

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2016
(in U.S. Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Friedberg Global-Macro Hedge Fund Ltd.

We have audited the accompanying financial statements of Friedberg Global-Macro Hedge Fund Ltd. (the "Fund"), which comprise the statements of financial position as at December 31, 2016 and 2015, the statements of income (loss) and comprehensive income (loss), changes in net assets attributable to holders of redeemable shares and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Zeifmans (Cayman)

Grand Cayman, Cayman Islands
June 27, 2017

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

(a Cayman Islands Company)

STATEMENTS OF FINANCIAL POSITION**AS AT DECEMBER 31, 2016 AND 2015**

(in U.S. Dollars)

	<u>2016</u>	<u>2015</u>
	\$	\$
<u>ASSETS</u>		
Cash balances at broker	87,646,927	273,182,741
Cash held as collateral on futures and swap contracts	21,438,794	82,274,513
Equity securities	60,316,345	385,525,861
Fixed income securities	265,705,383	-
Amounts receivable (note 5)	9,415,841	69,803,888
Unrealized gain on futures, forwards and equity swap contracts	5,318,101	15,961,573
Options contracts	26,218,925	7,721,932
TOTAL ASSETS (note 7)	476,060,316	834,470,508
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities (note 6 and 12)	9,781,813	36,356,594
Withholding tax payable	3,877,872	-
Equity securities sold short (note 7)	5,961,951	245,424,128
Unrealized loss on futures, forwards and equity swap contracts (note 7)	7,237,356	5,117,271
Options contracts written (note 7)	8,637,600	737,636
Redemptions payable	219,344	19,925
Credit default swap contracts (note 7)	1,870,928	9,846,449
TOTAL LIABILITIES	37,586,864	297,502,003
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	438,473,452	536,968,505
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES BY SERIES		
Series A	415,917,981	510,668,277
Series M	22,555,471	26,300,228
	438,473,452	536,968,505
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE (note 11)		
Series A	2,975.75	3,539.86
Series M	3,162.56	3,687.62

Approved and authorized for issue by the Fund's corporate director, FCMI Corporate Services (Cayman) Ltd. on June 27, 2017.

Albert Friedberg Director, FCMI Corporate Services (Cayman) Ltd.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(in U.S. Dollars)

	2016			2015		
	Series A \$	Series M \$	Total \$	Series A \$	Series M \$	Total \$
Balance, beginning of the year	510,668,277	26,300,228	536,968,505	471,138,848	-	471,138,848
Conversion of shares (note 11)	-	-	-	(21,936,291)	21,936,291	-
Increase (decrease) in net assets attributable to holders of redeemable shares	(80,890,610)	(3,744,757)	(84,635,367)	67,306,280	4,363,937	71,670,217
Redemption of shares (note 11)	(13,859,686)	-	(13,859,686)	(5,840,560)	-	(5,840,560)
Balance, end of the year	415,917,981	22,555,471	438,473,452	510,668,277	26,300,228	536,968,505

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(in U.S. Dollars)

	<u>2016</u>	<u>2015</u>
	\$	\$
INCOME (LOSS)		
Realized gains on equity securities and equity securities sold short	39,964,574	84,413,889
Change in net unrealized gain/loss on fixed income securities	33,347,438	-
Interest	14,214,915	110,093
Change in net unrealized gain/loss on credit default swap contracts	4,667,068	(2,428,432)
Realized gains (losses) on futures, forward and equity swap contracts	3,001,363	31,632,736
Dividends	2,636,612	3,695,896
Realized gains on fixed income securities	1,478,954	-
Foreign currency translation gain	100,268	430,715
Change in net unrealized gain/loss on options contracts and options contracts written	(884,645)	(13,874,579)
Realized gains (losses) on credit default swap contracts	(5,515,409)	828,321
Realized losses on options contracts and options contracts written	(6,004,970)	(4,282,591)
Change in net unrealized gain/loss on futures, forward and equity swap contracts	(13,289,717)	(3,533,114)
Realized gains (losses) on equity swap contracts	(50,322,699)	1,739,820
Change in net unrealized gain/loss on equity securities and equity securities sold short	<u>(84,800,982)</u>	<u>(8,867,352)</u>
TOTAL INCOME (LOSS)	<u>(61,407,230)</u>	<u>89,865,402</u>
EXPENSES		
Management fees (note 12)	10,026,211	8,849,824
Withholding taxes	6,014,517	1,010,487
Transaction costs	2,632,566	3,802,420
Dividends on securities sold short	2,407,716	3,125,769
Interest	1,573,760	938,922
Administrative fees	387,994	331,184
Custodian fees	109,808	3,035
Audit fees	74,065	109,412
Legal fees	<u>1,500</u>	<u>24,132</u>
TOTAL EXPENSES	<u>23,228,137</u>	<u>18,195,185</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	<u>(84,635,367)</u>	<u>71,670,217</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES BY SERIES		
Series A	(80,890,610)	67,306,280
Series M	<u>(3,744,757)</u>	<u>4,363,937</u>
	<u>(84,635,367)</u>	<u>71,670,217</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE		
Series A	<u>(563.69)</u>	<u>492.56</u>
Series M	<u>(525.06)</u>	<u>611.88</u>

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(in U.S. Dollars)

