

Quantum Fund

Sixteenth Annual Report

December 31, 1988

QUANTUM FUND N.V.

DIRECTORS

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***MEMBERS OF THE BOARD
EXECUTIVE COMMITTEE**

**MANAGING DIRECTOR/
REGISTERED OFFICE**
Curacao Corporation
Company N.V.
De Ruyterkade 62
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Netherlands Antilles

LEGAL COUNSELLORS
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PRINCIPAL INVESTMENT ADVISOR
Soros Fund Management
888 Seventh Avenue
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George Soros, Sole Proprietor

INDEPENDENT ACCOUNTANTS
Price Waterhouse
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Netherlands Antilles

PRINCIPAL CUSTODIANS
Arnhold & S. Bleichroeder Inc.
45 Broadway
New York, New York 10006

Citibank N.A.
153 East 53rd Street
New York, New York 10022

Quantum Fund N.V. (the "Fund") is an open-end investment fund organized in 1973 as a limited liability corporation under the laws of the Netherlands Antilles in order to enable sophisticated investors who are neither citizens nor residents of the United States, its territories or possessions to participate in a professionally managed leveraged portfolio consisting principally of equity and debt securities traded in internationally recognized markets. The Fund also invests in commodity futures and currencies.

The Fund's Articles of Incorporation as amended to date, were filed in Curacao, Netherlands Antilles, on August 15, 1973, where they are available for inspection and where copies thereof can be obtained upon request. Shares of Class A stock of Quantum Fund N.V. may not be owned by or transferred to "United States persons" (as defined in the Articles of Incorporation) without the express approval of the Fund's Board of Supervisory Directors.

Qasco Limited ("Qasco"), the Fund's dealing subsidiary, is authorized to purchase shares of the Fund's Class A stock through selected institutions at a discount under or premium over net asset value, and to sell shares at a price which is not less than the net asset value. Qasco's bid and offer quotations are adjusted periodically to reflect conditions of supply and demand within guidelines approved by the Fund's Board of Directors. Qasco seeks to maintain a continuous market, but when the net asset value is particularly volatile, Qasco may temporarily suspend making a market. The bid and offer price per share (exclusive of commissions), as quoted by Qasco to the selected institutions, is published daily in the *Financial Times*, and the unaudited net asset value per share is published weekly in the *International Herald Tribune*. Current quotations can also be obtained from Curacao International Trust Company N.V., Curacao (Qasco's Administrator) and from the selected institutions. Shares of the Fund's Class A stock may also be sold directly by the Fund as of the first business day of each month, at the net asset value plus the applicable sales premium as fixed from time to time by management (not to exceed 25% premium and which may not be less than Qasco's prevailing offer price). Holders of Class A stock may request redemption of their shares at net asset value as of the last business day of each calendar quarter, subject to an administration charge not in excess of one percent. (The Fund will refer redemption orders to Qasco whenever Qasco's bid quotations exceed the redemption price.) In general, acquisition and ownership of Class A stock by United States persons is prohibited. In addition, any person determined to be the direct or indirect beneficial owner of 5 percent or more of the outstanding voting shares of Class A stock is prohibited from casting more than 4.99 percent of the total number of votes eligible to be cast at any annual or special meeting of the Fund by holders of Class A stock.

The Fund and its subsidiaries observe the following restrictions in their investment activities:

1. Not more than 20% of the Fund's aggregate net assets will be invested in securities of any single issuer, other than governmental securities or any instrumentalities thereof.
2. Not more than 50% of the Fund's total assets will be invested in shares of any single private industry or sector.
3. Purchases of securities of any issuer having fewer than three years of continuous operations (including operations of any predecessors) will not be made if such purchases would cause the cost of investments in securities of all such issuers to exceed 30% of the Fund's aggregate net assets.
4. The Fund will not purchase non-marketable securities (i.e., securities which are not traded on a recognized securities exchange or in an organized inter-dealer market) if such purchase would cause the cost of all non-marketable securities held by the Fund to exceed 25% of the Fund's aggregate net assets or the cost of non-marketable securities of any single issue to exceed 10% of the Fund's aggregate net assets.
5. The Fund will not commit more than 5% of its total assets to initial margin deposits and premiums for futures contracts or options thereon traded on U.S. commodity exchanges.
6. The Fund will not purchase real estate or real estate interests, other than securities issued by real estate investment trusts or similar entities.

The investment advisor has full discretion except for the above restrictions. These restrictions have been approved by the Board of Supervisory Directors of the Fund, and cannot be changed without their consent. Shareholders will be informed of any such change approved by the Board in the next annual report following such action.

REPORT FROM THE PRINCIPAL INVESTMENT ADVISOR

To the Stockholders:

1988 showed an increase in net asset value of just over 10%. This compared unfavorably with our past performance which averaged 34% and barely exceeded the riskless rate of interest. The reason is to be found almost exclusively in what we call the macroeconomic side of our portfolio, especially if we include our short position of Japanese stocks under that heading. To some extent the losses were a carry-over from last year, we lost almost as much on covering our Japanese shorts this year as we made on them last year; and we started out losing about 5 percent of our asset value on currencies in the first few days of the year. It is equally true that we did not manage to make up for these losses in the course of the year. The fact is that there were few major macroeconomic trends to be played in 1988, and many fund managers who tried to be active ended up with losses. Having been put on the alert by the Crash of 1987, the authorities have made stability an explicit objective of their policy, and 1988 bears witness to their success to date.

The team responsible for equity investments fared reasonably well. Our newly formed arbitrage team was the star performer with a gain well over 50 percent on the amount invested, and the team in charge of the rest of our U.S. investments also did well, with a gain of over 20 percent. Our foreign portfolio appreciated by nearly 30 percent.

Looking beyond the current performance, we have made considerable strides in organizing a management team appropriate to the size of the Fund. We have established a relationship in London from which to cover European markets, and we hope to do the same in Tokyo or Hong Kong from which we shall cover all of the Far East. Most importantly, we have improved our macroeconomic coverage so that there is now someone other than myself on the line with regard to every position we hold. I supervise the structure of the portfolio, but do not hold primary responsibility for the positions themselves.

My involvement in the evolution of Eastern Bloc countries has received considerable press coverage, and there may be more to come this year. I am one of the founders of a management school in Hungary, and I may serve on the Board of a proposed Investment Trust for Hungary. I want to emphasize that I shall not be personally involved in the management of that investment fund. My commitment is to Quantum Fund, which contains the bulk of my personal wealth and produces all the income which I devote to my various foundations.

Although our performance in 1988 was substandard, having managed to attract an excellent team of younger talent, I look forward to the future with confidence.

GEORGE SOROS
Soros Fund Management

January 6, 1989

QUANTUM FUND N.V.

HISTORICAL PERFORMANCE RECORD

The 20-year history of the Fund (including a predecessor entity) is summarized in the following table:

<u>Value Date</u>	<u>Net Asset Value Per "A" Share</u>	<u>Changes From Preceding Year in Net Asset Value per Class "A" Share</u>	<u>Size of Fund</u>
Jan 31, 1969	\$ 41.25	—	\$ —
Dec 31, 1969	53.37	+ 29.4%	6,187,701
Dec 31, 1970	62.71	+ 17.5%	9,664,069
Dec 31, 1971	75.45	+ 20.3%	12,547,644
Dec 31, 1972	107.26	+ 42.2%	20,181,332
Dec 31, 1973	116.22	+ 8.4%	15,290,922
Dec 31, 1974	136.57	+ 17.5%	18,018,835
Dec 31, 1975	174.23	+ 27.6%	24,156,284
Dec 31, 1976	282.07	+ 61.9%	43,885,267
Dec 31, 1977	369.99	+ 31.2%	61,652,385
Dec 31, 1978	573.94	+ 55.1%	103,362,566
Dec 31, 1979	912.90	+ 59.1%	178,503,226
Dec 31, 1980	1,849.17	+ 102.6%	381,257,160
Dec 31, 1981	1,426.06	— 22.9%	193,323,019
Dec 31, 1982	2,236.97	+ 56.9%	302,854,274
Dec 31, 1983	2,795.05	+ 24.9%	385,532,688
Dec 31, 1984	3,057.79	+ 9.4%	448,998,187
Dec 31, 1985	6,794.52	+ 122.2%	1,003,375,988
Dec 31, 1986	9,656.49	+ 42.1%	1,559,346,535
Dec 31, 1987	11,020.36	+ 14.1%	1,830,043,854
Dec 31, 1988	12,138.87	+ 10.1%	1,813,655,233

It can be seen that \$100,000 invested at inception would have appreciated to \$29,427,564 by the end of 1988. No investment fund has ever produced comparable results. Past performance is, of course, no guarantee of the future.

REPORT FROM THE MANAGING DIRECTOR

To the Stockholders:

We are pleased to submit the Annual Report of Quantum Fund N.V. for 1988 together with the Report from the Principal Investment Advisor.

On February 15, 1989, the Fund declared its first dividend to stockholders of \$500 per equivalent Class "A" share which was either payable in cash or could be reinvested in new stock at the option of the stockholder. Stockholders electing to take cash were paid \$22,912,166 and the balance of \$50,297,822 was reinvested in new shares. It is anticipated that the Fund will continue to distribute realized capital gains to stockholders in the future through an annual dividend. Should the net assets of the Fund exceed a manageable size, the option to reinvest may not be available. This may be necessary to limit the size of the Fund which will assist in achieving its primary objective of maximizing performance.

You will note that the wording of the report of the independent accountants on the 1988 financial statements has been modified this year. These modifications have been made to conform with standards recently revised by the American Institute of Certified Public Accountants. As in prior years, the independent accountants have expressed an unqualified report on the financial statements of the Fund.

Curaçao Corporation Company N.V.

April 25, 1989

QUANTUM FUND N.V.
and subsidiaries
STRUCTURE OF INVESTMENT PORTFOLIO
As of December 31, 1988
Unaudited
(In Millions of U.S. Dollars)

	<u>LONG</u>	<u>SHORT</u>
U.S. STOCKS, BONDS & OPTIONS		
Stocks	\$ 871.1	\$ (183.2)
Options	10.1	(1.0)
Corporate Bonds	45.7	—
	<u>\$ 926.9</u>	<u>\$ (184.2)</u>
STOCK INDICES (1)		
U.S.	—	\$ (764.8)
Foreign	—	—
	<u>—</u>	<u>\$ (764.8)</u>
NON-U.S. STOCKS, BONDS & OPTIONS		
European-Canadian Securities	\$ 649.6	\$ (0.9)
Brazilian Stocks & Options	13.6	(0.3)
Asian, Far East & Australian Securities	235.8	(10.3)
Bonds	363.1	—
	<u>\$1,262.1</u>	<u>\$ (11.5)</u>
OTHER INVESTMENTS	\$ 110.8	—
	<u>\$ 110.8</u>	<u>—</u>
U.S. GOVERNMENT SECURITIES	\$2,190.0	\$ (841.1)
	<u>\$2,190.0</u>	<u>\$ (841.1)</u>
CURRENCIES (2)		
Canadian Dollar	\$ 293.6	—
Japanese Yen	171.6	—
Thai Baht	93.8	—
Hong Kong Dollar	62.1	—
Pound Sterling	—	(41.3)
Swiss Franc	39.5	—
Norwegian Krone	32.9	—
Australian Dollar	30.8	—
Italian Lira	3.8	—
French Franc	2.1	—
Deutsche Mark	1.9	—
Other	24.8	—
	<u>\$ 756.9</u>	<u>\$ (41.3)</u>
COMMODITIES (1)	—	\$ (40.3)
	<u>—</u>	<u>\$ (40.3)</u>

(1) Includes net dollar value of futures contracts.

