Financial Statements

Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd.

For the year ended December 31, 2006
with Independent Auditors' Report
(in U.S. dollars)

Financial Statements

For the year ended December 31, 2006

Contents

Corporate Information

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd.:

We have audited the accompanying statement of assets and liabilities of Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd. (the "Master Fund"), including the condensed schedule of investments, as of December 31, 2006, and the related statements of operations, changes in net assets, and cash flows for the year then ended (all expressed in United States dollars). These financial statements are the responsibility of the Master Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Master Fund as of December 31, 2006, the results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, securities with a total market value of $616,023,080, 70.19% of the Master Fund's net assets, represents securities which were fair valued by the Master Fund's management. The Master Fund's management has estimated the fair value of these securities in the absence of readily ascertainable market values. These values may differ from the values that would have been used has a ready market for these investments existed, and the differences could be material.

Deloitte & Touche LLP

April 24, 2007

Member of
Deloitte Touche Tohmatsu

Statement of Assets and Liabilities

December 31, 2006
(in U.S. dollars)

Assets	
Investments in securities, at market value (cost $7,956,523,812)	$ 8,004,294,317
Unrealized appreciation on swaps	21,088,522
Cash and cash equivalents (restricted cash $89,935,009)	107,119,892
Securities purchased under agreements to resell	355,724,678
Interest receivable	52,769,221
Premiums paid for swaps	18,895,485
Receivables for securities sold	12,364,379
Unrealized appreciation on futures	933,823
Prepaid research fees	124,708
Total assets	8,573,315,025
Liabilities	
Securities sold short, at market value (proceeds $492,081,838)	486,792,201
Written swaptions, at market value (proceeds $87,757)	104,118
Unrealized depreciation on swaps	20,396,487
Securities sold under agreements to repurchase	7,002,371,188
Redemptions payable	24,268,330
Due to Investment Manager	7,601,081
Payable for investements purchased	79,400,921
Interest payable	34,449,658
Premiums received for swaps	20,735,310
Professional fees payable	183,760
Accounting and administration fees payable	105,650
Directors' fees payable	938
Accrued expenses and other liabilities	242,052
Total liabilities	7,676,651,694
Net assets	$ 896,663,331
Net asset value per share:	
Redeemable common shares* (521,410 shares outstanding)	$ 1,719.69

* The shares above are the aggregate of all specified shares as of December 31, 2006.

See notes to financial statements.

Condensed Schedule of Investments

December 31, 2006
(in U.S. dollars)

Description	Percent Of Net Assets	Interest Rate (%)	Maturity Date	Face Amount/ Shares	Market Value
COMMON STOCK - 6.81%					
Finance - Mortgages - 2.86%					
Home Ownership Funding 2*	2.86%			15,800,000	$ 25,636,606
Total Finance - Mortgages					25,636,606
Pipelines - 1.49%					13,379,490
REITS - Mortgages - 0.24%					2,132,178
Special Purpose Entity - 0.39%					3,479,289
Unit Trust - 1.83%					16,407,702
Total Common Stocks (cost - $70,522,999)					61,035,265
FIXED INCOME SECURITIES - 855.98%					
Asset Backed Securities - 65.79%					
CIRC Capital*	19.83%	9.34%	2009-2010	171,750,900	177,849,774
Freeport Loan Trust	5.79%	6.17%	2020	51,937,000	51,937,000
Prism Trident Orso Trust*	1.80%	5.68%	2009	15,815,000	16,150,278
Terwin Mortgage Trust	17.28%	4.75%	2035	156,231,195	154,912,604
Terwin Mortgage Trust*	0.22%	5.00% - 6.00%	2034-2035	5,072,152	1,978,739
Other Asset Backed Securities	20.87%	5.33% - 9.98%	2009-2046	186,722,301	187,096,998
Total Asset Backed Securities (cost - $585,804,259)					589,925,393
Collateralized Bank Obligation Securities - 47.96%					
Westways Funding Ltd.	40.76%	5.82% - 5.87%	2010-2011	365,524,000	365,524,000
Other Collateralized Bank Obligation Securities	7.20%	5.92% - 6.18%	2010-2039	64,554,217	64,511,268
Total Collateralized Bank Obligation Securities - (cost - $429,892,974)					430,035,268
Collateralized Debt Obligation Securities - 416.39%					
Amp CDO	14.10%	7.14%	2046	126,520,000	126,456,740
Atrium CDO Corp.	5.02%	5.92%	2020	45,006,000	45,006,000
Augusta*	0.63%	0.00%	2037	13,860,000	5,677,891
Avanti Funding Ltd.	19.67%	5.69%	2046	176,495,000	176,406,753
Commodore CDO Ltd.	15.87%	5.72%	2036	142,300,000	142,300,000
Diversey Harbor ABS CDO Ltd.	7.75%	5.74%	2046	69,738,000	69,517,628

See notes to financial statements.

Condensed Schedule of Investments (continued)

December 31, 2006
(in U.S. dollars)