	2016	2015
	\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(84,635,367)	71,670,217
Adjustments for:		
Change in net unrealized gain/loss on fixed income securities	(33,347,438)	-
Change in net unrealized gain/loss on credit default swap contracts	(4,667,068)	2,428,432
Change in net unrealized gain/loss on futures, forward and equity swap contracts	13,289,717	3,533,114
Change in net unrealized gain loss on equity securities and equity securities sold short	84,800,982	8,867,352
Change in net unrealized gain/loss on options contracts and options contracts written	884,645	13,874,579
Realized gains on equity securities and equity securities sold short	(39,964,574)	(84,413,889)
Realized losses (gains) on futures, forward and equity swap contracts	(3,001,363)	(31,632,736)
Realized losses (gains) on credit default swap contracts	5,515,409	(828,321)
Realized gains on fixed income securities	(1,478,954)	-
Realized losses on options contracts and options contracts written	6,004,970	4,282,591
Realized losses (gains) on equity swap contracts	50,322,699	(1,739,820)
Purchase of investments	(1,790,001,154)	(1,345,312,901)
Proceeds on sale of investments	1,525,675,673	1,568,479,514
Net change in working capital items:		
Amounts receivable	60,388,047	(69,551,577)
Accounts payable and accrued liabilities	(26,574,781)	34,951,269
Withholding tax payable	3,877,872	-
Redemptions payable	199,419	(39,850)
NET CASH FLOW FROM OPERATING ACTIVITIES	(232,711,266)	174,567,974
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments for redemption of shares, net of change in redemptions payable	(13,660,267)	(5,880,410)
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(246,371,533)	168,687,564
CASH, BEGINNING OF THE YEAR	355,457,254	186,769,690
CASH, END OF THE YEAR	109,085,721	355,457,254
<u>CASH BALANCES, END OF THE YEAR</u>		
Cash balances at broker	87,646,927	273,182,741
Cash held as collateral on futures and swap contracts	21,438,794	82,274,513
	109,085,721	355,457,254

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2016
(in U.S. Dollars)

Equity securities:

<u>Number of shares</u>	<u>Country</u>	<u>Description</u>	<u>Average cost</u>	<u>Fair value</u>	<u>Fair value as of</u>
			\$	\$	% of total %
870,200	United States	<i>Consumer Discretionary</i> Circuit City Stores Inc.	4,361,491	1,740	0.00
721,150	United States	<i>Energy and Mining</i> Noble Energy, Inc.	26,185,819	27,446,967	45.51
5,988,862	Greece	<i>Financials</i> Alpha Bank A.E.	12,202,721	11,967,124	19.84
9,357,066	Greece	Eurobank Ergasias S.A.	7,289,924	6,347,333	10.52
29,823,337	Greece	National Bank of Greece S.A.	7,709,404	7,778,571	12.90
30,820,956	Greece	Piraeus Bank S.A.	6,882,702	6,774,610	11.23
			34,084,751	32,867,638	54.49
			64,632,061	60,316,345	100.00

Fixed income securities:

	<u>Face value</u>	<u>Currency</u>	<u>Coupon rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Fair value</u>	<u>Fair value as of</u>
			%		\$	\$	% of total %
Brazil Notas Do Tesouro Nacion Notes	459,950,000	Brazilian real	10.00	January 1, 2025	105,143,429	131,629,623	49.54
Brazil Notas Do Tesouro Nacion Notes	297,450,000	Brazilian real	10.00	January 1, 2027	77,232,891	84,080,810	31.64
U.S. Treasury Bills	50,000,000	U.S. dollars	0.00	January 12, 2017	49,981,625	49,994,950	18.82
					232,357,945	265,705,383	100.00

Long options contracts:

<u>Contract</u>	<u>Country</u>	<u>Position</u>	<u>Exercise price</u>	<u>Shares/ contract size</u>	<u>Expiry date</u>	<u>Option premium paid/ received</u>	<u>Fair value (asset)</u>	<u>Fair value (liability)</u>
			\$			\$	\$	\$
<i>Equity securities</i>								
<i>Consumer Discretionary (17%)</i>								
iShares U.S. Home Construction	United States	Call	51.97	15,831,600	January 20, 2017	1,741,476	1,583	-
iShares U.S. Home Construction	United States	Call	35.00	1,428,735	January 19, 2018	5,061,804	2,245,155	-
iShares U.S. Home Construction	United States	Call	38.00	2,924,100	January 19, 2018	5,117,175	2,116,125	-
						11,920,455	4,362,863	-
<i>ETF (5%)</i>								
SPDR S&P 500 ETF	United States	Put	170.00	10,524,190	March 17, 2017	5,259,394	1,300,047	-
<i>Futures contracts (78%)</i>								
Euro dollars		Put	98.00	10,505,000,000	June 18, 2018	4,464,625	4,989,875	-
Chinese yuan		Put	0.1355	7,099,560,000	July 20, 2017	11,736,400	15,566,140	-
						16,201,025	20,556,015	-
						33,380,874	26,218,925	-

Futures options contracts written:

Chinese yuan		Put	0.1296	7,421,830,000	July 20, 2017	6,445,400	-	(8,637,600)
							26,218,925	(8,637,600)

Total options contracts and options contracts written

Equity securities sold short:

<u>Number of shares</u>	<u>Country</u>	<u>Description</u>	<u>Average cost</u>	<u>Fair value</u>	<u>Fair value as of</u>
			\$	\$	% of total %
27,900	United States	<i>Consumer Discretionary</i> Tesla Motors Inc.	(5,381,675)	(5,961,951)	100

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2016
(in U.S. Dollars)

Futures and swap contracts:

<u>Contract</u>	<u>Position</u>	<u>Size</u>	<u>Open contract price</u>	<u>U.S. dollar amount</u>	<u>Settlement date</u>	<u>Unrealized gains</u>	<u>Unrealized losses</u>
			\$	\$		\$	\$
<i>Forward contracts</i>							
<i>Counterparty- J.P. Morgan Securities, LLC Rating Aa3</i>							
Brazilian real	Long	74,840,000	0.346	21,648,828	February 24, 2017	984,419	-
Euro	Short	127,650,000	1.042	133,038,107	February 22, 2017	-	(1,668,743)
				<u>154,686,935</u>		<u>984,419</u>	<u>(1,668,743)</u>

Unrealized gain (loss) on forward contracts:

Futures contracts

Non-financial futures

Brent crude oil	Long	82,000 barrels	55.650	4,563,300	March, 2017	95,940	-
Cattle	Long	6,520,000 lbs	1.139	7,430,190	February, 2017	136,270	-
Copper	Long	7,275,000 lbs	2.464	18,238,425	March, 2017	316,463	-
Corn	Long	1,050,000 bushels	3.625	3,806,250	March, 2017	-	(110,250)
Gas oil	Long	22,500 metric tons	492.500	11,081,250	February, 2017	275,625	-
Heating oil	Long	5,754,000 gal.	1.694	9,756,575	February, 2017	173,678	-
Lean hogs	Long	3,360,000 lbs	0.659	2,217,780	February, 2017	4,860	-
Natural gas	Long	720,000 mmBtu	3.586	2,567,480	March, 2017	95,800	-
RBOB Gasoline	Long	4,326,000 gallons	4.599	6,922,700	February, 2017	296,961	-
Silver	Long	2,675,000 oz.	16.891	45,201,970	March, 2017	-	(2,468,845)
Soybeans	Long	975,000 bushels	10.340	10,081,500	March, 2017	-	(292,500)
Soybean oil	Long	15,600,000 lbs.	0.373	5,811,000	March, 2017	-	(404,040)
				<u>127,678,420</u>		<u>1,395,597</u>	<u>(3,275,635)</u>

Financial futures

Fed Funds	Short	\$ 35,695,680,000	0.9888		December, 2017	2,938,085	-
Fed Funds	Short	\$ 3,585,200,500	0.9863		June, 2018	-	(141,978)
						<u>2,938,085</u>	<u>(141,978)</u>

Unrealized gain (loss) on commodity futures contracts:

Equity swap contracts

		<u>Contract size</u>	<u>Quarterly fees</u>	<u>Market price</u>	<u>Maturity</u>		
				\$			
Tesla Motors Inc.	Short	100,000	nil	213.690	November 15, 2018	-	(2,151,000)
Total unrealized gain (loss) on open futures, forward and equity swap contracts						<u>5,318,101</u>	<u>(7,237,356)</u>

Credit default swap contracts:

						<u>Fair value (asset)</u>	<u>Fair value (liability)</u>
						\$	\$
<i>Counterparty- Barclays Bank PLC- Rating A2</i>							
Banco Bilbao Vizcaya Argentaria, SA	Long	€ 10,000,000	5.00%	0.960	10,121,952	September 20, 2017	-
BNP Paribas	Long	€ 28,800,000	3.00%	0.993	30,083,777	March 20, 2017	(395,048)
Kimco Realty Corp.	Long	\$19,000,000	1.00%	0.989	19,779,051	March 20, 2018	(205,183)
Simon Property Group LP	Long	\$28,000,000	1.00%	0.983	27,512,800	March 20, 2019	(203,249)
					<u>87,497,580</u>		<u>(485,808)</u>
<i>Counterparty- J.P. Morgan Securities, LLC Rating Aa3</i>							
Credit Agricole	Long	€ 16,500,000	5.00%	0.987	17,138,946	March 20, 2017	-
Kingdom of Spain	Long	\$160,000,000	1.00%	0.998	159,632,000	March 20, 2017	(214,104)
					<u>176,770,946</u>		<u>(367,536)</u>
					<u>264,268,526</u>		<u>(581,640)</u>
Total unrealized gain (loss) on credit default swap contracts						<u>-</u>	<u>(1,870,928)</u>

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(in U.S. Dollars)

1. GENERAL INFORMATION

The Friedberg Global-Macro Hedge Fund Ltd. (the “Fund”) is an open-ended private investment company which was formed under the laws of the Cayman Islands and commenced operations on November 21, 2001. The Fund was organized for the purpose of trading and investing in securities. Pursuant to an investment advisory agreement, Friedberg Mercantile Group Ltd. is the investment advisor (the “Investment Advisor”) to the Fund. FCMI Financial Services (Cayman) Ltd., an affiliate of the Investment Advisor, is the manager (the “Manager”) of the Fund. The Manager owns all of the outstanding ordinary shares of the Fund.

The Fund is a multi-strategy fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, currency gains and capital appreciation by investing in the following four discrete groups of investments: (i) long positions in fixed income securities; (ii) long and short positions in equity securities; (iii) currency forwards and futures contracts and options thereon; and (iv) commodity forwards and futures contracts and options thereon, and other over-the counter traded derivatives instruments., (the “Portfolio Strategies”). The Fund invests in the Portfolio Strategies through managed accounts. Other managed accounts, investment vehicles, strategies and products may be added to the universe of the Portfolio Strategies among which Fund assets may be allocated from time to time. The Fund may from time to time invest in a wide range of instruments and markets, including, but not limited to, equities, equity-related instruments, currencies, commodities, fixed income and other debt-related instruments and derivative instruments.

The Fund’s principal and registered address is Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands. The Fund’s head office and location of records is 181 Bay Street, Suite 250, Toronto Ontario, M5J 2T3.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Fund’s significant accounting policies under IFRS are presented in note 3. The policies applied in these financial statements are based on IFRS issued and outstanding as of June 27, 2017, which is the date on which the financial statements were authorized for issue by the Manager.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities held at fair value through profit or loss (“FVTPL”) that have been accounted for based on fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional currency and presentation currency

These financial statements are presented in United States dollars, which is the functional and the reporting currency of the Fund.

(d) Comparative figures

Where applicable, certain comparative figures on the statements of cash flows have been restated. Amounts related to realized gains (losses) on futures and forward contracts have been previously presented with realized gains (losses) on equity swap contracts. In these financial statements, such amounts have been included in purchases of investments and realized gains (losses) on equity swap contracts have been shown separately. The impact on the net cash flow from operating activities is nil.

Where applicable, certain comparative figures on the statements of income (loss) and comprehensive income (loss) have also been restated. Amounts related to realized gains (losses) on equity swap contracts have been previously presented with realized gains (losses) on futures and forward contracts. In these financial statements, such amounts have been shown separately. The impact on income (loss) and comprehensive income (loss) is nil.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Recognition and measurement

Financial instruments are classified into one of the following categories: FVTPL, available-for-sale (“AFS”), loans and receivables, held-to-maturity (“HTM”) and other financial liabilities. Financial instruments classified as FVTPL may either be held-for trading or designated as FVTPL.