(2) Total currency exposure including foreign stocks and bonds.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Supervisory Directors and Stockholders of
Quantum Fund N.V.

In our opinion, the accompanying consolidated statement of assets and liabilities, including the consolidated portfolio of investments, and the related consolidated statements of operations, changes in net assets and cash flows and the selected per share data and ratios present fairly, in all material respects, the financial position of Quantum Fund N.V. and its subsidiaries at December 31, 1988, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the two years in the period then ended and the selected per share data and ratios for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements and selected per share data and ratios (hereafter referred to as the "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America which 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 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, and evaluating the overall presentation of the financial statements. We believe that our audits, which included confirmation of securities at December 31, 1988 by correspondence with custodians and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Curaçao, Netherlands Antilles

May 2, 1989

QUANTUM FUND N.V.
and subsidiaries

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

December 31, 1988
(in U.S. Dollars)

ASSETS

Investments, at value:

Investments other than U.S. government securities (cost \$2,206,113,067)	\$2,299,865,360	
U.S. government securities (cost \$2,183,099,609)	2,190,044,897	
Net unrealized gain on open long futures contracts	1,765,138	
Net unrealized gain on open short forward currency contracts	5,559	
		<u>\$4,491,680,954</u>
Reverse repurchase agreements		859,802,075
Cash and interest-bearing accounts		227,516,963
Due from brokers		304,949,846
Receivable for investments sold		76,444,356
Interest and dividends receivable		13,892,939
Other receivables		4,550,791
Receivable for Fund shares sold		11,873
Total assets		<u>5,978,849,797</u>

LIABILITIES

Investments sold short, at value:

Investments other than U.S. government securities (proceeds \$198,399,002)	195,635,175	
U.S. government securities (proceeds \$847,321,094) ..	841,090,682	
Net unrealized loss on open short futures contracts	5,209,825	
Net unrealized loss on open long forward currency contracts	94,003	
		<u>\$1,042,029,685</u>
Repurchase agreement		179,000,152
Short-term loans		521,174,313
Due to brokers		48,015,003
Payable for investments purchased		2,310,852,805
Dividends payable on securities sold short		479,134
Accrued expenses:		
Advisory fees payable to Soros Fund Management	32,346,913	
Advisory fees payable to other advisors	3,293,992	
Interest	17,257,049	
Netherlands Antilles profit tax	830,000	
Other	3,931,681	
		<u>57,659,635</u>
Payable for Fund shares purchased		5,983,837
Total liabilities		<u>4,165,194,564</u>
Net assets, applicable to 108,351.45 shares of Class A stock and 47.98 shares of Class B stock issued and outstanding at December 31, 1988		<u>\$1,813,655,233</u>
Net asset value per share:		
Class A		<u>\$ 12,138.87</u>
Class B		<u>\$10,387,473.84</u>

The accompanying notes are an integral part of the consolidated financial statements.

QUANTUM FUND N.V.
and subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 1988
(in U.S. Dollars)

INVESTMENT INCOME

Income:		
Interest	\$112,478,663	
Dividends	<u>36,782,390</u>	
		\$ 149,261,053
Expenses:		
Interest and commitment fees	100,269,712	
Advisory fees:		
Soros Fund Management	44,036,875	
Other advisors	5,953,598	
Net loss on foreign currency exchange	12,035,034	
Foreign taxes withheld	7,064,588	
Dividends on short sales	3,348,898	
Professional fees and general expenses	4,123,851	
Netherlands Antilles profit tax	<u>30,000</u>	
		<u>176,862,556</u>
Net investment loss		<u>(27,601,503)</u>

REALIZED AND UNREALIZED GAINS ON INVESTMENTS

Net realized gains on investments in securities	145,211,791
Net realized losses on forward currency and futures contracts transactions	(35,041,741)
Unrealized appreciation of investments:	
Beginning of year	\$ 14,407,225
End of year	<u>106,158,689</u>
Increase in unrealized appreciation	<u>91,751,464</u>
Net gains on investments	<u>201,921,514</u>
Net increase in net assets resulting from operations before minority interest	174,320,011
Minority interest	<u>(931,782)</u>
Net increase in net assets resulting from operations	<u>\$ 173,388,229</u>

The accompanying notes are an integral part of the consolidated financial statements.

QUANTUM FUND N.V.
and subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(in U.S. Dollars)

	<u>Years ended December 31,</u>	
	<u>1988</u>	<u>1987</u>
From investment activities:		
Net investment loss	\$ (27,601,503)	\$ (115,126,655)
Net realized gains on investments in securities	145,211,791	439,317,803
Net realized losses on forward currency and futures contracts transactions	(35,041,741)	(22,818,217)
Change in unrealized appreciation of investments ...	91,751,464	(104,458,827)
Minority interest	<u>(931,782)</u>	<u>(6,601,025)</u>
Net increase in net assets resulting from operations	<u>173,388,229</u>	<u>190,313,079</u>
From capital stock transactions:		
Proceeds from sales	228,715,550	219,678,332
Cost of repurchases	<u>(418,492,400)</u>	<u>(139,294,092)</u>
(Decrease) increase in net assets resulting from capital stock transactions	<u>(189,776,850)</u>	<u>80,384,240</u>
Net (decrease) increase in net assets	<u>(16,388,621)</u>	<u>270,697,319</u>
Net assets:		
Beginning of year	<u>1,830,043,854</u>	<u>1,559,346,535</u>
End of year	<u><u>\$1,813,655,233</u></u>	<u><u>\$1,830,043,854</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

QUANTUM FUND N.V.
and subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(in U.S. Dollars)

Year ended December 31, 1988

Cash flows from operating activities:	
Proceeds from sales of portfolio securities	\$ 58,489,646,064
Purchases of portfolio securities	(58,216,653,764)
Net investment loss	(27,601,503)
Adjustments to reconcile net investment loss to net cash provided by operating activities:	
Change in assets and liabilities:	
Due from/to broker (net)	355,985,275
Interest and dividends receivable	(8,695,437)
Other receivables	(4,394,344)
Dividends payable on securities sold short	(536,319)
Advisory fees payable	(33,325,211)
Interest payable	15,912,756
Other accrued expenses	324,957
Net cash provided by operating activities	<u>570,662,474</u>
Cash flows from financing activities:	
Sales of capital shares	228,871,997
Repurchases of capital shares	(414,923,385)
	(186,051,388)
Proceeds from short-term financing (net)	298,260,444
Cash provided by repurchase agreements (net)	<u>74,977,284</u>
Net cash provided by financing activities	<u>187,186,340</u>
Cash and cash equivalents:	
Net increase for year	757,848,814
Beginning of year	<u>329,470,224</u>
End of year	<u>\$ 1,087,319,038</u>

Supplemental disclosures:

For purposes of the statement of cash flows, the Fund considers cash and interest-bearing accounts (\$227,516,963) and reverse repurchase agreements (\$859,802,075) as cash equivalents.

Cash paid during the year for interest totaled \$82,864,413. No payments for profit tax were made in 1988.

As required under generally accepted accounting principles in the United States of America, the information shown in this statement has been prepared on the cash basis.

The accompanying notes are an integral part of the consolidated financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
UNITED STATES SECURITIES		
Common and Preferred Stocks and Warrants		
123,400	AM International Inc.	\$ 617,000
4,000	Abbott Laboratories	192,500
60,000	Affiliated Publications Inc. Class "A"	2,257,500
60,000	Affiliated Publications Inc. Conv. Class "B"	2,167,500
120,000	Alcide Corporation	315,000
19,600	Alico Inc.	441,000
521,000	American Cyanamid Company	24,356,750
7,000	American Express Company	186,375
5,500	American Greetings Corp. Class "A"	114,125
10,000	American Standard Inc.	357,100
42,000	American Stores Co. New	2,430,750
40,000	Arrow Bank Corporation	680,000
12,900	Autodesk Inc.	374,100
5,500	Automatic Data Processing Inc.	213,125
30,400	Baldwin Technology Inc. Class "A"	414,200
52,600	Baltimore Bancorp	664,075
250,000	Bank of New York Inc.	9,250,000
90,000	Bank of New York Inc., warrants, expiring 9/28/98 ...	360,203
22,360	Banknorth Group Inc. New	693,160
105,000	Baybanks Inc.	4,541,250
4,600	Beneficial Corp.	199,525
511,400	Black & Decker Corporation	11,826,125
325,000	Boeing Company	19,703,125
3,000	Borden Inc.	177,750
8,400	Braintree Savings Bank	121,800
75,000	Brand Companies Inc.	1,050,000
72,000	Branford Savings Bank	900,000
130,000	Bristol Myers Co.	5,792,000
12,500	Brown Forman Corporation Class "B"	720,313
26,900	Burr Brown Corporation	329,525
13,000	CBS Inc.	2,216,500
	Carried forward	\$ 93,662,376

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$ 93,662,376
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks and Warrants	
30,300	C-Cor Electronics Inc.	681,750
1,103,000	CMS Energy Corporation	26,885,625
16,400	CRS Sistine Inc.	434,600
76,600	Caesars World Inc.	2,374,600
15,000	Castle & Cooke Inc.	423,750
34,900	Casual Male Corp.	353,363
324,166	Cellular Communications Inc.	8,671,441
95,000	Centerbank	938,125
6,300	Cerner Corporation	100,800
24,800	Chaus Bernard Inc.	108,500
19,300	Checkpoint Systems Inc.	176,113
113,000	Chicago Milwaukee Corporation	14,887,750
68,500	Chittenden Corporation	1,121,688
38,400	Church's Fried Chicken Inc.	297,600
8,400	Clark Equipment Company	258,300
21,400	Cleveland-Cliffs Inc.	569,775
13,100	Coastal Corporation	448,675
95,900	Colgate Palmolive Co.	4,507,300
62,900	Collagen Corporation	833,425
513,600	Commonwealth Edison Company	16,948,800
13,500	Concept Inc.	205,875
539,300	Consolidated TVX Mining Corp	2,486,173
28,800	Continental Medical Systems Inc.	241,200
247,700	Corning Glass Works	17,184,188
148,300	Cypress Semiconductor Corporation	1,612,763
153,100	DCNY Inc.	3,176,825
171,600	Danaher Corporation	2,423,850
8,900	Dataproducts Corporation	120,150
5,500	De Soto Inc.	189,750
	Carried forward	\$ 202,325,130