Description	Percent Of Net Assets	Interest Rate (%)	Maturity Date	Face Amount	Market Value
Collateralized Debt Obligation Securities (continued) - 416.39%					
Eirles Two Ltd.	12.22%	5.87% - 7.17%	2036	110,705,000	$ 109,558,413
Highland Park CDO Ltd.	8.29%	5.70%	2051	74,370,000	74,328,353
High Grade Structured Credit CDO (1)	3.36%	5.85% - 6.73%	2040-2044	30,589,183	30,092,222
Ivy Lane CDO Ltd.	14.48%	5.70%	2046	129,835,000	129,835,000
IXCBO	7.06%	5.42%	2046	63,260,000	63,260,000
Klio Funding Ltd.	10.45%	5.97%	2039	93,053,000	93,680,177
Klio Funding Ltd.*	4.61%	12.00%	2040	38,000,000	41,321,200
Lexington Capital Funding	8.85%	0.00%	2049	79,328,000	79,328,000
North Street Referenced Linked Notes	5.66%	5.78%	2013	50,760,000	50,760,000
Octan	5.82%	5.78%	2045	52,200,000	52,200,000
Orchid Structured Finance CDO Ltd.	17.27%	5.72%	2046	154,730,456	154,820,199
Parapet Ltd.	9.83%	6.37%	2045	88,162,264	88,162,264
Restoration Funding CDO Ltd.	9.89%	5.92%	2013	88,564,000	88,707,474
Ridgeway Court Funding Ltd.	7.06%	5.79%	2046	63,412,000	63,339,076
Scorpius CDO	6.34%	5.77%	2046	56,934,000	56,881,051
Sixth Avenue Funding	7.21%	5.99%	2046	64,667,000	64,667,000
Static Residential CDO Ltd.	13.59%	5.65%	2040	121,851,047	121,851,047
Tahoma CDO Ltd.	31.36%	5.80% - 5.98%	2046	281,190,000	281,190,000
Tallship Funding Ltd.	13.44%	5.82%	2047	120,510,000	120,510,000
Tiers Trust*	5.04%	6.07% - 6.20%	2009	44,282,000	45,213,219
Triaxx Prime CDO	18.29%	5.92%	2039	164,025,000	164,025,000
Triaxx Prime CDO*	0.13%	5.89%	2008	1,121,368	1,121,368
Other Collateralized Debt Obligation Securities	133.10%	0.00% - 15.38%	2009-2051	1,242,059,898	1,193,388,460
Total Collateralized Debt Obligation Securities - (cost - $3,722,137,763)					3,733,604,535
Collateralized Loan Obligation Securities - 40.50%					
Nacm CLO	15.80%	5.81%	2019	141,702,000	141,702,000
Other Collateralized Loan Obligation Securities	24.70%	4.80% - 14.00%	2007-2041	223,793,554	221,430,680
Total Collateralized Loan Obligation Securities - (cost - $363,062,510)					363,132,680
Collateralized Mortgage Obligation Securities - 122.37%					
Bear Stearns Structured Products, Inc.* (1)	0.12%	5.50%	2034-2035	1,286,680	1,109,882
CMO Holdings Corporation*	0.19%	5.50%	2034	1,721,596	1,700,615
CountryWide Home Loans	6.84%	6.25%	2035	60,912,674	61,369,519
Greenwich Capital Commercial Funding Corporation	9.75%	5.30%	2037	87,742,000	87,419,987
Thornburg Mortgage Securities Trust	5.18%	5.44%	2035	46,399,373	46,433,663
Other Collateralized Mortgage Obligation Securities	100.29%	4.00% - 9.10%	2011-2045	898,304,814	899,223,280
Total Collateralized Mortgage Obligation Securities - (cost - $1,094,806,244)					1,097,256,946

See notes to financial statements.

Condensed Schedule of Investments (continued)

December 31, 2006
(in U.S. dollars)

Description	Percent Of Net Assets	Interest Rate (%)	Maturity Date	Face Amount	Market Value
Corporate Bonds - 78.86%					
Residential Capital Corp.	6.78%	6.47%	2009	60,097,000	$ 60,794,726
USB Capital IX	5.05%	6.19%	2049	44,282,000	45,257,532
Wachovia Capital Trust III	8.69%	5.80%	2049	77,238,000	77,913,833
Other Corporate Bonds	58.34%	0.00% - 13.00%	2008-2066	552,221,542	523,083,832
Total Corporate Bonds (cost - $700,128,796)					707,049,923
Interest Only Securities (cost - $9,325,159) - 0.41%		0.04% - 5.88% ^	2010-2036	101,089,963	3,677,637
Management Fees - 3.35%					
CLSVF 2006-1A Junior management fees*	0.04%	13.02%	2014	381,737	379,660
CLSVF 2006-1A Senior management fees*	0.10%	7.77%	2014	896,276	891,266
Comstock Junior management fees*	0.14%	12.93%	2011	1,223,172	1,230,890
Comstock Senior management fees*	0.05%	7.68%	2011	461,836	464,990
Endeavor 2005-1X Junior management fees*	0.06%	13.50%	2010	537,472	542,702
Endeavor 2005-1X Senior management fees*	0.02%	6.99%	2010	195,973	197,482
HGSCS CDO 2004-1 Junior management fees* (1)	0.01%	20.29%	2007	114,873	120,491
HGSCS CDO 2004-1 Senior management fees* (1)	0.04%	8.43%	2007	355,895	364,105
HGSCS CDO 2005-1A Junior management fees* (1)	0.02%	15.00%	2008	182,073	186,088
HGSCS CDO 2005-1A Senior management fees* (1)	0.05%	7.40%	2008	447,745	448,067
KLIO 1 Management fees*(1)	0.42%	7.50%	2039	4,055,940	3,707,129
KLIO 2 Management fees*(1)	0.95%	7.50%	2039	9,039,217	8,531,665
KLIO 3 Management fees*(1)	0.95%	7.50%	2040	8,801,629	8,511,879
STCDO 2004-1 Junior capital management fees*	0.02%	13.16%	2008	217,345	217,734
STCDO 2005-2 Junior capital management fees*	0.04%	13.16%	2008	313,674	319,662
STCDO 2005-2 Senior capital management fees*	0.02%	8.16%	2008	168,978	171,683
THOM 2006-1A Senior capital management fees*	0.17%	7.21%	2010	1,561,703	1,553,973
TSH 2006-1A Senior capital management fees*	0.24%	7.21%	2011	2,154,736	2,145,643
Other Management Fees	0.01%	0.01%	2009	457,243,280	86,877
Total Management Fees (cost - $192,193)					30,071,986
Principal Only Securities - 1.67%					
Bear Stearns Structured Products, Inc. (1)	1.67%	22.22% ^	2034	15,962,536	14,979,918
Total Principal Only Securities (cost - $13,791,974)					14,979,918
U.S. Treasury Notes - 78.68%					
U.S. Treasury Notes	78.68%	4.63%	2008	708,151,000	705,530,841
Total U.S. Treasury Notes (cost - $708,339,043)					705,530,841

See notes to financial statements.