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of the financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial instruments at FVTPL are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provision of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. The Fund’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The Fund has not classified any of its financial instruments as AFS or HTM.

(ii) FVTPL

The Fund classifies its investments as financial assets at fair value through FVTPL. Financial assets have two sub-categories: those designated at FVTPL at inception, and financial assets held for trading. Financial assets designated at FVTPL at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with Fund’s documented investment strategy. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Fund classifies all of their cash balances at brokers, derivative assets and liabilities as held for trading and these are measured at FVTPL, while all debt and equity investments and net assets attributable to holders of redeemable shares have been designated as FVTPL.

The Fund’s investments are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges are valued at quoted market prices at the close of trading on the reporting date. The Fund uses the closing market price for investments where the closing price falls within that day’s bid-ask spread. In circumstances where the closing market price does not fall within the bid-ask spread, the Manager determines the point within the bid-ask spread that is the most representative of fair value based on specific facts and circumstances.

Options are valued at their close price as reported by the principal exchange or over the counter market on which the contract is traded. Any difference resulting from revaluation at the reporting date is treated as unrealized gain (loss) in the statements of income (loss) and comprehensive income (loss).

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded. The value of the contract is the gain or loss that would be realized upon settlement.

Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in the Fund's opinion, inaccurate, unreliable, or not reflective of all available material information are valued at their fair value as determined by the Fund using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data.

Over the counter derivatives (such as foreign currency forward contracts) are valued based on the difference between the contract forward rate and the rate prevailing on a reporting date.

The fair value of other financial assets and liabilities approximates their carrying values due to the short-term nature of these instruments.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivable is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Fund classifies amounts receivable, including contracts awaiting settlement as loans and receivables.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocation interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments, through the expected life of the financial asset or liability, or where appropriate, a shorter period.

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss in income (loss) in the statement of income (loss) and comprehensive income (loss), as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event objectively to an event occurring after the impairment was recognized.

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Fund classifies accounts payable and accrued liabilities and redemptions payable as other financial liabilities.

(b) Credit default swap contracts

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. A seller of protection is required to pay a notional or other agreed upon value to the buyer of the protection in the event of a default by a third party. In return, the seller would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the seller would keep the stream of payments and would have no payment obligations.

A buyer of protection would receive a notional or other agreed upon value from the seller of the protection in the event of a default by a third party. In return, the buyer would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

The premiums paid or received are included in the statements of income (loss) and comprehensive income (loss) in “net realized gain (loss) on futures, forward and swap contracts”. The change in the value of a credit default swap contract is included in the statements of financial position in “credit default swap contracts” and in the statements of income (loss) and comprehensive income (loss) in “change in net unrealized gain/loss on credit default swap contracts”.

When credit default swap contracts are closed out, gains or losses are included in the statements of income (loss) and comprehensive income (loss) in “net realized gains (losses) on credit default swap contracts”.

(c) Equity swap contracts

An equity swap contract is an agreement between two parties to exchange periodic payments based upon a notional principal amount, with one party paying a fixed or floating amount and the other party paying the actual return of a stock, a basket of stocks or a stock index.

A buyer of an equity swap contract would receive the total return of the underlying stocks or stock index. In return, the buyer would be required to pay to the counterparty a fixed or floating amount on the agreed settlement dates.

Any amount received or paid for equity swap contracts is included in the statements of income (loss) and comprehensive income (loss) in “realized gains (losses) on futures, forward and equity swap contracts”. The change in the value of an equity swap contract is included in the statements of financial position in “unrealized gain (loss) on futures, forward and equity swap contracts” and in the statements of income (loss) and comprehensive loss in “change in net unrealized gain/loss on futures, forward and equity swap contracts”.

When the equity swap contracts are closed out, gains or losses are included in the statements of income (loss) and comprehensive income (loss) in “net realized gains (losses) on equity swap contracts”.

(d) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs are expensed and are included in the statement of income (loss) and comprehensive income (loss).

(e) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign currency translation gains and losses.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit at brokers and cash owing to brokers and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase.

(g) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of income (loss) and comprehensive income (loss) as part of the net change in unrealized gain (loss) of investments and derivatives. Interest income from investments in fixed income securities and short-term investments represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Dividend income is recognized on the ex-dividend date.

Income (loss) from derivatives is shown in the statements of income (loss) and comprehensive income (loss) as net realized gain (loss) on futures, forward and equity swap contracts, credit default swap contracts and options contracts and net unrealized gain (loss) on futures, forward and equity swap contracts, credit default swap contracts and option contracts.

If the Fund incurs withholding taxes imposed by certain countries on investment income and capital gains, such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of income (loss) and comprehensive income (loss).

(h) Foreign currency translation

Transactions in foreign currencies, if any, are translated into the Fund's functional currency using the exchange rate prevailing on the trade date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the period-end exchange rate. Foreign currency exchange gains and losses are presented as "Foreign currency translation gain (loss)", except for those arising from financial instruments at FVTPL, which are recognized as a component within the applicable net realized or unrealized gain (loss) in the statements of income (loss) and comprehensive income (loss).

(i) Net assets attributable to holders of redeemable shares

Redeemable shares of the Funds are issued and redeemed at their respective NAV per share. The NAV per share for each series of shares is determined on the first business day of each week and the last business day of every month. The NAV of a particular series of shares of the Fund is computed by subtracting the series' share of the liabilities of the Fund from that series' share of the assets of the Fund. Income, non-series specific expenses, realized and unrealized gains (losses) of investments, and foreign currency and transactions costs are allocated proportionately to each series based on the relative NAV of each series of the Fund. Expenses directly attributable to a series are charged directly to that series.

Redeemable shares can be redeemed at any time for cash equal to a proportionate share of the Fund's NAV attributable to the share series. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts.

The increase (decrease) in net assets attributable to holders of redeemable shares per share reported in the statements of income (loss) and comprehensive income (loss) represents the increase (decrease) in net assets attributable to holders of redeemable shares by series for the period, divided by the average number of shares of the series outstanding during the period.