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.

and subsidiaries

CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions

December 31, 1988

(In U.S. Dollars)

Number of
shares,
contracts or
principal amount

Investments Other Than U.S. Government Securities—LongValue

Brought forward \$ 202,325,130

UNITED STATES SECURITIES (Cont'd)

Common and Preferred Stocks and Warrants

924,715	Dr. Pepper Seven-Up Co., Common Restricted*	1,239,588
19,907	Dr. Pepper Seven-Up Co., Sr. Exchg. Pfd. Restricted*	328,466
61,200	Dravo Corporation	986,850
4,000	Dun & Bradstreet Companies Inc.	214,500
12,900	Ecolab Inc.	341,850
80,000	Envirodyne Industries Inc.	2,480,000
10,000	Environmental Systems Company	141,250
1,491,800	Fairchild Industries Inc.*	23,495,850
115,000	Federal Express Corp.	5,821,875
750,000	Federal Home Loan Mortgage Corp. Participating Pfd. \$2.50 Par	37,593,750
25,000	Federal-Mogul Corporation	1,187,500
8,100	Federal National Mortgage Association	411,075
18,700	Federal National Mortgage Association, warrants, expiring 2/25/91	259,463
110,250	Financial Benefit Group Inc. Class "A"	275,625
35,300	Financial News Network Inc.	286,813
11,000	First City Bancorp of Texas Inc.	288,750
114,000	First Executive Corp.	1,567,500
8,500	Flight Safety International Inc.	210,375
185,000	Foliage Plus Inc.	416,250
11,500	Formica Corp.	188,313
87,600	Gencorp Inc.	1,467,300
16,100	Gibson Greetings Inc.	344,138
1,464,400	Goodrich B. F. Company	75,782,700
250,000	Grace W. R. & Company	6,500,000
22,200	Gulf States Utilities Company	174,825
1,500	Gulf States Utilities Company Pfd.	103,500
4,238,176	Harken Oil & Gas Inc.*	15,363,388
212,700	Harley Davidson Inc.	5,397,263
4,000	Heinz H. J. Company	187,000
13,000	Helen of Troy Corp.	203,125
120,000	Heritage Bancorp Inc.	1,470,000
5,000	Hershey Foods Corporation	130,000
55,000	Hilton Hotels Corporation	2,935,625
	Carried forward	\$ 390,119,637

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

Number of shares, contracts or principal amount	Investments Other Than U.S. Government Securities—Long	Value
	Brought forward	\$ 390,119,637
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks and Warrants	
126,400	Holmes D H Ltd.	1,264,000
242,200	Hospital Corporation of America	10,656,800
12,750	Howard Bancorp.	232,688
24,900	Humana Inc.	631,838
404,500	IDB Communications Group Inc.	3,741,625
45,000	IMC Fertilizer Group Inc.	1,985,625
300,000	Immunomedics Inc.	1,462,500
43,600	Incstar Corp.	327,000
20,000	India Growth Fund Inc.	185,000
17,800	Information Resources Inc.	178,000
54,100	Inspiration Resources Corporation	371,938
304,500	Inter City Gas Corporation	5,633,250
303,000	Interco Inc.	1,033,575
2,405	Interco Inc. Pfd. Series E 17.50%	141,895
50,000	Interlake Inc.	2,112,500
1,296,900	International Minerals & Chemicals Corp.	49,606,425
58,000	Intervoice Inc.	616,250
124,200	Itel Corporation	2,282,175
336,500	Ivax Corp.	3,575,313
631,700	Kansas City Southern Industries Inc.	21,398,838
347,000	Kansas Gas & Electric Company	7,200,250
19,400	Karcher Carl Enterprises Inc.	438,925
52,700	Kay Jewelers Inc.	810,263
3,000	Kellogg Company	192,750
1,943,710	King World Productions Inc.	46,163,113
19,900	Kroger Company	176,613
	Carried forward	\$ 552,538,786

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$ 552,538,786
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks and Warrants	
10,400	Landmark Graphics Corp.	101,400
16,700	Leslie Fay Companies Inc.	154,475
31,000	Lexington Savings Bank	344,875
50,000	Lin Broadcasting Corporation	3,575,000
11,500	Longview Fibre Company	816,500
16,200	Lukens Steel Company	437,400
75,000	MCA Inc.	3,403,125
791,000	MCI Communications Corporation	17,896,375
37,200	Malrite Communications Group Inc.	390,600
2,500	Marsh & McLennan Companies Inc.	140,625
30,000	Mattel Inc.	285,000
5,800	McDonalds Corporation	279,125
10,000	McGraw Hill Inc.	622,500
11,000	Mead Corporation	429,000
90,000	Medical Care International Inc.	967,500
2,000	Melville Corporation	148,750
13,100	Mentor Graphics Corporation	374,988
262,000	Merck & Company Inc.	15,130,500
179,000	Mercury Entertainment Corporation	100,598
140,000	Methode Electronics Inc. Class "A"	630,000
12,750	Metro Mobile Cts. Inc. Class "A"	554,625
38,250	Metro Mobile Cts. Inc. Class "B"	1,606,500
23,400	Milton Roy Company	289,575
164,147	Mr. Coffee*	280,817
116,669	Mr. Coffee Pfd.*	1,554,081
33,500	Multibank Financial Corporation	728,625
3,000	NCR Corp.	160,125
23,100	Newmont Mining Corporation	765,188
383,300	Nipsco Industries Inc.	5,318,288
23,500	Nortek Inc.	214,438
	Carried forward	\$ 610,239,384

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$ 610,239,384
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks and Warrants	
175,300	Northeast Bancorp Inc.	11,263,025
1,333,592	Nu-West Industries Inc.*	19,003,686
78,322	Nu-West Industries Inc., Series "A" Pfd.*	5,600,023
1,146,815	Nu-West Industries Inc. Restricted Securities*	11,038,094
100,000	Nu-West Industries Inc., warrants, Restricted Securities, due 10/5/93*	540,000
45,000	Ohio Mattress Company (The)	798,750
58,800	Panteras Corp.	249,900
26,500	Pennwalt Corp.	2,732,813
15,800	Pep Boys Manny Moe & Jack	191,575
6,000	Pepsico Inc.	237,000
231,400	Pfizer Inc.	14,421,200
65,100	Phlcorp Inc.	756,788
161,300	Pillsbury Company	10,625,638
15,500	Policy Management Systems Corp.	375,875
30,000	Poughkeepsie Savings Bank	532,500
26,300	Progressive Bank Inc.	489,838
58,625	Provident Life & Accident Insurance Co. of America Class "A"	1,018,609
337,900	Provident Life & Accident Insurance Co. of America Class "B"	6,504,575
32,500	Putnam Trust Co.	617,500
6,300	Quantum Chemical Corp. When Issued	360,225
10,000	RJR Nabisco Inc.	911,250
22,600	RLC Corp.	245,775
10,000	Reliance Electric Company*	837,500
1,823,900	Robins A. H. Company, Inc.	46,965,425
4,300	Rorer Group Inc.	183,288
5,000	Rubbermaid Inc.	125,625
68,900	SPX Corporation	2,661,263
33,000	Safeguard Scientifics Inc.	544,500
426,500	Safeway Stores Inc., warrants, expiring 11/24/96* . . .	1,279,500
326,424	Sahlen & Associates Inc.*	499,429
9,400	Scherer Healthcare Inc.	244,400
	Carried forward	\$ 752,094,953

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$ 752,094,953
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks and Warrants	
200,300	Service Corp. International	3,505,250
32,800	Service Merchandise Inc.	586,300
6,000	Shaw Industries Inc.	141,000
16,100	Sizzler Restaurants International Inc.	273,700
77,304	Southland Corporation, 15% Exchangeable Pfd.	898,660
103,000	Squibb Corporation	6,823,750
10,900	State-O-Maine Inc.	196,200
6,000	State Street Boston Corp.	159,000
1,200	Student Loan Marketing Association, Non-Voting	100,200
39,000	Sun Electric Corp.	565,500
18,500	Super Valu Stores Inc.	453,250
269,300	TW Services Inc.	7,069,125
15,000	Talman Home Federal Savings & Loan Association of Illinois	129,375
13,200	Texaco Canada Inc.	492,743
45,400	Texaco Inc.	2,321,075
16,200	Time Inc.	1,733,400
3,000	Toys R Us Inc.	111,375
3,500	Tribune Company	136,063
394,800	Tyco Laboratories Inc.	14,114,100
3,700	UAL Corp.	405,150
6,000	UNUM Corporation	162,000
95,200	Union Corporation	1,201,900
346,500	United Tele Communications Inc.	16,068,937
25,800	VM Software Inc.	445,050
50,000	Vanguard Cellular Systems Inc.	1,525,000
35,041	Vermont Financial Services Corp.	700,820
127,000	Warner Lambert Company	9,953,625
55,000	Warren Bancorp Inc.	385,000
	Carried forward	\$ 822,752,501

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

Number of
shares,
contracts or
principal amount

	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$ 822,752,501
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks and Warrants	
25,000	West Newton Savings Bank	203,125
1,041,000	Western Publishing Group Inc.	17,697,000
45,097	Westport Bancorp Inc.	529,890
459,354	Willcox & Gibbs Inc.	7,751,599
205,200	Williams Companies	6,258,600
392,089	Wolverine Exploration Company*	1,682,062
186,788	Wolverine Exploration Company, warrants, expiring 12/31/93*	537,016
12,500	Woodstream Corporation	207,813
115,000	Woolworth F.W. Company	5,951,250
157,900	Zayre Corporation	4,026,450
	Positions individually less than \$100,000 in value	3,548,566
	Total Common and Preferred Stocks and Warrants	871,145,872
	Options	
67	Put 100 Environmental Treatment & Tech. @ \$17.125 Exp. 6/89	3,585
400	Put French Bond Futures Due March 89 @ 107.15 Exp. 2/24/89	208,024
2,000	Put French Bond Futures Due March 89 @ 107.10 Exp. 2/24/89	1,007,100
700	Put French Bond Futures Due March 89 @ 106.55 Exp. 2/24/89	236,915
1,300	Put French Bond Futures Due March 89 @ 106.05 Exp. 2/24/89	300,482
2,300	Put French Bond Futures Due March 89 @ 106.00 Exp. 2/24/89	493,649
2,800	Put French Bond Futures Due March 89 @ 105.70 Exp. 2/24/89	462,280
500	Put French Bond Futures Due March 89 @ 105.50 Exp. 2/24/89	70,165
500	Call French Bond Futures Due March 89 @ 105.50 Exp. 2/24/89	928,680
700	Call French Bond Futures Due March 89 @ 104.75 Exp. 2/24/89	1,675,744
1,300	Call French Bond Futures Due March 89 @ 104.65 Exp. 2/24/89	3,208,686
65	Put 100 Genentech Inc. @ \$29 Exp. 6/89	4,290
10	Put 100 Golden Valley Microwave Foods @ \$22.50 Exp. 4/89	1,000
	Carried forward	\$ 879,746,472

