical rather than fundamental in nature. By technical, we are referring to the need of many funds to raise liquidity over the short term. This de-levering, regardless of the rationale, has resulted in a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

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

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

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

Sincerely



Minder Cheng

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

Black Mesa Capital
A LIMITED LIABILITY COMPANY

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(505) 995-0227 *fax*

August 8, 2007

Much has happened since the end of July and we have taken a pause from the hectic activities of this past week to write this letter to update all of our investors.

First of all, the fund is down approximately 7.5% net, for the month of August, through August 7. We are likely to be down more by the time you read this letter, perhaps as much as 10% MTD. We have worked overtime to understand the causes of these losses and, as a result of these analyses, began delevering our portfolio (already delevered from 3.5x per side to 2.75x per side in July) starting on Monday, August 6. Since then we have continued to liquidate positions and, as you read this, the portfolio is somewhere between 0.5x and 0x levered, i.e. between 50% and 100% in cash.

These are unprecedented actions on Black Mesa's part, but they are a response to unprecedented market events. In brief, we believe a very large (or several very large) trading entities, possibly very large hedge funds or investment banks or both, are liquidating massive market-neutral portfolios. Since Black Mesa generally attempts to make money by intercepting cash flows moving from securities of lesser value to those of higher value, investment flows that ignore security-specific value, such as broad liquidations to meet margin calls, can cause losses to Black Mesa's portfolio. In effect, Black Mesa bets on market participants making historically-precedented, value-oriented security selections. We are therefore susceptible to high or sustained levels of market activity that run contrary to such selections.

So, too, are other market-neutral funds who bet on fundamental factors or on mean reversion of one type or another. From speaking with our colleagues and large allocators in the market-neutral space, we understand that many market-neutral funds have suffered 5-to-15% losses so far in August. We have communicated with several market-neutral funds directly, some of which are long-existing and quite large, and many report having experienced multiple and significant down days in the past two weeks. Clearly, something is amiss in the markets that few in our strategy, if anyone, have experienced before.

For Black Mesa, the first clues came on the afternoon of Wednesday, July 25 when, using proprietary tools, we detected an intraday pattern of liquidation. This continued very consistently through the next day and into Friday morning when we detected a pause in activity. However, major liquidation resumed late Friday afternoon. During this three day period, Black Mesa suffered its largest losing day ever (on Friday) of 3.0%, our largest two-day loss of 4.2%, and its second worst peak-to-trough drawdown of 5.4%.

Starting that Friday and continuing through the weekend, we analyzed the losses (as reported extensively in our July 30 letter to investors). To summarize, the losses were found not to be attributable to common market risks, such as the BARRA factors (actually slightly positive), industry factors (neutral) or to an unknown factor lurking in our residual (reassuringly small), or to execution or risk constraint issues. The losses were in our proprietary factors or, in other words, attributable to risks to which we deliberately expose ourselves.

In the past, gains to these factors have been generally quite strong and consistent over time and losses have been brief and strongly reversionary. The most recent comparable instance was on September 15, 2006

when we experienced similar losses to these factors followed by a sharp rebound within two weeks. As we learned only on Monday, September 18, that previous Friday, September 15, Amaranth had likely liquidated most of its large market-neutral equity book to meet margin calls in its energy trading. Black Mesa's attribution analysis for that liquidation closely match what we saw when we analyzed the market activity and portfolio results of Wednesday through Friday, July 25-27, 2007. On Sunday night, July 29, we concluded that, ***if*** the entity(ies) that had liquidated the previous week were done, our portfolio would begin to revert to profitability as soon as Monday. That's exactly what happened; Monday and Tuesday demonstrated strong positive return attributions to the same factors that had backed-up the week before.

But, in hindsight, we can see that Monday and Tuesday was a "head-fake." Either the original liquidators had just paused, and/or others had begun to liquidate their market-neutral books on Wednesday August 1. Starting that day and through yesterday, August 7, we have detected continued signs of liquidation that match those of the Amaranth liquidation and of the July 25-27th liquidations. By Friday, August 3, there seemed to be no abatement in the liquidations and over the weekend, we confirmed with other market-neutral managers that they were suffering similar losses. We discussed internally the possibility that these already unprecedented levels of liquidations could continue even further. We also discussed how others in the market-neutral space, learning as we had of these liquidations and also losing money, could begin to delever their own books in response. There was (and is) the possibility that, as great as liquidations had been so far, that it was just the beginning of a spiral of me-too liquidations. The question was, when will it end?