(j) Pending accounting changes

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in 2010 and is to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9 the same impairment model is applied to all financial instruments that are subject to impairment accounting. The current impairment model is replaced with an expected credit loss model which means that a loss event will no longer need to occur before an impairment allowance is recognized. IFRS 9 is tentatively effective for annual periods beginning on or after January 1, 2018. The Manager is currently evaluating the impact of IFRS 9 on the Fund's financial statements.

IFRS 7, *Financial Instruments – Disclosure* has also been amended for disclosures in respect of the transition from IAS 39 to IFRS 9. IFRS 7 is effective for annual periods beginning on or after January 1, 2018. The Manager is currently evaluating the impact of IFRS 7 on the Fund's financial statements.

IAS 7, *Statement of Cash Flows* was amended in January 2016. Effective from annual periods beginning on or after January 1, 2017, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Manager does not anticipate the amendment will have significant impact on the Fund's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Manager to make estimates, judgments and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

In making estimates and assumptions, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and assumptions have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making these estimates and assumptions in these financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Fund may hold financial instruments that are not quoted in active markets, including investments. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from pricing sources may be indicative and not executable. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 7 for more information on the fair value measurement of the Fund's financial instruments.

5. AMOUNTS RECEIVABLE

The amounts receivable consisted of the following as at December 31:

	<u>2016</u>	<u>2015</u>
	\$	\$
Interest receivable	9,415,841	138,195
Receivable for securities sold	-	69,665,693
	<u>9,415,841</u>	<u>69,803,888</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities consisted of the following as at December 31:

	<u>2016</u>	<u>2015</u>
	\$	\$
Payable for securities purchased	8,800,214	34,390,129
Accruals	<u>981,599</u>	<u>1,966,465</u>
	<u>9,781,813</u>	<u>36,356,594</u>

7. FINANCIAL INSTRUMENTS

The Fund held the following financial instruments as at December 31:

	<u>2016</u>	<u>2015</u>
	\$	\$
FVTPL, measured at fair value:		
Assets		
Cash balances at broker (a)	87,646,927	273,182,741
Cash held as collateral on futures and swap contracts (a)	21,438,794	82,274,513
Equity securities (b)	60,316,345	385,525,861
Fixed income securities (b)	265,705,383	-
Unrealized gain on futures, forwards and equity swap contracts (a)	5,318,101	15,961,573
Options contracts (a)	26,218,925	7,721,932
Liabilities		
Equity securities sold short (b)	5,961,951	245,424,128
Unrealized loss on futures, forwards and equity swap contracts (a)	7,237,356	5,117,271
Options contracts written (a)	8,637,600	737,636
Credit default swap contracts (a)	1,870,928	9,846,449
Net assets attributable to redeemable shares (b)	438,473,452	536,968,505
Loans and receivables, measured at amortized cost:		
Amounts receivable, including contracts awaiting settlement	9,415,841	69,803,888
Financial liabilities, measured at amortized costs		
Accounts payable and accrued liabilities, including contracts awaiting settlement	9,781,813	36,356,594
Redemptions payable	219,344	19,925

(a) Held for trading

(b) Designated at FVTPL upon initial recognition

The fair value of these financial instruments approximates their carrying value.

The following table presents the net gain (loss) on financial instruments at FVTPL by category for the year:

	<u>2016</u>	<u>2015</u>
	\$	\$
Held for trading	(67,817,421)	10,622,969
Designated at FVTPL	<u>4,002,475</u>	<u>76,116,664</u>
	<u>(63,814,946)</u>	<u>86,739,633</u>

Fair Value Hierarchy of Financial Instruments

The Fund has categorized its financial instruments that are carried at fair value, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets and liabilities classified as Level 1 generally include cash balances at broker, cash held as collateral on futures and swap contracts, equity securities, fixed income securities, unrealized gain (loss) on futures contracts, equity and futures options contracts, equity securities sold short, and equity options and futures options contracts written.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The types of assets and liabilities classified as level 2 include unrealized gain (loss) on forward and equity swap contracts.

Level 3: Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These observable inputs reflect the Fund's assumptions about the assumptions market participants would use in pricing the asset or liability. The types of assets and liabilities classified as level 3 include credit default swaps and net assets attributable to redeemable shares.

The following table presents the Fund's fair value hierarchy of its financial instruments as at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
ASSETS				
Cash balances at broker	87,646,927	-	-	87,646,927
Cash held as collateral on futures and swap contracts	21,438,794	-	-	21,438,794
Equity securities	60,316,345	-	-	60,316,345
Fixed income securities	265,705,383	-	-	265,705,383
Unrealized gain on futures contracts	4,333,682	-	-	4,333,682
Unrealized gain on forward contracts	-	984,419	-	984,419
Options contracts	26,218,925	-	-	26,218,925
	<u>465,660,056</u>	<u>984,419</u>	<u>-</u>	<u>466,644,475</u>
LIABILITIES				
Equity securities sold short	5,961,951	-	-	5,961,951
Unrealized loss on equity swap contracts	-	2,151,000	-	2,151,000
Unrealized loss on futures contracts	3,417,613	-	-	3,417,613
Unrealized loss on forward contracts	-	1,668,743	-	1,668,743
Options contracts written	8,637,600	-	-	8,637,600
Credit default swap contracts	-	-	1,870,928	1,870,928
Net assets attributable to redeemable shares	-	-	438,473,452	438,473,452
	<u>18,017,164</u>	<u>3,819,743</u>	<u>440,344,380</u>	<u>462,181,287</u>