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.

and subsidiaries

CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions

December 31, 1988

(In U.S. Dollars)

Number of shares, contracts or principal amount	Investments Other Than U.S. Government Securities—Long	Value
	Brought forward	\$ 879,746,472
	UNITED STATES SECURITIES (Cont'd)	
	Options	
15	Put 100 Golden Valley Microwave Foods @ \$25 Exp. 4/89 ..	4,875
875	Put 100 Hospital Corp. of America @ \$40 Exp. 1/89	10,938
100	Call 100 Hospital Corp. of America @ \$45 Exp. 1/89	3,750
1,207	Call 100 Hospital Corp. of America @ \$45 Exp. 4/89	301,750
397	Put 100 Pillsbury Company @ \$60 Exp. 1/89	2,461
100	Call 100 Pillsbury Company @ \$55 Exp. 1/89	108,750
72	Call 100 Pillsbury Company @ \$60 Exp. 1/89	42,300
14	Call 100 Pillsbury Company @ \$60 Exp. 2/89	8,225
638	Call 100 Quantum Chemical Corp. @ \$100 Exp. 1/89	398,750
240	Put 100 RJR Nabisco Inc. @ \$80 Exp. 2/89	72,000
10	Put 100 RJR Nabisco Inc. @ \$85 Exp. 3/89	8,750
1,000	Call 100 RJR Nabisco Inc. @ \$90 Exp. 2/89	500,000
25	Call 100 Rorer Group Inc., @ \$50 Exp. 1/89	1,093
20	Call 100 Time Inc. @ \$100 Exp. 1/89	16,500
500	Call Yen Futures @ 82 Exp. 1/89, 12,500,000 Yen per contract	15,650
	Total Options	10,096,392
	Corporate Bonds	
1,333,000	AVA Shares Bonds with warrants 6.5% Due 1/3/99	1,023,000
300,000	Beverly Enterprises Conv. Sr. Deb. 7.625% Due 3/15/03 ..	160,500
497,675	Dr. Pepper Seven-Up Co., Bridge Notes 15% Due 5/15/98*	328,466
1,231,800	EUA Power Corp Sec. Notes Series C, 17.5% Due 11/15/92*	645,952
5,000,000	EUA Power Corp Sec. Notes Series B, 17.5% Due 5/15/93	2,614,049
250,000	Jones & Laughlin Steel Corp., 1st Mtg. Bond 10.5% Due 1/15/08	180,000
837,400	Kroger Company, Jr. Sub. Discount Deb. 15.5% Due 10/15/08	415,976
5,000,000	Motel 6 Financial Co. Inc. Conv. 9% Due 9/15/91*	4,500,000
1,000,000	Nu-West Industries Inc. Sub. Nts. Restricted 9.5% Due 10/1/94*	710,000
300,000	Revco Drug Stores Inc., Deb. 11.75% Due 8/15/15	279,000
6,500,000	Sahlen & Assoc. Inc. Sr. Increasing Notes 11.5% Due 6/30/90	6,500,000
9,391,000	Sharon Steel Corp. Sub. Deb. 14.25% Due 10/15/99* ..	2,347,750
96,413,158	Sharon Steel Corp. 13.5% Due 1/1/00*	24,103,289
133,000	Southmark Corp. Sr. Notes 10.875% Due 11/1/89	105,615
175,000	United Merchants & Mfgs. Sr. Sub. Deb. 13.75% Due 12/15/00	125,125
1,300,000	Revlon Inc. Sr. Sub. Note 11.75% Due 9/1/95	1,165,125
1,000,000	Trans World Airlines Inc. 12% Due 9/30/08	500,000
	Total Corporate Bonds	45,703,847
	Carried forward	\$ 926,946,111

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$ 926,946,111
	EUROPEAN AND CANADIAN SECURITIES	
2,000,000	ASDA Group PLC	4,780,000
79,250	ACCOR	7,772,048
394,381	ACCOR, warrants, expiring 11/30/90	682,279
35,330	Alcatel Compagnie Financiere	16,215,410
4,090	Arjomari Prioux	1,506,470
49,000	Assicurazione Generali Ord	1,668,940
576,400	Ausimont N.V.	19,597,600
5,000,000	Auto Strade Priv.	4,950,000
2,896,087	BOC Group PLC Ord. 25p	22,386,752
2,000,000	Banca Commerciale Italiana	5,280,000
170,000	Bayer A.G Junge Aiktien	29,462,700
2,357,000	Beecham Group PLC 25p	19,869,510
350,000	Braithwaite Group	1,582,000
1,450,000	British Insulated Callenders Cables Ltd.	10,150,000
1,000,000	British Petroleum Company Ltd. 25p	2,680,000
6,754,000	Burwill International Ltd.	1,137,508
284,900	CIP Rhone Poulenc SA	24,458,665
455,232	Cable & Wireless PLC 50p	3,109,235
25,000	Christies International PLC	283,250
90,000	Generale Des Eaux	24,085,800
10,000	Ciments Francais	1,974,600
24,018	Compania Financiera Reunida S.A.	357,388
12,500	Compania Telefonica De Espana S.A. ADR	282,813
45,100	Compagnie Generale D'Electricite	2,999,150
15,270	Credit Foncier De France	2,236,139
2,000,000	Credito Italiano	2,700,000
782,894	DRG 25p	6,208,349
	Carried forward	\$1,145,362,717

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$1,145,362,717
	EUROPEAN AND CANADIAN SECURITIES (Cont'd)	
4,990	Damart	2,679,131
300,000	De Beers Consolidated Mines Ltd., Defd. ADR	3,225,000
2,200,000	De La Rue Company PLC 25p	16,720,000
600,000	Drummond Group	1,098,000
78,100	Elsevier	2,463,274
800,000	English China Clays Publication Ltd. Co.	6,616,000
75,000	Enterprise Oil PLC 25p	638,250
681,700	Erbamont N.V.	19,769,300
16,960	European Communication Management Limited*	93,344
600,000	Eurotunnel Units	5,334,000
13,485,105	F A I Insurances Ltd.	29,936,933
5,000	F.L. Smith & Co. Class "B"	1,643,550
500,000	Ferranti PLC	835,000
1,000,000	Ferruzzi Agricola Finanziaria	2,260,000
605,000	Fiat S P A	4,561,700
725,000	Finlay Packaging	1,131,000
447,636	Fredericks Place Holdings PLC	731,437
1,000,000	G M Firth	1,830,000
1,250,000	General Electric PLC 5p	4,300,000
61,000	Gibbs Mew	290,360
421,900	Glaxo Holdings PLC Sponsored ADR	8,121,575
500,000	Goode Durrant	1,020,000
54,651	Group Victoire	7,136,874
68,722	Group Victoire—Non-Voting	4,537,714
1,090,208	Hafslund AS Free Shares Class A	28,705,177
168,092	Hafslund AS Free Shares Class B	4,246,004
13,700	Hapag LLOYD Ag Ord. Bearer DM 50	2,486,687
25,000	Harrisons & Crossfield PLC Reg.	292,977
1,662,500	Hickson Int. PLC	5,868,625
125,000	Hunter Douglas	5,082,500
550,000	IFI Priv	8,387,500
15,500	IMO Delaval	308,063
77,500	Industrie Zignago	354,175
20,500	Keyence Corp.	1,214,830
15,568	Koenig & Bauer Pref	2,588,024
2,395	Koenig & Bauer Pref. New	373,069
2,000,000	LWT Holdings 5p	5,820,000
2,050,000	Leisuretime PLC Reg.	3,157,000
1,000,000	London International Group PLC	3,660,000
	Carried forward	\$1,344,879,790

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$1,344,879,790
	EUROPEAN AND CANADIAN SECURITIES (Cont'd)	
1,750,000	Marley Ltd. 25p	4,690,000
1,000	Marsch, Laut and Partner Pfd	420,700
930,000	Meyer Group	5,803,200
13,675,600	Montedison S P A Ord	22,017,716
562,500	Morgan Grenfell Group	3,003,750
1,500,000	Moss Brothers 5p	6,060,000
250,000	Mount Charlotte Investments PLC	670,000
2,000,000	Norfolk Capital Group PLC 5p	1,260,000
11,687,500	Parkfield Group PLC Pfd	19,518,125
71,429	Penguin Hotel Group PLC	129,286
178,571	Penguin Hotel Group PLC Convertible Pfd	323,214
300,000	Pentos PLC 10p	435,000
750,000	Pilkington Bros. Ltd. 50p	2,782,500
800,000	Plessey PLC 25p	3,184,000
750,000	Polly Peck International PLC 10p	3,705,000
7,299,103	Ratners Group PLC 10p	23,138,157
2,225,000	Rolls Royce PLC	5,317,750
2,025,000	Rothmans Industries Ltd., Reg.	15,795,000
2,100,000	Rothschild J., Holdings PLC	5,922,000
125,000	Rowe Evans	149,201
22,500	SCI-MED Life Sys Inc.	635,625
2,158,000	S I P Ord	4,747,600
1,000,000	SME	2,840,000
401,200	Safilo Spa	2,266,780
5,300	Sanofi	672,888
8,000	Saurer Gruppe Holding	7,207,200
24,020	Schindler P C	12,101,997
1,750,000	Sears Holding Ltd. 25p	3,605,000
20,000	Sincere Co.	115,200
400,000	Six Hundred Group	780,000
4,589	Societe De Louvre	1,708,485
13,900	Spie Batignolles	989,124
1,720,000	Stet	5,056,800
600,000	Stet, warrants, expiring 2/7/89	366,000
	Carried forward	\$1,512,297,088