The answer is, we don't know. It could last another two days, two weeks, two months, or two quarters. On the one hand, by delevering we could miss the opportunity for profits associated with a large reversion when the liquidations stop. On the other hand, if liquidations were to continue we would pretty much be assured of continuing losses for whatever period they persisted. Our decision was to let our fear overrule our greed and start a move to the sidelines. Since Monday, August 6, we have been steadily delevering our portfolios and expect to be well below 1x today, August 8. We have done our best to delever our funds and managed accounts down on a *pari passu* basis.

In this relatively rapid liquidation process we have had to consider the trade offs between statistical confidence in our analyses, speed, costs, and operational considerations. Our losses on the losing days since July 25th have averaged 1%. We estimate the incremental costs of liquidating our portfolio at an accelerated (and possibly suboptimal) rate to be about 50 basis points. While this is clearly only a minute fraction of the cost of waiting through an additional day of portfolio losses, one also has to consider the costs of rebuilding the portfolio when the markets return to "normal." Between our point of conviction on Sunday, August 5 and delevering to near zero on August 8, we moved as quickly as we believe was possible while still paying prudent attention to our own confidence levels, operational factors and costs. Should we have delevered sooner? In hindsight, yes. Could we have delevered sooner given the rapidity at which we could analyze and act on the data in real-time? We don't think so. Irregardless, by delevering when we did, we now know that we have thus far saved our investors an additional 10% loss, or about $70 million dollars.

So now what? As most of you know, we run our model every day whether we trade or not. We plan to scrutinize our attributions and other diagnostics every day to discern when the markets have returned to "normal" and we can safely rebuild our portfolio. We have the tools to know on a daily (indeed, intraday) basis if the liquidations are continuing, and we will know as well when they stop. We guess that about three days without the liquidation footprint could allow us to get back in and capture the enormous profit opportunities our forecasts are now indicating. In sum, when we observe some statistical stability in returns to our factors, we will re-enter the market. Until then, we will remain on the sidelines.

As a point of historical interest, Dave experienced a similar situation at The Prediction Company starting in the Spring of 1998. At that time he was trading a more technical, mean reversion portfolio and the issue wasn't across-the-board market-neutral liquidations. There was, however, a precipitous regime change that had his short book of mostly large-cap stocks going up and his long book of mostly small-cap stocks going down. This capitalization mismatch caused large daily losses. Of course, the problem was only obvious with some hindsight and it took a couple weeks for Dave to analyze and hedge this specific exposure and staunch the losses. Through September 1998, the hedged portfolio, already down about 5% for the year, experienced only small additional losses. Then came 3 months of reversionary behavior. The portfolio ended up with its best year ever.

History never repeats in the same way twice, and we aren't forecasting that we will be up 70% (or at all) for 2007. But we are keen students of past experiences and hope to gain useful perspective thereby. We suspect that soon, perhaps within months, we will better able to understand and contextualize current market conditions. Meanwhile, we are doing our best make sense of what we see in the noisy present and to act in the best interests of our investors. We look forward to updating you with our continued observations in the near future.

Best regards,

Dave DeMers and Jonathan Spring

**Highbridge Statistical Opportunities Fund**

August 9, 2007

We wanted to update you on the $1.7 billion Highbridge Statistical Opportunities Fund (HSOF), our statistical arbitrage fund which engages in a levered equity market neutral strategy, investing in the U.S., European and Asian equity markets. As you may be aware, many hedge funds and asset management firms utilizing similar strategies are experiencing unprecedented volatility. As of the close of business yesterday (August 8), HSOF was down approximately 16% net year-to-date and 18% net month-to-date.

We have been actively managing our exposures through this challenging market environment and will be in contact with you shortly to give you an additional update. Please feel free to contact us with any questions you may have.