Condensed Schedule of Investments (continued)

December 31, 2006
(in U.S. dollars)

Description	Percent Of Net Assets	Interest Rate (%)	Maturity Date	Face Amount/ Shares	Market Value
Total Fixed Income Securities (cost - $7,627,480,915)					$7,675,265,127
Unregistered Investemt Company - 29.85%					
Residential Asset Mortgage* (1)	29.85%	0.00%	2045	10,302,846	267,667,939
Total Unregistered Investment Company (cost - $257,571,157)					267,667,939
Swaption (cost - $948,741) - 0.04%			2007	1,051	325,986
Total Investment in Securities (cost - $7,956,523,812)					8,004,294,317
SECURITIES SOLD SHORT - (54.29%)					
Common Stocks - (1.36%)					
Banks - (0.08%)					(659,605)
Finance - Mortgage Loan/Banker - (0.08%)					(742,875)
REITS - Mortgage - (0.05%)					(473,850)
Unit Trusts - (1.15%)					(10,325,500)
Total Common Stocks (proceeds - $12,039,416)					(12,201,830)
Asset Backed Securities - (13.39%)					
West LB CIRC Financing	(13.39%)	6.35%	2010	(120,000,000)	(120,000,000)
Total Asset Backed Securities (proceeds - $120,000,000)					(120,000,000)
Collateralized Loan Obligation Securities (proceeds - $3,163,000) - (0.35%)		0.00%	2013	(3,163,000)	(3,163,000)
U.S. Treasury Notes - (39.19%)					
United States Treasury Notes	(7.80%)	5.00%	2011	(68,953,000)	(69,911,447)
United States Treasury Notes	(29.81%)	4.50%	2011	(269,686,000)	(267,258,826)
Other U.S. Treasury Notes	(1.58%)	4.50% - 5.38%	2016-2031	(14,069,000)	(14,257,098)
Total U.S. Treasury Notes (proceeds - $356,879,422)					(351,427,371)
Total Securities Sold Short (proceeds - $492,081,838)					(486,792,201)
Written Swaptions (proceeds 87,757) - (0.01%)			2007	(198)	(104,118)

See notes to financial statements.

Condensed Schedule of Investments (continued)

December 31, 2006
(in U.S. dollars)

Description	Percent Of Net Assets	Interest Rate (%)	Maturity Date	Face Amount	Market Value
SWAPS					
Credit Default Swaps - 0.70%					
Appreciated Credit Default Swap Contracts					$ 24,090,620
Depreciated Credit Default Swap Contracts					(17,838,576)
Total Credit Default Swap Contracts (Net premiums paid $2,241,174)					6,252,044
Interest Rate Swaps - (1.11%)					
Appreciated Interest Rate Swaps					1,549,797
Depreciated Interest Rate Swaps					(11,576,360)
Total Interest Rate Swaps					(10,026,563)
Total Return Swaps - 0.01%					
Appreciated Total Return Swaps					264,410
Depreciated Total Return Swaps					(205,139)
Total Total Return Swaps					59,271
Variance Swaps - 0.29%					
Appreciated Variance Swaps					10,381,053
Depreciated Variance Swaps					(7,813,595)
Total Variance Swaps (Net premiums paid $401,349)					2,567,458
Other Liabilities in Excess of Other Assets - (738.25%)					(6,619,586,877)
Net assets - 100.00%					$ 896,663,331

* Security is being fair valued by the Investment Manager. See Note 2 for additional information.
(1) Investment in related party.
^ Indicates yield as of 12/31/06

See notes to financial statements.

Condensed Schedule of Investments (continued)

December 31, 2006
(in U.S. dollars)

Futures Contracts - Long Position	Number of Contracts	Unrealized Appreciation / (Depreciation)
Australian Dollar, March 2007 * (Notional Value at 12/31/06 is $1,258,604)	16	$ 3,040
British Pound, March 2007 * (Notional Value at 12/31/06 is $3,058,194)	25	(29,063)
Coffee 'C', March 2007 * (Notional Value at 12/31/06 is $946,555)	20	68,250
Corn, March 2007 * (Notional Value at 12/31/06 is $2,966,318)	152	248,900
EURO, March 2007 * (Notional Value at 12/31/06 is $8,107,185)	49	(91,875)
Globex RBOB MINY, February 2007 * (Notional Value at 12/31/06 is $1,018,310)	15	13,209
Gold, February 2007 * (Notional Value at 12/31/06 is $1,977,885)	31	(40,300)
Heating Oil, February 2007 * (Notional Value at 12/31/06 is $1,038,407)	15	(11,529)
Natural Gas, February 2007 * (Notional Value at 12/31/06 is $629,928)	10	11,900
S&P 500, March 2007 * (Notional Value at 12/31/06 is $3,571,028)	10	(2,750)

See notes to financial statements.

Condensed Schedule of Investments (continued)

December 31, 2006
(in U.S. dollars)

Futures Contracts - Long Position (continued)	Number of Contracts	Unrealized Appreciation / (Depreciation)
Silver, March 2007 * (Notional Value at 12/31/06 is $1,164,200)	18	$ (118,400)
Soybean, March 2007 * (Notional Value at 12/31/06 is $2,614,894)	75	434,838
Sugar #11, March 2007 * (Notional Value at 12/31/06 is $394,883)	30	(49,168)
Swiss Franc, March 2007 * (Notional Value at 12/31/06 is $1,238,133)	12	(29,400)
10 Year U.S. Treasury Note, March 2007 * (Notional Value at 12/31/06 is $4,621,275)	43	1,008
30 Year U.S. Treasury Bond, March 2007 * (Notional Value at 12/31/06 is $4,569,050)	41	656
Wheat, March 2007 * (Notional Value at 12/31/06 is $1,628,429)	65	(60,125)

See notes to financial statements.