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$1,512,297,088
	EUROPEAN AND CANADIAN SECURITIES (Cont'd)	
11,000	Stolt Tankers and Terminals Holdings S.A.	170,500
250,000	Storehouse PLC 10p	895,000
15,000	T.F1	1,015,350
6,470,000	T V AM New	16,175,000
50,000	Tate & Lyle Ltd. 1.00P	735,500
8,800	Tekelec	136,400
150,000	Telephone Rentals Ltd. 25p	942,000
200,006	Television South Ord. Voting Shares 10p	1,062,032
1,000,000	Thorn EMI, warrants, expiring 6/1/92	2,750,000
1,000,000	Tozer Kemsley & Millbourn Holdings 20p	1,770,000
4,280	Truffaut Financiere	279,826
1,511,000	U B, warrants, expiring 1991	2,266,500
500,000	U K Paper	1,620,000
200,000	Ultramar PLC	1,058,000
500,000	United Biscuits Holdings PLC 25p	2,595,000
25,000	Vallourec Bearer	1,017,750
17,000	Verkade	2,403,630
500,000	Wembley 5p	1,050,000
5,000,000	Whimpey George Ltd. 25p	23,350,000
200,000	Yale & Valor PLC	1,112,000
700,000	Yellowhammer	1,876,000
	Total European and Canadian Securities	649,631,465
	BRAZILIAN SECURITIES	
18,000	Bardella PP	301,860
4,246,500	Belgo Mineira OP	1,613,670
12,709,000	CBV OP	254,180
	Carried Forward	\$1,578,747,286

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$1,578,747,286
	BRAZILIAN SECURITIES (Cont'd)	
124,260	CAEMI OP	833,785
79,727,500	CEMIG PP	797,275
33,400	Concretex PP	129,926
3,557,000	Confab PP	2,205,340
8,381,200	Cosigua PP	167,624
14,009,500	Eberle PP	140,095
160,000	Ericsson PP	107,200
4,272,000	Ferro Ligas PP	213,600
480,000	lochpe PS	297,600
466,000	Light ON	316,880
1,900,400	Manah PP	152,032
71,932,266	Mannesman OP	1,438,645
3,224,000	Massey Perkins PA	580,320
10,019,000	Paranapanenia PP	2,204,180
2,952,400	Sade PP	147,620
318,800	Vale PP	1,230,568
1,300,000	Varig PP	169,000
	Total Brazilian Securities	13,301,400
	ASIAN, FAR EAST, AND AUSTRALIAN SECURITIES	
211,000	Amcol Electrical Industries Inc.	146,378
634,500	Amoy Properties	241,110
20,000	Asia Credit	295,000
1,863,720	Asia Fibre	4,379,742
50,000	Bangkok Agro Industrial Products Co. Ltd.	191,000
246,260	Bangkok Investment	280,736
70,000	Bank of Ayudhya Ltd.	912,800
120,000	Berli Jucker	1,140,000
4,057,000	Cathay Pacific Airways	4,827,830
500,000	Century City Holding Ltd.	119,091
41,000	Charong Thai Wire	152,520
1,550,000	Cheung Kong Holdings Ltd. New	1,597,835
2,122,000	China Light & Power Co. Ltd.	3,692,280
200,000	Dah Sing Financial Holdings	204,000
358,000	Dai Nippon Printing	7,772,180
1,800,000	Dairy Farm International Holdings Ltd.	1,383,019
74,820	Dusit Thani	2,475,046
850,000	Fuji Fire & Marine Insurance Co. Ltd. Reg.	6,876,500
150,000	Furukawa Electric Co.	1,050,000
225	Furukawa Electric Co., warrants, expiring 8/6/92	495,000
6,782,000	Gold Peak Industries Holdings Ltd.	1,441,685
	Carried forward	\$1,629,552,728

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

Number of shares, contracts or principal amount	Investments Other Than U.S. Government Securities—Long	Value
	Brought forward	\$1,629,552,728
	ASIAN, FAR EAST, AND AUSTRALIAN SECURITIES (Cont'd)	
1,019,000	Hang Lung Development Ltd.	700,570
151,000	Harrisons Malaysian Plantation	375,560
550,000	Henderson Land Development Co. Ltd.	385,000
1,300,000	Hong Kong & China Gas Ltd.	2,813,420
2,855,000	Hong Kong Land Co. Ltd. HK \$2.50 Reg.	3,364,490
560,000	Honshu Paper Co. Ltd.	5,023,200
7,347,000	Hopewell Holdings Ltd.	3,085,740
9,215,000	Hutchison Whampoa Ltd., HK .251 New	10,139,863
5,000,000	Hysan Development Ltd. Reg.	793,955
58,932	Industrial Finance Corp.	201,547
175,000	Jakarta P.T. International Hotel.	791,304
1,740,404	Jardine Matheson Holdings Ltd. HK \$2.00	3,254,555
4,000,000	Johnson Electric.	3,512,982
573,000	Jujo Paper Co.	5,689,890
111,000	Kanzaki Paper	1,084,470
22,000	Kawagishi Bridge	147,254
520,000	Koa Fire & Marine Insurance Co. Ltd. Reg.	6,786,000
15,000	Korea Fund.	387,000
2,924,000	Luks Industries	1,142,041
397,500	Metal Box	1,613,850
1,000,000	Metal Box, warrants, expiring 7/15/91	1,700,000
250,000	Miramar Hotel & Investment Co. Ltd.	227,500
565,000	Mitsubishi Paper Mills	5,610,450
1,000,000	Mitsui & Co. Ltd.	7,840,000
345,000	Mitsui Real Estate	8,014,350
115,000	National Publishing Group Co. Ltd.	640,550
460,000	National Publishing Group Co. Ltd, rights	2,424,200
50,000	Nippon Concrete Industries	329,458
80,000	Oriental Hotel	304,000
2,400	Phatra Insurance	229,320
60,000	Post Publishing	1,078,200
500,000	Quintex Australia 50c	1,708,000
571,534	Saha Union	5,183,813
500,000	Shimizu Construction Reg.	5,925,000
312,686	Siam Cement	39,914,368
73,356	Siam City Cement	3,967,092
20,775	Siam Commercial Bank	485,720
362,600	Siam Food Products	986,272
784,500	Siam Fund	9,100,200
800,000	Sumitomo Construction Co. Ltd.	5,352,000
500,000	Sun Hung Kai Properties Ltd. HK \$.50	815,000
30,000	Swedish Motors Corp. Ltd.	327,600
4,291,677	Swire Pacific Ltd. Class "A" HK \$.60	10,434,339
	Carried forward	\$1,793,442,851

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Long</u>	<u>Value</u>
	Brought forward	\$1,793,442,851
	ASIAN, FAR EAST AND AUSTRALIAN SECURITIES (Cont'd)	
25,000	Takigami Steel Construction	246,492
168,000	Thai Farmers Bank	2,345,280
1,631,700	Thai Plastics & Chemicals	6,755,238
136,000	Thailand Fund	2,280,720
1,954,000	Tomei Ind.	230,206
752,000	Toppan Printing	12,347,840
120,000	Toyo Information	2,461,200
350	Toyo Tire & Rubber Co. Ltd., warrants, expiring 7/14/93	310,625
22,000	Uchida Oil Hydraulic	132,264
90,000	Union Plastic	816,300
108,800	Union Thread	1,168,512
3,559,000	Video Tech International	1,847,344
27,001	Vidhyakom	112,594
304,000	Wing On Company	182,400
1,300,000	World International Holdings Ltd. HK \$1.00 Reg.	728,326
25,000	Yamato Kogyo	266,532
	Total Asian, Far East and Australian Securities	235,795,748
	NON-U.S. OPTIONS	
1,390,000	CBL VALE (calls 4800)	183,341
1,100,000	CBO VALE (calls 5100)	71,170
800,000	OPM 2 CPMA (calls 230)	30,240
1,280,000	OPM 5 CPMA (calls 260)	30,848
	Total Non-U.S. Options	315,599
	NON-U.S. GOVERNMENT BONDS	
28,500,000	British War Loans 3 1/2% Due 12/31/99	20,314,800
201,000,000	Canadian Government Notes 9.5% Due 10/1/98	161,865,300
133,000,000	Canadian Government Notes 10.25% Due 12/1/98 ...	112,132,300
82,000,000	Canadian Government Notes 10% Due 6/1/08	68,765,200
	Total Non-U.S. Government Bonds	363,077,600
	Carried forward	\$2,189,067,923

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

Number of shares, contracts, units, or principal amount	Investments Other Than U.S. Government Securities—Long	Value
	Brought forward	\$2,189,067,923
	OTHER INVESTMENTS	
1	Crystal Oil Unit* (comprised of 3,275,084 com. shares; 45,476,539 wts., exp. 1/30/99 exercisable into 227,382 com. plus \$9.7779 per com. share, 38,177,122 wts. exp. 1/30/99 exercisable into 190,885 plus \$13.0372 per com. share, 1,637,541 rights exp. 1/11/89 exercisable into 3,370,039 com. plus \$1.33125 per com. share.)	8,399,491
1	Digicon Inc. Unit* (Comprised of 20,146,447 common shares; 4,274,903 common shares restricted; \$2,805,000 Sr. Sub. Notes 12% Due 1/1/94; \$3,072,750 Cont. Deb. 0% Due 1/1/99; 5,662,850 warrants exp. 4/1/93)	1,593,528
1,200,000	Freeport McMoran Resource Partners L.P. Depository Unit	34,200,000
11,325	Hausmann Overseas N.V.	65,458,727
1	Kenai Corporation Unit* (comprised of 16,920,188 common shares; \$9,225,000 Sub. Deb. 12.5% Due 1/15/90; \$6,489,000 Sr. Sub. Deb. 11.5% Due 11/15/89; \$173,920 Demand Notes 12.7%; \$19,160,700 Demand Notes 12%; 118,140 warrants exp. 10/1/89)	335,252
1	Olivetti Partners CV Unit*	500,000
800	Swiss Bank Corp. Participation Certificate	155,889
550,000	Telefonos De Mexico SA, Nominative ADR	154,550
	Total Other Investments	110,797,437
	Total Investments Other Than U.S. Government Securities	\$2,299,865,360
	U.S. Government Securities—Long	
775,000	U.S. Treasury Bills Due 1/12/89	\$ 773,876
26,680,000	U.S. Treasury Bills Due 1/19/89	26,594,624
35,000	U.S. Treasury Bills Due 1/26/89	34,361
47,255,000	U.S. Treasury Bills Due 2/02/89	46,964,382
27,120,000	U.S. Treasury Bills Due 2/09/89	26,889,481
16,730,000	U.S. Treasury Bills Due 2/16/89	16,562,532
29,695,000	U.S. Treasury Bills Due 2/23/89	29,356,477
8,190,000	U.S. Treasury Bills Due 3/02/89	8,080,582
650,000	U.S. Treasury Bills Due 3/09/89	640,198
2,460,000	U.S. Treasury Bills Due 3/16/89	2,418,082
300,000	U.S. Treasury Bills Due 3/23/89	294,390
181,000,000	United States Treasury Bonds, 9.0% Due 11/15/18	180,943,438
831,250,000	United States Treasury Notes, 9.125% Due 12/31/90	831,000,625
787,820,000	United States Treasury Notes, 9.125% Due 12/31/92	786,835,599
250,000,000	Government National Mortgage Association, 9% Due 1/18/89	232,656,250
	Total U.S. Government Securities	\$2,190,044,897

*Restricted or fair valued security.