The following table presents the Fund's fair value hierarchy of its financial instruments as at December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
ASSETS				
Cash balances at broker	273,182,741	-	-	273,182,741
Cash held as collateral on futures and swap contracts	82,274,513	-	-	82,274,513
Equity securities	385,525,861	-	-	385,525,861
Unrealized gain on equity swap contracts	-	796,492	-	796,492
Unrealized gain on futures contracts	14,381,256	-	-	14,381,256
Unrealized gain on forward contracts	-	783,825	-	783,825
Options contracts	7,721,932	-	-	7,721,932
	<u>763,086,303</u>	<u>1,580,317</u>	<u>-</u>	<u>764,666,620</u>
LIABILITIES				
Equity securities sold short	245,424,128	-	-	245,424,128
Unrealized loss on equity swap contracts	-	2,628,035	-	2,628,035
Unrealized loss on futures contracts	2,235,158	-	-	2,235,158
Unrealized loss on forward contracts	-	254,078	-	254,078
Options contracts written	737,636	-	-	737,636
Credit default swap contracts	-	-	9,846,449	9,846,449
Net assets attributable to redeemable shares	-	-	536,968,505	536,968,505
	<u>248,396,922</u>	<u>2,882,113</u>	<u>546,814,954</u>	<u>798,093,989</u>

8. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the Fund's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most recent prospectus for a complete discussion of the risk attributed to an investment in the units of the Fund. Significant financial instrument risks that are relevant to the Fund and an analysis of how they are managed are presented below. Total assets and liabilities presented in the tables below are not intended to match total assets and liabilities disclosed in the statement of financial position, due to differences of derivative instruments. Certain risks, such as currency and interest rate risk may be correlated. Such correlation is not taken into account in these financial statements.

(a) **Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The table below summarizes the Fund's overall market exposure:

	<u>Fair value</u>	<u>% of NAV</u>
	\$	%
Equity securities	60,316,345	13.76
Fixed income securities	265,705,383	60.6
Equity securities sold short	5,961,951	1.36
Options contracts	26,218,925	5.98
Options contracts written	8,637,600	1.97
Financial futures contracts	2,796,107	0.64
Non- financial futures contracts (total notional value)	127,678,420	29.12
Forward contracts (total notional contract value)	154,686,935	35.28
Equity swaps contracts (total notional contract value)	21,369,000	4.87
Credit default swaps (total notional contract value)	264,268,526	60.27

The total of contract amounts represents the absolute total of all contracts. Such amounts are not truly additive as they may include opposite positions for different dates in the same underlying position or opposite positions for the same or different dates in the same underlying derivative but in different types of vehicles.

Price sensitivity

As at December 31, 2016 had the prices of the investments held in the Fund, excluding financial futures, decreased or increased by 5% with all other variables held constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased or (decreased) by \$46,742,154. In practice, the actual trading results may differ from this analysis and the difference may be material.

As at December 31, 2016 had the underlying U.S. Federal overnight interest rate on the Fed Funds futures contract decreased or increased by 25 basis points with all other variables held constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased or (decreased) by \$8,278,758.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates, which can be caused by market, political and/or other factors which may be subject to intervention by sovereign governments.

The Fund holds assets denominated in currencies other than its measurement currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuates due to changes in exchange rates.

The table below summarizes the Fund's exposure to currency risk (in U.S. dollars):

<u>Currency</u>	<u>Equities</u>	<u>Fixed income securities</u>	<u>Credit default swap contracts (i)</u>	<u>Futures, forwards, and equity swap contracts (i)</u>	<u>Option contracts, net</u>	<u>Amounts receivable</u>	<u>Net</u>	<u>% of NAV</u>
	\$	\$	\$	\$	\$	\$	\$	%
Brazilian real	-	215,710,433	-	21,648,828	-	9,413,242	246,772,503	56.28
Chinese yuan	-	-	-	-	6,928,540	-	6,928,540	1.58
Euro	32,867,638	-	57,344,675	(133,038,107)	-	-	(42,825,794)	(9.77)
	<u>32,867,638</u>	<u>215,710,433</u>	<u>57,344,675</u>	<u>(111,389,279)</u>	<u>6,928,540</u>	<u>9,413,242</u>	<u>210,875,249</u>	<u>48.09</u>

(i) These contracts are presented at their full value, whereas on the statements of financial position they are stated at their fair value.

Currency Sensitivity

As at December 31, 2016, had the United States dollar strengthened or weakened by 1% in relation to all currencies, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased or decreased by \$2,000,688. This analysis only addresses the impact on the financial instruments with respect to currency movement, and excludes any other economic or geo-political implications of such currency fluctuation. In practice, the actual result may differ from this analysis and the difference may be material.

(c) Interest rate risk

The Fund is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of the interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. How sensitive the Fund is to changes in prevailing interest rates depends on other factors like credit rating of the issuers and the term of maturity of the Fund's investments. The lower the credit rating of the issuers and the longer the term to maturity, the more sensitive the Fund is to changes in prevailing interest rates, thus the higher the interest rate risk. Although there would be no impact on interest earned on the Fund's holdings of fixed income securities at a fixed rate of interest, an increase or decrease in interest rates could have an impact on the fair value of the debt securities.

As at December 31, 2016, had the interest rates strengthen or weakened by 25 basis points, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased by \$2,784,659 or decreased by \$2,569,768, respectively. See note 3(a) for discussion of interest rate risk on financial futures. This analysis only addresses the impact on the financial instruments with respect to interest rate movement, and excludes any other economic or geo-political implications of such interest rate fluctuation.

(d) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties related to securities purchases, sales and positions held by the counterparties on the Fund's behalf. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consist principally of investments in fixed income securities, cash balances at brokers, amounts receivable and derivatives. Until the fixed income securities are sold or mature, the Fund is exposed to credit risk relating to whether the counterparty will meet its obligations when they come due. The Fund's cash balances at brokers and certain investments are pledged as margin to its brokers. Credit risk is managed by dealing only with counterparties the Fund believes to be creditworthy, setting transaction limits with specific counterparties and by daily monitoring of credit exposure.

Credit default swap contracts involve an arrangement between the Fund and the counterparty, in which the Fund pays periodic premiums and the counterparty agrees to make a payment upon the occurrence of a specified credit event. The fair value of open swaps reported in the schedule of investments may differ from that which would be realized in the event of the Fund terminating its position in the contract. Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of the counterparty is generally limited to the aggregate of the unrealized gain on the swap contracts as well as any collateral posted with the counterparty. Therefore, the Fund considers the creditworthiness of the counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying securities and the lack of market liquidity to unwind the positions at current fair values.

