

# Quantum Group of Funds

July 26, 2011

To the Investors of the Quantum Group of Funds:

We are writing to inform you of an important new development relating to regulations recently announced by the US Securities and Exchange Commission. As you may know, the new regulations will require certain private investment advisers to register with the SEC by March 2012. An exception to this requirement is available if an organization operates as a family office.

Soros Fund Management LLC has effectively operated as a family office since 2000 when George Soros announced a change in investment focus and Quantum Fund became the Quantum Endowment Fund. We have relied until now on other exemptions from registration which allowed outside shareholders whose interests aligned with those of the family investors to remain invested in Quantum. As those other exemptions are no longer available under the new regulations, SFM will now complete the transition to a family office that it began eleven years ago.

An unfortunate consequence of these new circumstances is that we will no longer be able to manage assets for anyone other than a family client as defined under the regulations. As a result, SFM will ask Quantum's Board to return the relatively small amount of non-qualifying capital to outside investors before the registration deadline, most likely at year end. You will receive practical details regarding this return of capital over the coming months, but we wanted to advise you as soon as possible so that you can plan accordingly.

SFM remains committed to its goal of producing superior returns for its clients and will continue to conduct its business to the highest standards of the industry. Going forward, however, our investment advisory services will only be available to Soros family accounts and related entities.

We also note with regret that in connection to our closure to outside investors, Keith Anderson has decided to leave the firm to seek other opportunities. Keith joined SFM as Chief Investment Officer in early 2008 and helped lead the firm through the financial crisis and its aftermath. We are grateful for his contributions to the firm's success. He leaves behind a vibrant and robust investment organization.

We wish to express our gratitude to those who chose to invest their capital with SFM over the last nearly 40 years. We trust that you have felt well rewarded for your decision over time.

Jonathan Soros  
Deputy Chairman  
Soros Fund Management LLC

Robert Soros  
Deputy Chairman  
Soros Fund Management LLC