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Unrealized Gain (Loss) on Open Futures Contracts— Long</u>	<u>Value</u>
3,144	British Gilt Futures, March 1989	\$ (1,409,850)
2,160	French Bond Futures, March 1989	3,174,988
	Net Unrealized Gain on Open Futures Contracts—Long	<u>\$ 1,765,138</u>
<u>Face of</u>	<u>Unrealized Gain (Loss) on Open Forward Currency Contracts—Long</u>	
\$ 54,039,600	British Pound, 1/30/89	\$ 557,930
CN\$ 240,100,000	Canadian Dollars, 1/17/89	1,100,196
CN\$ 119,875,000	Canadian Dollars, 1/18/89	518,659
DM 167,500	Deutsche Mark, 1/5/89	828
DM 53,331,125	Deutsche Mark, 1/23/89	(267,453)
SF 65,807,700	Swiss Franc, 1/19/89	(699,296)
¥ 7,400,000	Yen, 1/5/89	246
¥ 7,511,080,000	Yen, 1/19/89	(767,189)
¥ 11,097,069,200	Yen, 1/20/89	(537,924)
	Net Unrealized Loss on Open Forward Currency Contracts—Long	<u>\$ (94,003)</u>

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Long Positions
December 31, 1988
(In U.S. Dollars)

<u>Principal</u>	<u>Reverse Repurchase Agreements</u>	<u>Value</u>
25,343,750	Barclays Bank, 8.6%, dated 12/22/88, due 1/4/89, collateralized by \$25,000,000 U.S. Treasury Bonds 9% due 11/15/18	\$ 25,343,750
75,750,000	Barclays Bank, 8.9%, dated 12/30/88, due 1/4/89, collateralized by \$75,000,000 U.S. Treasury Bonds 9% due 11/15/18	75,750,000
50,812,500	Daiwa Bank, 8.9%, dated 12/27/88, due 1/4/89, collateralized by \$50,000,000 U.S. Treasury Bonds 9% due 11/15/18	50,812,500
25,250,000	Daiwa Bank, 8.9%, dated 12/30/88, due 1/4/89, collateralized by \$25,000,000 U.S. Treasury Bonds 9% due 11/15/18	25,250,000
40,400,000	Daiwa Bank, 9%, dated 12/30/88, due 1/4/89, collateralized by \$40,000,000 U.S. Treasury Bonds 9% due 11/15/18	40,400,000
25,343,750	Deutsche Bank, 8.6%, dated 12/22/88, due 1/4/89, collateralized by \$25,000,000 U.S. Treasury Bonds 9% due 11/15/18	25,343,750
10,087,500	Deutsche Bank, 8.9%, dated 12/29/88, due 1/4/89, collateralized by \$10,000,000 U.S. Treasury Bonds 9% due 11/15/18	10,087,500
49,937,500	Greenwich Capital, 8.625%, dated 12/30/88, open term, collateralized by \$50,000,000 U.S. Treasury Notes 9% due 5/15/98	49,937,500
209,214,425	Greenwich Capital, 9%, dated 12/30/88, open term, collateralized by \$195,000,000 U.S. Treasury Notes 9.25% due 8/15/98	209,214,425
151,275,150	Greenwich Capital, 9.25%, dated 12/31/88, open term, collateralized by \$154,000,000 U.S. Treasury Notes 8.875% due 11/15/98	151,275,150
84,050,000	Warburg Securities, 8.1%, dated 12/28/88, due 1/4/89, collateralized by \$82,000,000 U.S. Treasury Bonds 9.125% due 5/15/18	84,050,000
112,337,500	Warburg Securities, 8%, dated 12/29/88, due 1/4/89, collateralized by \$110,000,000 U.S. Treasury Bonds 9.125% due 5/15/18	<u>112,337,500</u>
	Total Reverse Repurchase Agreements (cost \$859,802,075)	<u>\$859,802,075</u>

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Short Positions
December 31, 1988
(In U.S. Dollars)

**Number of
shares,
contracts or
principal amount**

Investments Other Than U.S. Government Securities—Short

Value

UNITED STATES SECURITIES

Common and Preferred Stocks

81,000	Adobe Systems Inc.	\$ 1,984,500
3,000	Aetna Life & Casualty Company	141,750
52,900	American Control Corp	376,913
27,500	Apple Computer Inc	1,106,875
7,000	Applied Biosystems Inc.	180,250
80,000	Blockbuster Entertainment Corporation	1,590,000
54,800	Cablevision System Corporation Class "A"	1,746,750
30,000	Cambridge Bioscience Corp.	427,500
14,000	Cincinnati Milacron Inc.	308,000
2,800	Citytrust Bancorp Inc.	106,750
363,400	Compaq Computer Corporation	21,667,725
50,000	Computer Associate International Inc.	1,593,750
26,200	Conner Peripherals Inc.	206,325
3,500	Consolidated Papers Inc.	120,750
174,200	Cooper Companies Inc.	936,325
35,000	Dell Computer Corp.	350,000
147,700	Digital Equipment Corporation	14,529,988
22,500	Dionex Inc.	568,125
40,500	Dow Jones & Co. Inc.	1,194,750
55,000	Egghead Discount Software	632,500
111,500	Emery Air Freight Corp.	557,500
37,400	Environmental Treatment & Technologies Corporation	495,550
10,500	Equifax Inc.	284,813
131,100	Forest Laboratories Inc.	3,244,725
6,468	Frischs Restaurants Inc.	162,509
644,500	Genentech Inc.	10,312,000
22,000	Greenwich Pharmaceutical Inc.	107,250
70,000	Grumman Corporation	1,382,500
71,300	Harcourt Brace Jovanovich Inc.	668,438
320,400	Hewlett Packard Company	17,061,300
3,000	Himont Inc.	111,750
10,000	Home Office Reference Lab Inc.	127,500
27,600	Home Owners Federal Savings and Loan	231,150
	Carried forward	\$ 84,516,511

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS

Short Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Short</u>	<u>Value</u>
	Brought forward	\$ 84,516,511
	UNITED STATES SECURITIES (Cont'd)	
	Common and Preferred Stocks	
113,000	I.C.H. Corp.	536,750
162,000	Ideal Basic Industries Inc.	324,000
30,000	Integrated Resources Inc.	416,250
100,000	Intel Corporation	2,375,000
101,500	Intergraph Corporation	2,131,500
22,500	International Telecharge Inc.	146,250
40,000	Jefferson Smurfit Corp.	1,140,000
53,800	Jiffy Lube International Inc.	309,350
20,000	Kinetic Concepts Inc.	167,500
24,000	L.A. Gear Inc.	525,000
30,000	Landmark Land Co. Inc.	603,750
50,000	Lotus Development Corporation	912,500
64,500	Lyphomed Inc.	749,813
22,500	MAI Basic Four Inc.	191,250
20,000	Magna International Inc. Class "A"	209,700
90,000	Manufacturers Hanover Corporation	2,553,750
158,300	McDonnell-Douglas Corporation	11,912,075
38,000	Meritor Savings Bank	180,500
328,500	Microsoft Corporation	17,492,625
3,300	Millipore Corporation	114,675
30,000	Minnetonka Corporation	495,000
2,500	Motorola Inc.	105,000
37,500	Nelcor Inc.	492,188
21,800	Neutrogena Corporation	632,200
47,600	New England Critical Care Inc.	1,053,150
32,500	Newmont Gold Co.	1,121,250
263,300	Northrop Corporation	7,306,575
30,000	Novell Inc.	900,000
100,000	Oracle Systems Corp.	1,950,000
20,000	Paychex Inc.	350,000
22,500	Precision Castparts Corporation	624,375
	Carried forward	\$142,538,487

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Short Positions
December 31, 1988
(In U.S. Dollars)

Number of
shares,
contracts or
principal amount

Investments Other Than U.S. Government Securities—Short

Value

Brought Forward \$142,538,487

UNITED STATES SECURITIES (Cont'd)

Common and Preferred Stocks

72,800	Prime Motor Inns Inc.	2,329,600
16,200	Primerica Corporation	435,626
23,400	Rite Aid Corporation	763,425
15,900	Safety Kleen Corporation	385,575
20,000	Scherer (R.P.) Corporation	575,000
75,000	Stone Container Corporation	2,400,000
758,000	Sun Microsystems Inc.	12,601,750
14,350	Sun State Savings and Loan Association Phoenix	100,450
13,500	Symbol Technologies Inc.	244,688
136,300	Tektronix Inc.	2,777,113
229,000	Tele-Communications Inc. Class "A"	5,982,625
146,600	Texas Air Corporation	1,740,875
9,500	Texas Instruments Inc.	389,500
50,000	Turner Broadcasting Systems Inc. Class "B"	731,250
54,700	USG Corp.	307,688
3,500	US Life Corporation	122,063
17,800	V Band Corp.	135,725
109,000	Valley National Corp Arizona	2,670,500
75,000	Vista Chemical Company	3,740,625
64,300	Western Savings & Loan Association	152,713
7,000	Westvaco Corporation	203,000
	Positions individually less than \$100,000 in value	1,847,533

Total Common and Preferred Stocks 183,175,811

Options

350	Call 100 Farmers Group Inc. @ \$75 Exp. 2/89	4,972
300	Call 100 Lin Broadcasting Corp. @ \$65 Exp. 1/89	232,500
490	Call 100 Quantum Chemical Corp. @ \$105 Exp. 1/89	122,500
400	Call 100 S & P 100 Index @ \$255 Exp. 1/89	520,000
505	Call 100 TW Services Inc. @ \$25 Exp. 1/89	69,438
1,000	Call Yen Futures @ 83 Exp. 1/89	6,300

Total Options 955,710

Carried forward \$184,131,521

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries
CONSOLIDATED PORTFOLIO OF INVESTMENTS
Short Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Investments Other Than U.S. Government Securities—Short</u>	<u>Value</u>
	Brought forward	\$184,131,521
	EUROPEAN AND CANADIAN SECURITIES	
22,500	Agnico-Eagle Mines Ltd.	226,350
37,500	Saatchi & Saatchi Co. PLC	670,313
	Total European and Canadian Securities	896,663
	JAPANESE SECURITIES	
359,000	Ajinomoto Inc. Reg.	8,626,770
72,000	Kirin Brewery Ltd. Reg.	1,118,880
40,000	Meiji Milk Products Co.	324,672
15,000	Meiji Seika Kaisha Ltd.	115,350
2,000	Sony Corporation ADR New	115,750
	Total Japanese Securities	10,301,422
	NON-U.S. OPTIONS	
280,000	C B M Vale (Calls 3400) PP	305,569
	Total Non-U.S. Options	305,569
	Total Investments Other than U.S. Government Securities	<u>\$195,635,175</u>
<u>Number of shares, contracts or principal amount</u>	<u>U.S. Government Securities—Short</u>	<u>Value</u>
192,000,000	United States Treasury Bonds 9.125% Due 5/15/18 ..	\$194,169,600
250,000,000	United States Treasury Bonds 9% Due 11/15/18	250,078,125
50,000,000	United States Treasury Notes 9% Due 5/15/98	49,484,375
195,000,000	United States Treasury Notes 9.25% Due 8/15/98 ...	196,005,457
154,000,000	United States Treasury Notes 8.875%, Due 11/15/98 .	151,353,125
	Total U.S. Government Securities	<u>\$841,090,682</u>