Condensed Schedule of Investments (concluded)

December 31, 2006
(in U.S. dollars)

Futures Contracts - Short Position	Number of Contracts	Unrealized Appreciation / (Depreciation)
Canadian Dollar, March 2007 * (Notional Value at 12/31/06 is $602,121)	(7)	$ 11,410
Cocoa, March 2007 * (Notional Value at 12/31/06 is $653,890)	(40)	(52,000)
Copper, March 2007 * (Notional Value at 12/31/06 is $2,799,118)	(39)	453,088
Cotton No. 2, March 2007 * (Notional Value at 12/31/06 is $646,122)	(23)	(33,120)
Japanese Yen, March 2007 * (Notional Value at 12/31/06 is $7,211,213)	(68)	245,650
Lean Hogs, February 2007 * (Notional Value at 12/31/06 is $1,258,540)	(51)	23,460
Live Cattle, February 2007 * (Notional Value at 12/31/06 is $1,886,860)	(51)	(88,440)
Sugar #11, March 2007 * (Notional Value at 12/31/06 is $605,234)	(46)	24,584
Total Futures Contracts	302	$ 933,823

* Unrealized appreciation on futures contracts is recorded net of commissions in the amount of $2,618.

See notes to financial statements.

Statement of Operations

For the year ended December 31, 2006
(in U.S. dollars)

Investment income	
Interest	$ 542,042,629
Dividends (net of foreign tax withholding of $52,957)	1,028,673
Total investment income	543,071,302
Expenses	
Interest expense	353,341,887
Research fees	1,119,841
Custodian fees	966,425
Accounting and administration fees	836,817
Dividend expense	370,075
Professional fees	263,186
Directors' fees	3,750
Other expenses	17,461
Total expenses	356,919,442
Net investment income	186,151,860
Net realized and unrealized gain (loss) on investments, securities sold short, option transactions, swaps, futures and foreign currency transactions	
Net realized gain on investments	22,557,672
Net realized loss on securities sold short	(7,350,168)
Net realized gain on written option transactions	7,620,850
Net realized loss on swaps	(2,715,460)
Net realized loss on futures	(8,831,002)
Net realized loss on translation of assets and liabilities in foreign currencies	(163,798)
Total net realized gain	11,118,095

See notes to financial statements.

Statement of Operations (continued)

For the year ended December 31, 2006
(in U.S. dollars)

Net change in unrealized depreciation on investments	$ (21,016,377)
Net change in unrealized depreciation on securities sold short	(733,574)
Net change in unrealized depreciation on written option transactions	(16,361)
Net change in unrealized depreciation on swaps	(3,514)
Net change in unrealized appreciation on futures	425,657
Net change in unrealized depreciation on on translation of assets and liabilities in foreign currencies	(19,666)
Total net change in unrealized depreciation	(21,363,835)
Net realized and unrealized loss on investments, securities sold short, option transactions and foreign currency transactions	(10,245,741)
Net increase in net assets resulting from operations	$ 175,906,119

See notes to financial statements.

Statement of Changes in Net Assets

For the year ended December 31, 2006
(in U.S. dollars)

Net increase in net assets resulting from operations	
Net investment income	$ 186,151,860
Net realized gain on investments, securities sold short, written option transactions, swaps, futures and translation of assets and liabilities in foreign currencies	11,118,095
Net change in unrealized depreciation on investments, securities sold short, written option transactions, swaps, futures and foreign currency transactions	(21,363,835)
Net increase in net assets resulting from operations	175,906,119
Capital transactions	
Issuance of shares	281,001,317
Redemption of shares	(925,117,817)
Net decrease in net assets resulting from capital transactions	(644,116,500)
Total decrease in net assets	(468,210,381)
Net assets	
Beginning of year	1,364,873,712
End of year	$ 896,663,331

See notes to financial statements.

Statement of Cash Flows

For the year ended December 31, 2006
(in U.S. dollars)

Cash flows from operating activities	
Net increase in net assets resulting from operations	$ 175,906,119
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:	
Cost of securities purchased	(48,624,698,617)
Proceeds from securities sold	43,352,789,902
Proceeds from securities sold short	37,134,230,836
Purchases of securities sold short	(32,905,578,776)
Net proceeds of written options	(863,447)
Transactions in foreign currency contracts	(163,798)
Proceeds from paydowns	923,575,049
Net change in unrealized depreciation on investments	21,363,836
Net realized gain on investments	(11,118,094)
Net amortized discount	8,053,568
Increase in interest receivable	(1,160,581)
Increase in receivables for securities sold	(1,992,959)
Decrease in principal paydown receivable	4,172,985
Increase in prepaid research fees	(10,354)
Increase in incentive fees payable	5,547,650
Increase in payable for investments purchased	59,139,232
Increase in interest payable	10,224,943
Decrease in net payable due to broker for swap interest	(705,555)
Decrease in dividends payable on short sales	(306,081)
Increase in professional fees payable	74,432
Decrease in accounting and administration fees payable	(52,705)
Decrease in director fees payable	(937)
Increase in accrued expenses and other liabilities	173,287
Increase in restricted cash	(10,035,947)
Net cash provided by operating activities	138,563,988

See notes to financial statements.

Statement of Cash Flows (continued)

For the year ended December 31, 2006
(in U.S. dollars)

Cash flows from financing activities	
Decrease in securities purchased under agreements to resell	284,653,640
Increase in securities sold under agreements to repurchase	252,103,539
Proceeds from issuance of shares	281,001,317
Payments for redemption of shares (net of change in redemptions payable)	(974,170,547)
Net cash used in financing activities	(156,412,051)
Net decrease in unrestricted cash and cash equivalents	(17,848,063)
Unrestricted cash and cash equivalents at beginning of year	35,032,946
Unrestricted cash and cash equivalents at end of year	$ 17,184,883
Supplemental disclosure of other operating activities	
Cash paid during the year for interest	$ 343,116,944

See notes to financial statements.