-Highbridge Capital Management

*Letter sent from Renaissance Technologies President Jim Simons to investors*

August 9, 2007

Dear Renaissance Investor,

Results in July were quite disappointing. Returns ranged between negative 4.0% and 4.5%, bringing the year to date to profits averaging a bit over 1.0%.

| | Onshore LLC | | Offshore LP | |
|---|---|---|---|---|
| | July | YTD | July | YTD |
| Series A | -4.50% | 0.61% | -4.55% | 0.19% |
| Series B | -3.96% | 1.34% | -4.00% | 0.97% |
| Series C | -4.40% | 1.31% | -4.45% | 0.89% |
| Series D | -4.38% | 1.49% | -4.43% | 1.08% |

*Returns are for continuing investors.*

While much of the damage was due to weak markets, our system experienced meaningful relative losses during the first two weeks of the month. Thereafter these relative losses decreased, but the markets proceeded to decline substantially. As I reported at our mid-July investor meeting, the principal culprit was our Basic System, the platform upon which almost all of our predictions are added. The predictions themselves performed adequately during the month, but not sufficiently to overcome the down-draft in the Basic. As I showed at that meeting, while the Basic System is a low volatility approach, which, over time, should match the S&P and other indices, it does not track them, and excursions of this size and larger (in either direction) may be expected to take place.

Research continues at a strong pace, with three very promising new signals in final stages of release. Such continued work and our share of good luck should ultimately produce attractive rewards.

Regrettably we have not had good luck during these last few days of August. We have been caught in what appears to be a large wave of de-leveraging on the part of quantitative long/short hedge funds. These undoubtedly share some signals in common with our own, and the result has been losses for RIEF of the order of 7% at the time of this writing. Many investors have called to see how we are faring, and after the close today we will send an e-mail to all with an update and additional color on the situation.

Sincerely,

Jim Simons

*Email from Renaissance Technologies President Jim Simons to investors, Aug. 9, 2007*

Dear Renaissance Investor,

As promised in my July letter, posted today on the RIEF website, I want to share some thoughts on August-to-date performance in order to provide perspective on a most unusual period.

RIEF results through July 31 were below expectations, but not extraordinarily so. I've previously stated that the low volatility Basic System, to which our predictions are added, was not in sync with the market during much of this period. Nonetheless, we remain confident that over time the Basic System will match the return of the S&P and, enhanced by our predictive signals, should exceed it. Since we do not attempt to track this or any other index there will be periods of positive and negative relative returns.

August (down 8.7% through today) is a different story. The culprit is not the Basic System but our predictive overlay. While we believe we have an excellent set of predictive signals, some of these are undoubtedly shared by a number of long/short hedge funds. For one reason or another many of these funds have not been doing well, and certain factors have caused them to liquidate positions. In addition to poor performance these factors may include losses in credit securities, excessive risk, margin calls and others. All of this may not influence the direction of the overall market, but it may certainly alter the relationships of stocks to each other in a dramatic way. Given the undoubted partial overlap of our portfolios, these liquidations have had a negative impact on RIEF.

Other examples of such liquidations are the meltdown of risk arbitrage positions in the October 1987 crash, the forced liquidation of junk bonds around 1990 and the collapse of European bonds in 1994. Some of these were in the midst of a bear market, some not.

Such events tend to occur extremely infrequently. We cannot predict the duration of the current environment, but usually such behavior causes first pain and then opportunity. While we may hedge out some market risk, our basic plan is to stay the course and, as conditions revert to the norm, we anticipate the possibility of an attractive opportunity for RIEF. Our firm remains strong, and although Medallion has experienced some losses in August, it is solidly profitable year-to-date.

We are confident in our approach, and we urge you to contact our staff should you have any questions.

Sincerely,

Jim Simons

Sent: Friday, July 27
Subject: Sowood Alpha Funds
Dear Investor,

As you are probably aware, there have been several articles written about Sowood's July performance. We acknowledge that you have many questions and concerns and we would like to address them. In light of tightening market conditions particularly in the past week, we felt it was prudent to increase liquidity and reduce levels of risk in our portfolio. We continue to meet all of our margin requirements and all of our obligations to counterparties. We hope to provide you with a more detailed investor letter by the end of next week and greatly appreciate your patience. As always, please contact Daniele Serafini with any questions.