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries

CONSOLIDATED PORTFOLIO OF INVESTMENTS

Short Positions
December 31, 1988
(In U.S. Dollars)

<u>Number of shares, contracts or principal amount</u>	<u>Unrealized Gain (Loss) on Open Futures Contracts—Short</u>	<u>Value</u>
177	Copper Futures, March 1989, 25,000 Lbs per contract	\$ (771,750)
986	Copper Futures, May 1989, 25,000 Lbs per contract . .	(2,254,175)
110	Copper Futures, July 1989, 25,000 Lbs per contract . .	(350,500)
2,350	U. S. Treasury Bond Futures, March 1989, \$100,000 Face	(1,909,375)
5,451	S & P Index Futures, March 1989	<u>75,975</u>
	Net Unrealized Loss On Open Futures Con- tracts—Short	<u>\$ (5,209,825)</u>

<u>Face of</u>	<u>Unrealized Gain (Loss) on Open Forward Currency Contracts—Short</u>	
£114,103,000	British Pound, 1/30/89	\$ (512,767)
DM130,947,950	Deutsche Mark, 1/23/89	500,631
FF140,412,700	French Franc, 1/31/89	(216,726)
SF 42,410,000	Swiss Franc, 1/23/89	<u>234,421</u>
	Net Unrealized Gain On Open Forward Currency Contracts—Short	<u>\$ 5,559</u>

The accompanying notes are an integral part of the financial statements.

QUANTUM FUND N.V.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1988

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Principles of consolidation:

The consolidated financial statements of Quantum Fund N.V. and its subsidiaries (the "Fund") have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Quantum Fund N.V. and its subsidiaries.

Soros S.A., the Panamanian subsidiary, was liquidated during 1988 and its assets were distributed to its parent, Quantum (BVI) Limited.

All significant intercompany balances and transactions have been eliminated in consolidation.

B. Translation of non-U.S. currencies:

Assets and liabilities denominated in currencies other than the U.S. dollar are translated at the rate of exchange in effect at year-end with the related translation adjustments reflected in results of operations. Security transactions and income and expenses are translated at rates of exchange in effect at the time of each transaction.

C. Security transactions and valuation:

Security transactions are accounted for on a trade date basis. Securities traded on securities exchanges or listed on the NASDAQ National Market List are valued at the last sales price reported on the last business day of the year or, in the case of over-the-counter securities, at the last reported bid price for securities held long or the last reported asked price for securities sold short. Investments in other open-end investment companies are valued at the net asset value reported for the last business day of the year. In the absence of quoted values, securities are valued at fair value as determined by the Managing Director in consultation with the principal investment advisor, Soros Fund Management ("SFM").

Unrealized gain or loss on open forward currency contracts is calculated as the difference between the contract rate and the applicable forward rate reported in published sources on the last business day of the year applied to the face amount of the contract.

Unrealized gain or loss on open futures contracts is calculated as the difference between the contract price at trade date and the closing price on the last business day of the year reported on the primary exchange on which the futures contracts are traded. Related margin deposits are included in due to and due from brokers.

D. Reverse repurchase agreements:

Securities purchased under agreements to resell (reverse repurchase agreements) are valued at cost. Interest rates are set in the agreement. It is the Fund's policy to take possession of securities purchased under agreements to resell and to value the securities on a daily basis to protect the Fund in the event the securities are not repurchased by the counterparty. In addition, provisions are made to obtain additional collateral if the market value of the underlying assets is not sufficient to protect the Fund.

QUANTUM FUND N.V.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 1988

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:—(Continued)

E. Determination of gains or losses on sales of investments:

Cost of investments sold is determined on the specific identification method for purposes of determining gain or loss on sales of investments.

NOTE 2—BORROWINGS:

Short-term loans outstanding at December 31, 1988, with maturity dates through February 27, 1989, bear interest at rates ranging from 5.75% to 14.0% depending on currency borrowed. The repurchase agreement outstanding at December 31, 1988 matures at the discretion of the Fund or the counterparty and bears interest at 9.4%. Substantially all of the Fund's investment portfolio is pledged to secure short-term loans, margin accounts with brokers, short sale positions and repurchase agreements, or is held as collateral in lieu of margin deposits.

Lines of credit at December 31, 1988 in various currencies totaled approximately \$3.0 billion, of which \$2.6 billion was unused. These lines of credit carry interest rates ranging from 5.75% to 14.0%.

Certain directors of the Fund are also directors and/or officers of banking institutions with which the Fund had borrowings at December 31, 1988 totaling \$30.9 million and cash on deposit totaling \$16.6 million.

NOTE 3—ADVISORY AND MANAGING DIRECTOR FEES:

Advisory fees:

During 1987, the Board of Supervisory Directors approved a revised fee arrangement with SFM effective January 1, 1988. This revised fee arrangement, which expires December 31, 1990, was approved by Fund shareholders on September 30, 1988. Under the terms of the arrangement, SFM provides investment advisory services to the Fund and is compensated through a basic investment advisory fee plus an annual performance fee.

The basic investment advisory fee is an amount equal to one-twelfth of one percent (0.0833%) of the Fund's consolidated net assets at the end of each calendar month, and is payable on the first business day of the succeeding month. The annual performance fee is an amount equal to fifteen percent (15%) of the total of 1) the annual net increase in net assets from operations, before fees to investment advisors other than SFM, plus or minus 2) gains/losses realized on transactions in Fund shares by the Fund or its subsidiaries, less 3) the amount, if any, that net assets in the prior year decreased from operations, subject to certain adjustments. Additionally, the Fund may be required to reimburse SFM for the amount of bonus compensation, up to \$6 million, paid to certain SFM employees, should that amount exceed the annual performance fee computed as described above.

The performance fee payable to SFM is reduced by the amount of reimbursement to SFM for bonus compensation paid to certain SFM employees in an amount not to exceed \$6 million, and the amount of advisory fees paid and/or accrued by the Fund to advisors other than SFM.

QUANTUM FUND N.V.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 1988

NOTE 3—ADVISORY AND MANAGING DIRECTOR FEES:—(Continued)

SFM may elect to defer payment on all or a portion of the annual performance fee for a period of not more than ten years. The amount of the performance fee deferred shall be adjusted to reflect the change in the net asset value per share of the Fund (adjusted for any cash or stock dividends) during the deferral period.

For 1988, fees incurred under this arrangement were: \$18.6 million for the basic investment advisory fee of which \$6.9 million was payable at December 31, 1988; \$25.4 million for the annual performance fee of which the full amount was payable at December 31, 1988. Under the terms of the agreement, payment of the 1988 performance fee was deferred by SFM.

The Fund is authorized to engage other investment advisors and to pay basic and incentive fees to such advisors under the direction of SFM and as approved by the Board of Supervisory Directors. The Fund engages other investment advisors under separate investment advisory agreements. Basic fees under these agreements range up to an annual rate of 2% of average net assets under management. Certain agreements also provide for incentive performance fees of up to 20% of the net gain in the value of net assets under management during each period, adjusted for deposits, withdrawals and losses carried forward, if any. At December 31, 1988 the value of net assets managed by other advisors as a group was approximately \$326.2 million, with the largest single advisor managing approximately \$99.2 million.

In certain cases, incentive fees are subject to reduction for future losses, if any. Fees to these advisors reduce the performance fee earned by SFM.

Managing Director fee:

Curacao Corporation Company N.V. has served as the Managing Director of the Fund since its inception.

Curacao International Trust Company N.V., the sole shareholder of Curacao Corporation Company N.V., has acted as Administrator of the Fund since its inception and provides administrative, accounting and registrar and transfer agent services. The fee for these services is approved by the Fund's Board of Supervisory Directors.

NOTE 4—SPECIAL INVESTMENTS:

Three directors of the Fund and the Fund's principal investment advisor are also directors of Haussmann Overseas N.V. or Haussman Holdings Investment Management Company S.A., an open-end investment company. At December 31, 1988, the value of the Fund's investment in Haussmann Overseas N.V. totaled \$65,458,727.

During 1987, the sole proprietor of SFM became a director of Fairchild Industries Inc. ("Fairchild"). At December 31, 1988 the Fund held 1,491,800 shares of common stock of Fairchild at fair value totaling \$23,495,850. The sole proprietor of SFM also owned securities of Fairchild as a private investor. During 1987, the Fund and the sole proprietor of SFM (as a private investor) entered into an agreement with Fairchild, whereby they agreed not to

QUANTUM FUND N.V.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 1988

NOTE 4—SPECIAL INVESTMENTS:—(Continued)

purchase or sell certain Fairchild securities for a period of time. These securities included the Fairchild common stock held by the Fund. In January 1989, both the Fund and the sole proprietor of SFM sold these securities to Fairchild and the sole proprietor of SFM resigned as a director of Fairchild. The Fund's proceeds on the sale of its Fairchild securities were greater than the December 31, 1988 valuation.

At December 31, 1988, the Fund held restricted securities totaling \$94 million, and other securities totaling \$42 million, that were valued at a discount from available market quotes to give effect to the restrictions on these shares and/or the Fund's relatively large and, as a result, possibly illiquid holdings of these securities.

NOTE 5—NETHERLANDS ANTILLES PROFIT AND FOREIGN TAXES:

Profit tax:

The Fund and its Netherlands Antilles subsidiaries, Quantum Overseas N.V. and Quantum Overseas II N.V., are subject to Netherlands Antilles profit tax. Effective January 1, 1988, the Fund and its Netherlands Antilles subsidiaries are each subject to a maximum annual Netherlands Antilles profit tax of \$10,000.

Provisions of the profit tax applicable prior to 1988 are generally as follows:

Net dividend income is subject to tax at rates of 2.4% to 3.0%. Net interest income received from sources outside the United States and the United Kingdom is also subject to tax at rates of 2.4% to 3.0%.

Net interest income received from U.K. sources and certain net interest income received from U.S. sources are subject to tax at rates of 24% to 30%.

Capital gains, hedging exchange gains and intercompany dividends from one Netherlands Antilles corporation to another are not subject to Netherlands Antilles profit tax.