Notes to Financial Statements

For the year ended December 31, 2006

1. Organization

Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd. (the "Master Fund") is an exempted company formed under Grand Cayman law. Bear Stearns Asset Management Inc. (the "Investment Manager") is responsible for the management and administration of the Master Fund's affairs. The Master Fund commenced operations on September 12, 2003, as part of a "master-feeder" structure. This "master-feeder" structure includes the Bear Stearns High-Grade Structured Credit Strategies (Overseas) Ltd., the Bear Stearns High-Grade Structured Credit Strategies, L.P. and the Bear Stearns High-Grade Structured Credit Strategies Overseas Yen Unit Trust (collectively, the "Feeders").

The Master Fund's investment objective is high current income and capital appreciation relative to LIBOR. The Master Fund intends to achieve its objective through leveraged investments in investment-grade structured finance securities with an emphasis on collateralized debt obligations ("CDOs") rated from AAA to AA- by Standard & Poor's, from Aaa to Aa3 by Moody's or from AAA to AA- by Fitch. The Master Fund also makes investments in other structured finance assets including asset-backed securities, mortgage-backed securities ("MBS"), and global structured asset securitizations. In addition, various derivatives, including credit-default swaps, options, interest rate swaps, total return swaps, variance swaps, swaptions, futures and forward contracts (both listed and over-the-counter) on various financial instruments, equity securities and currencies, may be used for hedging purposes. There can be no assurance that the Master Fund will achieve its investment objective or avoid substantial losses.

The Master Fund intends to concentrate its investments in investment-grade CDOs and other structured finance securities. The Master Fund has targeted a portfolio rating composition of CDOs and structured finance securities of approximately 90% rated from AAA to AA- by Standard & Poor's, from Aaa to Aa3 by Moody's or from AAA to AA- by Fitch. Up to 10% of the portfolio may be invested in lower rated or unrated securities. The percentages above are target concentrations only. The Master Fund is not required to sell any security that is downgraded subsequent to its purchase by the Master Fund.

The Feeders invest substantially all of their assets through a "master-feeder" structure, conducting all of their investment and trading activities indirectly through an investment in the Master Fund. The purpose of the Master Fund is to achieve trading and administrative efficiencies. As the Master Fund's positions are expected to be highly leveraged, the net asset value may increase or decrease at a greater rate than if leverage were not used.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect the following policies:

Securities Valuation

Securities are valued at their market value based on quotations from brokers and dealers. For the purposes of allocating the net profits or losses of the Master Fund and determining the value of the shares of the Master Fund for each fiscal period, the Investment Manager prices the Master Fund's portfolio of debt obligations based upon prices for such securities received from independent brokers or dealers. The Investment Manager normally seeks prices from at least three such brokers or dealers.

Other portfolio investments are priced using independent pricing services, independent broker or dealer prices, or such other means as determined in good faith by the Investment Manager. The resulting unrealized gains and losses are reflected in the statement of operations. As of December 31, 2006, securities with a total market value of $616,023,080 fair valued by the Investment Manager. Securities of the same issuer that are fair valued represent lower tranches and are discounted by no more than 5% by the Investment Manager.

Investment Transactions

The Master Fund records its transactions in securities on a trade date basis. Realized gains and losses from securities are calculated on an identified cost basis.

Investment Income and Expense

Investment income is recorded on an accrual basis. Amortization of premium and accretion of discount are recorded using the effective yield method. Paydown gains and losses on asset-backed securities are presented as an adjustment to interest income.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Collateralized Debt, Bond or Loan Obligations ("CDO, CBO and CLO")

The Master Fund enters into investment grade bonds backed by a pool of variously rated bonds, including junk bonds. CDOs, CBOs and CLOs are similar in concept to Collateralized Mortgage Obligations ("CMOs"), but differ in that CDOs, CBOs and CLOs represent different degrees of credit quality rather than different maturities. Underwriters of CDOs, CBOs and CLOs package a large and diversified pool of bonds, including high risk, high yield junk bonds, which is then separated into "tiers". Typically, top tier represents the higher quality collateral and pays the lower interest rate; a middle tier is backed by riskier bonds and pays a higher rate; the bottom tier represents the lowest credit quality and, instead of receiving a fixed interest rate, receives the residuals interest payments.

Financial Futures Contracts

The Master Fund may enter into financial futures contracts for the delayed delivery of securities, currency or contracts based on financial indices at a fixed price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either cash or securities. During the period that the futures contract is open, changes in the value of the contract are recorded as unrealized gains or losses by "marking-to-market" to reflect the market value of the contract at the end of each day's trading. Variation margin payments are paid or received daily, depending upon whether unrealized gains or losses result.

When the contract is closed, the Master Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Master Fund's basis in the contract.

Should interest rates or other underlying variables move unexpectedly, the Master Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. The Master Fund is also at risk of not being able to enter into a closing transaction for the futures contract because of an illiquid secondary market.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Purchased/Written Options

When the Master Fund purchases or writes an option, an amount equal to the premium paid or received by the Master Fund is recorded as an asset or a liability and is subsequently adjusted to the current market value of the option purchased or written. Premiums received or paid from writing or purchasing options that expire unexercised are treated by the Master Fund on the expiration date as realized gains or losses. The difference between the initial premium received or paid and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commissions, is also treated as a realized gain or loss. If an option is exercised, the cost basis of the security or currency purchased or sold is adjusted by the premium paid or received on that option. The Master Fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.

A call option gives the purchaser of the option the right (but not obligation) to buy, and obligates the seller to sell (when the option is exercised) the underlying position at the exercise price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy, the underlying position at the exercise price at any time or at a specific time during the option period. Put options can be purchased to effectively hedge a position or a portfolio against price declines if a portfolio is long. In the same sense, call options can be purchased to hedge a short position or a portfolio that is short. The Master Fund can also sell (or write) covered call options and put options to hedge portfolio positions or the overall portfolio. Options, when used by the Master Fund, help in maintaining a targeted duration. Duration is a measure of price sensitivity of a security or a portfolio to relative changes in interest rates.