Sincerely,

Jeff Larson and Megan Kelleher

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July 30, 2007

To Our Investors in Sowood Alpha Fund LP and Sowood Alpha Fund Ltd.:

## Sale of Assets

Today we made the painful and difficult decision to sell substantially all the funds' portfolio to Citadel Investment Group. We took this step to protect your investment. Our actions over the weekend followed severe declines in the value of our credit positions and non-performance of offsetting hedges. Given what we were facing and our uncertain ability to meet margin calls, we sought other buyers for some or all of the positions. Citadel offered the only immediate and comprehensive solution. The transaction enabled us to avoid anticipated forced sales at extreme prices that would have been made in order to satisfy obligations under our counterparty agreements.

## Performance Update

After the transaction with Citadel, the Net Asset Value (NAV) of Sowood Alpha Fund Ltd. and Sowood Alpha Fund LP will have declined approximately 57% and 53% month to date respectively, and approximately 56% and 51% calendar year to date respectively. As a result, our NAV as of July 30 is approximately $1.5 billion.

## Current Plans

We will be advising you of plans to distribute assets as soon as we can, subject to reserves and holdbacks for completion of the audit, contingencies and potential liabilities. Proceeds will be distributed in accordance with the governing documents of the funds. We will seek to retain key staff to manage the distribution process going forward.

We understand this is a very difficult moment for you and are committed to keeping all lines of communications open. Since we are still working through positions and details of the transaction, it will take us a few days to organize everything in a manner that will satisfy your questions. That said, we are planning to hold one-on-one meetings starting next week with investors. In addition, we are planning a listen-only conference call later this week at which time I will discuss the actions we took over this past weekend and next steps.

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Sowood
CAPITAL MANAGEMENT LP

Background

During the month of June, our portfolio experienced losses mostly as a result of sharply wider corporate credit spreads unaccompanied by any concomitant move in equities and exacerbated by a marked decline in liquidity. This occurred over a broad range of credit related instruments. In the first two weeks of July, spreads continued to widen, and we experienced a loss similar to June. The weakness in corporate credit – particularly focused on loans and loan credit default swaps – accelerated sharply during the week of July 23. Until the end of last week these developments, while reducing the value of our portfolio, were manageable. Our counterparties had not severely marked down the value of the collateral that the funds had posted nor changed our margin terms, and immediate liquidity needs could be met.

However, towards the end of last week, given the extreme market volatility, our counterparties began to severely mark down the value of the collateral that had been posted by the funds. In addition, liquidity became extremely limited for the credit portion of our portfolio making it difficult to exit positions. We, therefore, reached the conclusion over the weekend that, in the interest of preserving our investors' capital, the appropriate course of action was to sell the funds' portfolio. We believe that the arrangement with Citadel provided our best option under the circumstances, since we were unable to find other sources of liquidity.

Conclusion

We are very sorry this has happened. We have always attempted to do the very best for our investors. A loss of this magnitude in such a short period is as devastating to us as it is to you. We are committed to acting in the best interests of the funds' investors and to keeping investors informed of decisions made in furtherance of this objective. We sincerely appreciate your patience and understanding during this challenging period.

Sincerely,

Jeff Larson

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August 9, 2007

Dear Investor:

As you know from the daily NAV estimates which we make available to you, our performance has been disappointing in the recent unsettled market conditions. Although the performance of the different classes of shares and interests differs somewhat, through the close of business on August 9, 2007, we estimate that the net performance for the classes with exposure to the statistical arbitrage and/or quantitative long/short master funds ranges from losses of 17% to 31% month-to-date.

We have taken significant steps to reduce market exposure, which as of the close of business on August 9 was at the lowest level in the statistical arbitrage and quantitative long/short master funds since the inception of such funds - less than 1x gross leverage (the ratio of long positions plus short positions to net equity); the precise amount of market exposure differs somewhat among the different classes. We do not anticipate any shortage of liquidity in these master funds.

As always, we are available to answer your questions and we will continue to furnish daily NAVs and keep you informed of significant developments.

Best Regards,

Tykhe Capital LLC