No provision has been made for deferred Netherlands Antilles profit tax on the undistributed earnings of Quantum (BVI) Ltd. and its subsidiaries since it has been determined that such earnings are not intended to be distributed in taxable transactions.

Feronia Limited, a wholly owned British Virgin Islands subsidiary of Quantum (BVI) Limited which invests primarily in Japanese securities, is subject to BVI income tax on net dividend and interest income arising from Japan (or other jurisdictions outside the BVI which impose withholding taxes at source) at the rate of 15%, with a full credit for Japanese or other foreign taxes withheld at source; its capital gains are not subject to BVI income tax. Quantum (BVI) Limited and its BVI subsidiaries other than Feronia Limited are not subject to BVI income tax, since these subsidiaries were not considered resident in the BVI for tax purposes during 1988.

Soros S.A., the Panamanian subsidiary of Quantum (BVI) Limited, liquidated in 1988, was not subject to taxes in Panama with respect to its income, which was earned solely from sources outside Panama.

Quantum Brasil Fundo de Investimento-Capital Estrangeiro, the subsidiary of Quantum Fund N.V., has been incorporated in the Federative Republic of Brazil in accordance with the provisions of Decree-Law Number 2.285, of July 23, 1986 and Resolution Number 1.289 of the

QUANTUM FUND N.V.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 1988

NOTE 5—NETHERLANDS ANTILLES PROFIT AND FOREIGN TAXES:—(Continued)

Central Bank of Brazil, dated March 20, 1987, and is not subject to taxes in Brazil with respect to its income since Quantum Brasil Fundo de Investimento-Capital Estrangeiro is a foreign capital investment vehicle.

Foreign income and withholding taxes:

Capital gains derived by the Fund and its subsidiaries are generally exempt from foreign income or withholding tax at source. Foreign taxes are generally withheld at source on dividend and interest income earned by the Fund and its subsidiaries at rates ranging up to 30%.

Dividends earned by the Fund and its Netherlands Antilles subsidiaries from U.S. sources are subject to 30% withholding tax at source as a result of the termination of certain provisions of the Income Tax Treaty between the United States and the Netherlands Antilles as of December 31, 1987.

Interest income derived by the Fund and its Netherlands Antilles subsidiaries from U.S. and U.K. sources generally is exempt from withholding tax at source.

The Fund and its investment subsidiaries are considered "passive foreign investment companies" for U.S. income tax purposes. Although this designation does not impose U.S. federal income tax on gains or income derived by the Fund and its subsidiaries, it does, however, affect the U.S. federal income tax treatment of certain Fund gains and income for those direct and indirect shareholders of the Fund who are United States persons.

NOTE 6—CAPITAL STOCK:

Shares of Class A stock are offered at the month-end net asset value, plus a sales premium fixed from time to time by the Fund's Board of Supervisory Directors or as adjusted in connection with secondary transactions in the Class A stock through Qasco Limited, the Fund's dealing subsidiary, as described below. Class A stock may generally be redeemed each calendar quarter-end at net asset value less a redemption charge of 1%.

Effective January 1, 1982, the Fund began accepting subscriptions for Class B stock. Substantially all Class B shares and 1,070 Class A shares are owned by the sole proprietor of SFM and trusts created by him. Each Class B share is convertible into 855.72 Class A shares. The net increase or decrease in the net asset value of the Fund is allocated between shares of Class A stock and Class B stock pro rata based on the aggregate value of shares outstanding.

Transactions directly with the Fund in Class A and Class B stock were as follows:

	1988		1987	
	Class A	Class B	Class A	Class B
Shares subscribed	77.72	—	5,994.17	3.00
Shares redeemed	(16,729.80)	—	(3,982.68)	—
Shares converted	121.60	(.14)	564.60	(.66)
Net (decrease) increase	<u>(16,530.48)</u>	<u>(.14)</u>	<u>2,576.09</u>	<u>2.34</u>

QUANTUM FUND N.V.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 1988

NOTE 6—CAPITAL STOCK:—(Continued)

At December 31, 1988, there were 250,000 and 100 shares of Class A and B stock authorized, respectively, each with a par value of \$1.00 per share. Additional paid-in capital at December 31, 1988 totaled \$385.7 million.

Qasco Limited ("Qasco") was formed as a wholly owned subsidiary of Quantum (BVI) Limited to purchase and have available for resale Class A stock of the Fund throughout the year. Qasco is authorized either to hold shares which it acquires for subsequent resale or to tender such shares to the Fund for redemption.

In addition, Qasco is authorized to purchase shares directly from the Fund for the purpose of filling orders exceeding Qasco's current inventory of Class A stock. Qasco generally executes purchase and sale orders in the secondary market through selected institutions. At December 31, 1988, Qasco did not hold shares of the Fund's Class A stock in inventory.

Qasco's quotations for the purchase and sale of Class A stock are adjusted by its management (who are affiliated with the Fund's Managing Director) whenever Qasco purchases or sells a significant number of shares, subject to certain guidelines which are reviewed periodically by the Fund's Board of Supervisory Directors. Consistent with the foregoing, Qasco is authorized to purchase shares at a premium over net asset value whenever it is determined that demand exceeds supply, as well as to increase or decrease its quoted sales premium over net asset value, or its purchase premium or discount over or under net asset value, to reflect prevailing market conditions. At December 31, 1988, Qasco's quoted premium over net asset value for sales (exclusive of commissions) and its quoted discount under net asset value for purchases (exclusive of commissions) each were 1%.

In 1988, net premiums over net asset value received on subscriptions and net discounts under net asset value realized on redemptions aggregated approximately \$2.7 million and are included in additional paid-in capital.

The Fund's Board of Supervisory Directors has determined that the subscription premium for the purchase of Class A stock directly from the Fund should be adjusted periodically to reflect Qasco's premium for the sale of shares.

During 1988, the Board of Supervisory Directors recommended and the Fund shareholders approved amendments to the Fund's Articles of Incorporation to permit the granting of options on the Fund's stock to Supervisory Directors, the Managing Director and others who render services to the Fund. Subsequently, the Board of Supervisory Directors authorized a grant of a stock option to the Chairman of the Board of Supervisory Directors for 150 shares of Class A stock based on the January 1, 1988 net asset value per share of the Fund. Under the terms of this grant, the Chairman would be required to exercise the stock option when it had appreciated in value by \$85,000. This option was exercised during 1988 on the purchase of 77 shares of Class A stock at the time that the net asset value per share was \$12,187.26.

QUANTUM FUND N.V.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
December 31, 1988

NOTE 7—SECURITY TRANSACTIONS:

A significant portion of securities transactions are placed through Arnhold and S. Bleichroeder, Inc. ("Bleichroeder"), the Fund's primary custodian and, in accordance with normal trade practice, Bleichroeder receives interest on debit balances and brokerage commissions on securities transactions.

Certain investment advisors also received interest on debit balances and brokerage commissions on transactions executed by them.

NOTE 8—QUANTUM EMERGENCY TRUST:

During 1984, the shareholders of the Fund approved the establishment of the Quantum Emergency Trust in the British Virgin Islands (the "Trust") for the purpose of protecting the Fund's assets for the benefit of its shareholders in the event of the occurrence of military or political emergencies in the Netherlands Antilles or in the principal European countries in which the Fund's shareholders are domiciled and certain other jurisdictions.

If certain emergency events occur, ownership of the Fund's portfolio assets will be transferred to a trustee to hold for the benefit of the Fund's shareholders. In general, each shareholder will have rights and privileges as a Trust beneficiary which are substantially the same as rights and privileges as a Fund shareholder. However, if a shareholder's interest in the Fund would be subject to freezing or seizure as a result of the occurrence of an emergency event (for example, as a result of the shareholder being considered an "enemy alien" under the United States Trading with the Enemy Act), the trustee will be authorized to exercise complete discretion in determining the extent to which the shareholder is a beneficiary of the Trust. CITCO Trust Corporation Limited, an affiliate of the Managing Director of the Fund, has been appointed as trustee of the Trust.

NOTE 9—DIVIDEND SUBSEQUENT TO DECEMBER 31, 1988:

On February 14, 1989 the Fund declared a dividend of \$500 per share of Class A stock, assuming conversion of all Class B shares, payable on March 15, 1989 to shareholders of record of both Class A and Class B stock on February 28, 1989. The dividend totaled \$73,200,000 of which \$22,900,000 was paid in cash and \$50,300,000 was reinvested in additional shares of Class A stock.

QUANTUM FUND N.V.
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CONSOLIDATED SELECTED PER SHARE DATA AND RATIOS

Five Years Ended December 31, 1988

(In U.S. Dollars)

Selected data for a share of Class A stock (assuming conversion of all Class B shares) outstanding throughout each year:

	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>
Investment income	\$ 940.50	\$ 768.61	\$ 444.46	\$ 459.44	\$ 588.91
Expenses	(482.62)	(597.13)	(331.46)	(217.00)	(64.08)
Interest expense	<u>(631.80)</u>	<u>(865.49)</u>	<u>(477.45)</u>	<u>(438.80)</u>	<u>(452.73)</u>
Net investment (loss) income	(173.92)	(694.01)	(364.45)	(196.36)	72.10
Net realized gains	703.41	2,659.96	4,559.93	2,314.81	191.97
Increase (decrease) in unrealized appreciation	578.13	(629.70)	(1247.37)	1,813.14	12.65
Minority interest	<u>(5.87)</u>	<u>(39.79)</u>	<u>(180.48)</u>	<u>(204.81)</u>	<u>(14.65)</u>
Net increase in net asset value from operations	1,101.75	1,296.46	2,767.63	3,726.78	262.07
Increase in net asset value from premiums on redemptions and sales of Fund shares	16.76	67.41	94.34	9.95	.67
Net asset value:					
Beginning of year	<u>11,020.36</u>	<u>9,656.49</u>	<u>6,794.52</u>	<u>3,057.79</u>	<u>2,795.05</u>
End of year	<u>\$12,138.87</u>	<u>\$11,020.36</u>	<u>\$9,656.49</u>	<u>\$6,794.52</u>	<u>\$3,057.79</u>
Ratio of expenses (excluding interest and commitment fees) to average net assets	<u>4.15%</u>	<u>4.79%</u>	<u>3.45%</u>	<u>4.99%</u>	<u>7.71%</u>
Ratio of net investment (loss) income to average net assets	<u>(1.50%)</u>	<u>(5.59%)</u>	<u>(3.80%)</u>	<u>(4.52%)</u>	<u>3.73%</u>
Portfolio turnover	<u>1,814%</u>	<u>591%</u>	<u>455%</u>	<u>232%</u>	<u>838%</u>
Number of Class A shares outstanding at end of year	<u>108,351.45</u>	<u>124,881.93</u>	<u>122,305.84</u>	<u>104,871.00</u>	<u>102,760.14</u>

The accompanying notes are an integral part of the consolidated financial statements.