The main risk associated with purchasing options is that the option expires without being exercised. In this case, the option expires worthless and the premium paid for the option is considered a realized loss. The risk associated with writing call options is that the option is exercised and the Master Fund forgoes the opportunity for profit if the market value of the underlying position increases. The risk in writing put options is that the Master Fund may incur a loss if the market value of the underlying position decreases and the option is exercised. In addition, the Master Fund risks not being able to enter into a closing transaction for the written option as the result of an illiquid market.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Interest Rate Swaps

In a simple interest rate swap, one investor pays a floating rate of interest on a notional principal amount and receives a fixed rate of interest on the same notional principal amount for a specified period of time. Alternatively, an investor may pay a fixed rate and receive a floating rate. Interest rate swaps are asset/liability management tools.

During the term of the interest rate swap, unrealized gains or losses are recorded as a result of "marking-to-market" the swap. When the swap is terminated, the Master Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Master Fund's basis in the contract, if any. All periodic payments and amortization of initial payments made or received when the agreement is entered into are recorded to realized gain or loss. Swaps involve a risk that interest rates will move contrary to the Master Fund's expectations, thereby increasing its payment obligation or reducing the payment received.

The Master Fund is exposed to credit loss in the event of nonperformance by the counterparty to the swap. Should interest rates move unexpectedly, the Master Fund may not achieve the anticipated benefits of the interest rate swap and may realize a loss. However, the Master Fund does not anticipate nonperformance by any counterparty.

Swap Options

Swap options are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate swap agreement at any time before the expiration of the option. Premiums received or paid from writing or purchasing options are recorded as liabilities or assets and are subsequently adjusted to the current market value of the options written or purchased. Premiums received or paid from writing or purchasing options that expire unexercised are recognized by the Master Fund on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on affecting a closing purchase or sale transaction, including brokerage commission, is also recognized as a realized gain or loss. If an option is exercised, the cost basis of the swap is adjusted by the premium paid or received on that option.

The main risk associated with purchasing swap options is that the swap option expires without being exercised. In this case, the option expires worthless and the premium paid for the swap option is considered a realized loss. The main risk associated with the writing of a swap option

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Swap Options (continued)

is the market risk of an unfavorable change in the value of the interest rate swap underlying the written swap option.

Swap options may be used by the Master Fund, among other things, to manage the duration of the Fund's portfolio or as part of an income producing strategy reflecting the view of the Master Fund's management in the direction of interest rates.

The Master Fund is exposed to credit loss in the event of nonperformance by the counterparty. However, the Master Fund does not anticipate nonperformance by any counterparty.

Credit Default Swaps

The Master Fund enters into credit default swaps which are agreements in which one party pays fixed periodic payments to a counterparty in consideration for a guarantee from the counterparty to make a specific payment should a negative credit event take place. Risks arise from the possible inability of counterparties to meet the terms of their contracts.

During the term of the credit default swap, unrealized gains or losses are recorded as a result of "marking-to-market" the swap. When the swap is terminated, the Master Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Master Fund's basis in the contract, if any. All periodic payments and amortization of initial payments made or received when the agreement is entered into are recorded to realized gain or loss.

Total Return Swaps

Total return swaps are agreements in which one party receives all interest and/or dividend payments as well as capital gains and losses of a security in return for a either a fixed or floating cash flow that is unrelated to the security. The risk associated with these agreements is the change in the value of the security and that any payments will not offset the cash flow (or will be higher than the cash flow received) depending upon which part of the agreement the Master Fund is holding.

During the term of the total return swap, unrealized gains or losses are recorded as a result of "marking-to-market" the swap. When the swap is terminated, the Master Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Total Return Swaps (continued)

transaction and the Master Fund's basis in the contract, if any. All periodic payments and amortization of initial payments paid or received when the agreement is entered into are recorded to realized gain or loss.

Variance Swaps

Variance Swaps are agreements based on the volatility of the forward value of the underlying security from the strike. Cash flows are exchanged between the parties based against a reference level assigned in the agreement. Variance Swaps do not have directional risk, they are solely based on the level of the volatility of the underlying securities.

During the term of the variance swap, unrealized gains or losses are recorded as a result of "marking-to-market" the swap. When the swap is terminated, the Master Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Master Fund's basis in the contract, if any. All periodic payments and amortization of initial payments made or received when the agreement is entered into are recorded to realized gain or loss.

Collateralized Mortgage Obligations

The Master Fund invests in mortgage-backed securities, including interest only ("IOs") securities and principal only ("POs"). A collateralized obligation is a debt security issued by a corporation, trust or custodian, or by a U.S. Government agency or instrumentality, that is collateralized by a portfolio or pool of mortgages, mortgage pass-through securities, U.S. Government securities or other assets.

Stripped mortgage-backed securities are mortgage-backed securities that have been divided into interest and principal components. IOs receive the interest payments on the underlying mortgages. The cash flows and yields on IO classes are extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage loans. If the underlying mortgages experience higher than anticipated prepayments, an investor in an IO class of a stripped mortgage-backed security may fail to recoup fully its initial investment, even if the IO class is highly rated or is derived from a security guaranteed by the U.S. Government. Unlike other fixed-income and other mortgage-backed securities, the value of IOs tends to move in the same direction as interest rates. POs receive the principal payments on the underlying mortgages. The total payments received by POs are fixed and the only uncertainty is the timing of the payments. Prepayments of the underlying principal are beneficial to the Master Fund as

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Collateralized Mortgage Obligations (continued)

the Master Fund receives payments earlier. The value of POs are inversely affected by the change in interest rates.

Deposits in Warehouse Agreements

In the normal course of business, the Master Fund may enter into an agreement which requires a deposit for the purpose of covering a portion of any losses or cost associated with the accumulation of securities under a warehouse agreement. Such a deposit of cash allows for notional participation in the income generated by the assets, acquired within the warehouse arrangement, after deducting the notional debt cost (the "Carry"). At the termination of the agreement, depending on the performance of the collateral securities accumulated in the warehouse, the Master Fund has the potential to either lose its deposit or earn a residual carry and LIBOR based interest along with the return of its deposit. The Master Fund is obligated to acquire 100% of the equity of the CDOs should the CDO closing fail to occur and the existing collateral manager is replaced by BSAM.

These agreements are treated as derivatives for accounting purposes and are reported at fair value.

As of December 31, 2006, the Master Fund had deposited $3,315,000 in one warehouse agreement which also represents the fair value.

Management Fees

These investments represent the purchase of cash flows by the Master Fund representing the reimbursements of the collateral management fees owed to the Collateral Manager of the underlying CDO based on a percentage of the aggregrate portolio balance. Payments on the management fees are not guaranteed.

Presentation of Investments

The condensed schedule of investments presents condensed securities as industries unless the total of all positions of an individual issuer held by the Master Fund is greater than 5% of net assets.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

There is currently no taxation imposed on income or capital gains by the government of the Cayman Islands. The only taxes payable by the Master Fund are withholding taxes applicable to certain investment income. As a result, no tax liability or expense has been recorded in the financial statements.

Cash and Cash Equivalents

Cash equivalents may include highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents may also include short-term liquid investments such as money market funds. Restricted cash represents funds held by brokers as collateral for certain investments in securities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Master Fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Master Fund's management believes that the estimates utilized in preparing the Master Fund's financial statements are reasonable and prudent; however, actual results could differ from these estimates.

Research fees

The Master Fund uses various researching agencies for the securities that are held in its portfolio. These research agencies include: Intex, a security data and valuation service, BCA Research, a macro economic research provider, Credit Sights, a corporate fixed income research service that provides reports and updates on the corporate credits in the portfolio, Moody's, a corporate credit analysis and research provider, EAM Partners, a commodity research and portfolio modeling company, Loan Performance, provides underlying loan information for the positions held by the fund, and Markit Partners, a credit (CDS) data and pricing provider. Fees paid to such agencies are listed as research fees on the Statement of Operations.

Consultation fees

The Master Fund at various times uses various consulting and advising agencies in the evaluation of securities that are held in its portfolio. Fees paid to such agencies are listed as research fees on the Statement of Operations.

Notes to Financial Statements (continued)

3. Allocation of Profits and Losses

Profits and losses are allocated on a pro-rata basis to all shareholders in accordance with the provisions set forth in the memorandum and articles of association.

4. Securities Sold Under Agreements to Repurchase and Securities Purchased Under Agreements to Resell

Securities sold under agreements to repurchase generally are collateralized by investments in fixed income securities and are carried at the amounts at which the securities will be subsequently repurchased.

It is the Master Fund's policy to take possession of securities sold under agreements to repurchase. Counterparties are large institutional dealers in fixed income securities. Collateral is valued daily and counterparties may require additional collateral when appropriate. At December 31, 2006, the Master Fund received cash of $7,002,31,188 and pledged fixed income securities as collateral for which the counterparty has the right to sell or re-pledge the securities. At December 31, 2006, the Master Fund provided cash of $355,724,678 and received securities as collateral under resale agreements.

Approximately 5.09% of all securities sold under agreements to repurchase and securities purchased under agreements to resell are executed with Bear Stearns & Co., Inc. or Bear Stearns International Ltd., affiliates of the investment adviser. The affiliate earns a return on these transactions at a rate based on market conditions.

5. Related Party Transactions

The Investment Manager is registered with the United States Securities and Exchange Commission as an investment adviser. The Investment Manager provides the Master Fund with management services pursuant to an investment advisory agreement and receives its compensation in the form of advisory fees from the feeder funds.

Bear Stearns Securities Corp., a wholly owned subsidiary of The Bear Stearns Companies Inc., serves as the Fund's custodian. During the year, the Master Fund incurred custody fees of $966,425.

At December 31, 2006, all securities owned and cash on deposit with brokers reflected in the statement of assets and liabilities are positions held by and amounts due to Bear Stearns Securities Corp., a subsidiary of Bear Stearns Companies Inc., and is the custodian used by the Master Fund. Substantially all of the Master Fund's cash and securities positions are either held as collateral by the custodian against various margin obligations of the Master Fund or deposited

Notes to Financial Statements (continued)

5. Related Party Transactions (continued)

with the custodian for safekeeping purposes. All securities and cash owned were held in a margin account with the custodian. Margin interest is paid based on the Federal Funds Rate.

The Master Fund may invest in securities issued by Bear Stearns & Co., Inc., or an affiliate. At December 31, 2006, $751,840,048 (approximately 81.96% of net assets) is invested in such securities.

The Master Fund allows the Investment Manager to execute trades on a principal basis with Bear Stearns & Co., Inc. For the year ended December 31, 2006 approximately 5.97% of the trades executed on a principal basis were with Bear Stearns & Co., Inc.

At December 31, 2006, the Master Fund had $7,601,081 due to the Investment Manager for incentive fees owed on redemptions of shares from feeder funds prior to the year end.

On August 1, 2006, under the direction of the Investment Manager, the Bear Stearns High Grade Structured Credit Strategies Enhanced Leverage Master Fund, Ltd., (the "Leveraged Fund") and related feeder funds commenced operations upon the sale of securities from the Bear Stearns High Grade Structured Credit Strategies Master Fund, Ltd. (the "Unleveraged Fund") and the subsequent repurchase of those securities by the Leveraged Fund.

Prior to the Leveraged Fund's inception, investors in the Unleveraged Fund were given an opportunity to redeem all or a portion of their capital balances to invest into the Leveraged Fund. This transaction caused no effect to the capital balances of the investors remaining in the Unleveraged Fund. The resulting amount of capital transferred to the Leveraged Fund was $548,113,820 and represented 35.35% of the Unleveraged Fund's net assets on the date of transfer.

6. Financial Instruments with Off-Balance Sheet Risk or Concentration of Credit Risk

The Master Fund, in the normal course of its investing and trading activities, enters into transactions in derivative financial instruments with elements of off-balance sheet, credit and market risk in excess of the amount recognized in the statement of assets and liabilities. Market risk is the potential adverse change in value caused by unfavorable movements in interest rates, foreign exchange rates or market prices of other financial instruments. The Master Fund monitors and manages its exposure to market risk. The Master Fund's exposure to market risk is determined by a number of factors including the size, composition and diversification of positions held, the absolute and relative levels of interest rates and market volatility. The Master Fund also invests in fixed income securities. Until the fixed income securities are sold or

Notes to Financial Statements (continued)

6. Financial Instruments with Off-Balance Sheet Risk or Concentration of Credit Risk (continued)

mature, the Master Fund is exposed to credit risk relating to whether the issuer will meet its obligations as they come due. In addition, an increase in the interest payments on the Master Fund's financings relative to the interest earned on the Master Fund's mortgage-backed securities may adversely affect profitability.

Derivative Financial Instruments

In the normal course of business, the Master Fund enters into derivative contracts for trading purposes. The derivative contracts that the Master Fund holds or issues include futures contracts, swap contracts, and swaptions. Typically, derivative contracts serve as components of the Master Fund's investment strategies and are utilized primarily to structure and hedge investments to economically match the investment objectives of the Master Fund. The notional or contractual amount of derivative financial instruments provides only a measure of the Master Fund's involvement in these types of transactions and does not represent the amounts subject to market risk or credit risk.

CDO, CBO and CLO Investment Related Risks

The market value of Collateralized Debt Obligations, Collateralized Bank Obligations and Collateralized Loan Obligations will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to Synthetic Securities, of the obligors on or issuers of the Reference Obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

CDOs, CBOs and CLOs are subject to credit, liquidity and interest rate risks. In particular, investment-grade CDOs, CBOs and CLOs will have greater liquidity risk than investment grade sovereign or corporate bonds. There is no established, liquid secondary market for many of the CDO, CBO and CLO securities the Master Fund may purchase. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such CDO, CBO and CLO securities and the Master Fund's ability to sell them. Further, CDOs, CBOs and CLOs will be subject to certain transfer restrictions that may further restrict liquidity. Therefore, no assurance can be given that if the Master Fund were to dispose of a particular CDO, CBO and CLO held by the Master Fund, it could dispose of such investment at the previously prevailing market price.

Notes to Financial Statements (continued)

6. Financial Instruments with Off-Balance Sheet Risk or Concentration of Credit Risk (continued)

Securities Sold Short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of the security (short sale). Short sales represent obligations of the Master Fund to deliver the specified security, and thereby creates a liability to purchase the security in the market at prevailing prices. A gain, limited to the price at which the Master Fund sold the security short, or a loss, unlimited in magnitude, will be recognized upon the termination of a sale if the market price at termination is less than or greater than, respectively, the proceeds originally received.

Concentration of Credit Risk

All security positions of the Master Fund are cleared by Bear Stearns Securities Corp., a registered broker/dealer, pursuant to a customer agreement. At December 31, 2006 and throughout the year, the Master Fund had all its individual counterparty concentration with this broker.

7. Redeemable Shares

The Master Fund's authorized capital consists of 2,000,000 participating shares at $0.001 par value each (the "Fund Shares"), and have the power to vote and are redeemable. Shares were issued at the Master Fund's commencement at $1,000 per share, and are purchased or redeemed at net asset value thereafter.

Transactions in the Master Fund's shares for the year ended December 31, 2006 were as follows:

	Shares
At January 1, 2006	920,358
Subscribed	182,042
Redeemed	(580,990)
At December 31, 2006	521,410

8. Indemnifications

The Master Fund may enter into contracts that may contain routine indemnification clauses. The Master Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Master Fund that may have not yet occurred. However, based on experience, the Master Fund expects the risk of loss to be remote.

Notes to Financial Statements (continued)

9. Recently Issued Accounting Standards & Interpretation

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that the Master Fund recognize in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Master Fund believes that there will be no impact to its financial statements as a result of the adoption of FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. The Master Fund believes that there will be no impact to its financial statements as a result of the adoption of SFAS No. 157.

10. Financial Highlights

In accordance with financial reporting requirements applicable to all investment companies (including funds that are exempt from registration requirements), the Master Fund has included below certain financial highlight information.

The ratios and total return amounts are calculated based on the shareholder group taken as a whole. An individual shareholder's results may vary from those shown below due to the timing of capital transactions.

The below ratios are calculated by dividing total dollars of income or expenses as applicable by the average of total monthly share capital. The net investment income ratio and total expense ratio do not include a performance allocation, as the Master Fund has no performance allocation or incentive fee.

Notes to Financial Statements (concluded)

10. Financial Highlights (cotinued)

For the year ended December 31, 2006:

Net investment income	14.66%
Total expenses	28.10%
Total expenses before interest and dividend expense	0.25%

Total return amounts are calculated by geometrically linking returns based on the change in value during each accounting period.

Year ended December 31, 2006:

Total return	15.96%

Per share operating performance:

Net asset value, beginning of year	$1,482.98
Net investment income	230.13
Net realized and unrealized gain on investment transactions	(12.67)
Total from investment operations	217.46
Effect of subscriptions and redemptions	19.25
Net asset value, end of year	$1,719.69

11. Subsequent Events

For the period from January 1, 2007 through March 1, 2007, subscriptions totaling $106,786,973 were accepted into the Master Fund and redemptions totaling $40,086,571 were submitted to the Master Fund. All such capital transactions were initiated by the three feeder funds of the Master Fund.