The table below summarizes the Fund's intermediaries exposure as a percentage of NAV, as at December 31, 2016:

<u>Counterparty</u>	<u>Cash balances at broker</u> %	<u>Cash held as collateral on futures and swap contracts</u> %	<u>Amounts receivable</u> %	<u>Equity securities, net</u> %	<u>Fixed income securities</u> %	<u>Futures, forward and swap contracts</u> %	<u>Option contracts, net</u> %	<u>% of Total NAV</u> %
Barclays Bank PLC	-	1.87	-	-	-	-	-	1.87
BMO Harris Bank	2.57	-	-	-	-	-	-	2.57
CIBC Mellon	1.93	-	2.15	8.48	60.60	-	-	73.16
JP Morgan Chase Bank ("JPM")	14.96	0.84	-	3.91	-	0.05	3.23	22.99
Morgan Stanley	-	2.18	-	-	-	-	-	2.18
UBS AG ("UBS")	0.53	-	-	-	-	-	0.78	1.31
	<u>19.99</u>	<u>4.89</u>	<u>2.15</u>	<u>12.39</u>	<u>60.60</u>	<u>0.05</u>	<u>4.01</u>	<u>104.08</u>

The table below summarizes the Fund's intermediaries exposure as a percentage of NAV, as at December 31, 2015:

<u>Counterparty</u>	<u>Cash balances at broker</u> %	<u>Cash held as collateral on futures and swap contracts</u> %	<u>Amounts receivable</u> %	<u>Equity securities, net</u> %	<u>Futures, forward and swap contracts</u> %	<u>Option contracts, net</u> %	<u>% of Total NAV</u> %
Barclays Bank PLC	-	2.82	-	-	-	-	2.82
BMO Harris Bank	1.12	-	-	-	-	-	1.12
CIBC Mellon	0.06	-	13.00	-	-	-	13.06
JP Morgan Chase Bank ("JPM")	47.96	6.79	-	16.57	2.38	1.19	74.89
UBS AG ("UBS")	1.73	5.70	-	9.52	0.15	0.11	17.21
	<u>50.87</u>	<u>15.31</u>	<u>13.00</u>	<u>26.09</u>	<u>2.53</u>	<u>1.30</u>	<u>109.10</u>

(i) **Analysis of credit quality**

As at December 31, the Fund was invested in fixed income securities with the following credit quality as a percentage of NAV:

	<u>2016</u> %	<u>2015</u> %
AAA/Aaa	19.18	-
BBB/Bbb	41.42	-
	<u>60.60</u>	<u>-</u>

(ii) **Concentration of credit risk**

The following are the significant countries of domicile of the Fund's cash balances at brokers, cash held as collateral on futures and swap contracts, equity securities (net), and fixed income securities as at December 31, as a percentage of NAV:

<u>Country</u>	<u>2016</u>	<u>2015</u>
	<u>%</u>	<u>%</u>
Argentina	-	0.16
Brazil	49.20	-
Belgium	-	0.03
Canada	1.93	1.18
China	-	0.01
France	-	1.19
Greece	7.50	-
Spain	-	0.37
Switzerland	0.53	17.21
United Kingdom	1.87	2.80
United States	40.90	73.34
	<u>101.93</u>	<u>96.10</u>

The following are the individual issuers of equity and fixed income securities of that exceed 5% of NAV as at December 31, as a percentage of NAV:

	<u>2016</u>	<u>2015</u>
	<u>%</u>	<u>%</u>
Government of Brazil	50.46	-
U.S. Treasury	11.40	-
Nobel Energy, Inc.	6.26	-
D.R. Horton Inc.	-	10.67
Lennar Corp.	-	10.36
NVR Inc.	-	8.17
FedEx Corp.	-	6.27
Toll Brothers Inc.	-	6.20
CalAtlantic Group Inc.	-	5.67

(e) **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's policy and Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund is considered to be relatively liquid. However, unexpected heavy demand for redemptions of the Fund's shares could result in the Fund having to dispose of investments at a time when it is not optional to do so in order to meet such redemption requests.

9. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The Fund's derivatives noted below are subject to enforceable master netting arrangements in the form of International Swaps and Derivatives Association, Inc. agreements. The normal business terms of derivative contracts under the central clearing agreement call for net settlement when contracts of the same position mature simultaneously. In the event of default or bankruptcy, net settlement of the contract would be enforced.

The following table summarizes financial instruments that are offset in the statements of financial position, or are subject to an enforceable master netting arrangement or other similar agreements but are not offset:

	<u>Amounts offset</u>			<u>Amounts not offset</u>		
	<u>Gross</u>			<u>Master netting</u>	<u>Financial</u>	<u>Net</u>
	<u>Gross</u>	<u>assets/liabilities</u>	<u>Net</u>			
As at December 31, 2016						
ASSETS						
Amounts receivable	\$ 9,415,841	\$ -	\$ 9,415,841	\$ -	\$ -	\$ 9,415,841
Unrealized gain on forward contracts	984,419	-	984,419	(984,419)	-	-
Unrealized gain on futures contracts	4,372,292	(38,612)	4,333,680	(3,417,611)	-	916,069
Options contracts	6,445,400	-	6,445,400	(6,445,400)	-	-
	<u>21,217,952</u>	<u>(38,612)</u>	<u>21,179,340</u>	<u>(10,847,430)</u>	<u>-</u>	<u>10,331,910</u>
LIABILITIES						
Accounts payable and accrued liabilities	13,659,685	-	13,659,685	-	-	13,659,685
Unrealized loss on forward contracts	1,668,743	-	1,668,743	(984,419)	(684,324)	-
Unrealized loss on futures contracts	3,456,223	(38,612)	3,417,611	(3,417,611)	-	-
Options contracts written	8,637,600	-	8,637,600	(6,445,400)	(2,192,200)	-
Unrealized loss on equity swap contracts	2,151,000	-	2,151,000	-	(2,151,000)	-
Credit default swaps	1,870,928	-	1,870,928	-	(1,870,928)	-
	<u>31,444,179</u>	<u>(38,612)</u>	<u>31,405,567</u>	<u>(10,847,430)</u>	<u>(6,898,452)</u>	<u>13,659,685</u>
As at December 31, 2015						
ASSETS						
Amounts receivable	69,803,888	-	69,803,888	-	-	69,803,888
Unrealized gain on forward contracts	1,153,834	(370,009)	783,825	(254,078)	-	529,747
Unrealized gain on futures contracts	14,392,533	(11,277)	14,381,256	(2,335,158)	-	12,046,098
Options contracts	7,721,932	-	7,721,932	(737,636)	-	6,984,296
Unrealized gain on equity swap contracts	796,492	-	796,492	(796,492)	-	-
	<u>93,868,679</u>	<u>(381,286)</u>	<u>93,487,393</u>	<u>(4,123,364)</u>	<u>-</u>	<u>89,364,029</u>
LIABILITIES						
Accounts payable and accrued liabilities	36,356,594	-	36,356,594	-	-	36,356,594
Unrealized loss on forward contracts	624,087	(370,009)	254,078	(254,078)	-	-
Unrealized loss on futures contracts	2,346,435	(11,277)	2,335,158	(2,335,158)	-	-
Options contracts written	737,636	-	737,636	(737,636)	-	-
Unrealized loss on equity swap contracts	2,628,035	-	2,628,035	(796,492)	(1,831,543)	-
Credit default swaps	9,846,449	-	9,846,449	-	(9,846,449)	-
	<u>52,539,236</u>	<u>(381,286)</u>	<u>52,157,950</u>	<u>(4,123,364)</u>	<u>(11,677,992)</u>	<u>36,356,594</u>

10. INCOME TAXES

On May 14, 2009, the Fund received an undertaking from the Governor in the Cabinet of the Cayman Islands to the effect that, for a period of 20 years from the date thereof, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on the profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Fund, or to the shareholders thereof, in respect to any such property or income. The Fund, expects, therefore, to be exempt from income or capital gains tax in the Cayman Islands.

11. SHARE CAPITAL

Authorized share capital of the Fund is comprised of an unlimited series A shares ("Series A"), series B shares ("Series B"), and series M shares ("Series M"), and 100 common shares.

Series A, Series B and Series M shares are non-voting, participating, redeemable shares of \$0.01 par value each. Series M shares are identical to Series A and Series B shares except that Series M shares do not bear any portion of the management fees or the incentive fees.

On termination of the Fund, all the shareholders of record holding outstanding Series A and Series M shares are entitled to receive any assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

Series A, Series B and Series M shares are issued at the NAV per share for their respective series on the date of issuance. Redemptions of Series A and Series M shares are at NAV per share of the respective series less a redemption charge of 0.375%. The redemption charge is retained by the Fund.

The common shares are non-participating, voting and non-redeemable. These shares do not participate in the income, distributions, or net assets upon redemption or liquidation of the Fund.

No Series B shares are currently outstanding.

The following details the changes in the number of Series A and Series M shares outstanding for the two years ended December 31, 2016:

	<u>Series A</u>	<u>Series M</u>
Number of units outstanding, December 31, 2014	153,179	-
Conversion of shares during the year	(7,132)	7,132
Redeemed during the year	(1,785)	-
Number of units outstanding, December 31, 2015	<u>144,262</u>	<u>7,132</u>
Redeemed during the year	<u>(4,493)</u>	<u>-</u>
Number of units outstanding, December 31, 2016	<u><u>139,769</u></u>	<u><u>7,132</u></u>
Weighted average number of shares outstanding, December 31, 2015	<u>136,646</u>	<u>7,132</u>
Weighted average number of shares outstanding, December 31, 2016	<u><u>143,500</u></u>	<u><u>7,132</u></u>

There are 100 common shares issued and outstanding at a nominal value of \$100 and they are owned by the Manager.

The Fund made no distributions to shareholders during the two years ended December 31, 2016.

12. RELATED PARTY TRANSACTIONS

The Fund pays to the Investment Advisor a quarterly incentive fee equal to 20% of the net appreciation in the NAV of the Fund's shares, excluding Series M shares, (adjusted for any issuance and redemption of shares), provided, however, that an incentive fee is not payable if the NAV of the Fund, (adjusted for any issuance and redemption of shares) is not higher than the NAV of the Fund on the last time the incentive fee was payable and the net realized and unrealized appreciation (adjusted for any issuance and redemption of shares) does not exceed an annualized rate of return equal to the yield on 2-year U.S. treasury notes (the "Hurdle Rate"). The Hurdle Rate for each calendar year is the rate quoted on the first day of business in a calendar year. An incentive fee of \$nil was recognized for the years ended December 31, 2016 and 2015.

The incentive fee is calculated with respect to the Fund of all issued classes of shares excluding Series M shares. Accordingly, under certain circumstances, an incentive fee may be paid to the Investment Advisor before a shareholder recovers its entire pro rate share of previously incurred net depreciation and a shareholder's actual pro rata interest in an incentive fee may be greater or less than 20% of the net appreciation in the NAV per share of the shares held by such investor.

The Investment Advisor is entitled to a management fee, calculated and payable monthly in arrears, at the rate of 1/12th of 2% per month (2% per annum) of the month-end NAV of all issued classes of shares excluding Series M shares. Management fee expense of the Fund incurred with the Investment Advisor for the year ended December 31, 2016 was \$10,026,211 (\$9,861,521 for the year ended December 31, 2015). The Investment Advisor issued a rebate to the Fund that was allocated to the Series M shares of \$nil for the year ended December 31, 2016 (\$1,011,697 for the year ended December 31, 2015) for management fees incurred which were offset against management fees in the statements of income (loss) and comprehensive income (loss). An amount of \$694,720 (\$852,568 as at December 31, 2015), due to the Investment Advisor for management fees, is included in accounts payable of the Fund at December 31, 2016.

Companies subject to common control subscribed and redeemed nil shares for the two years ended December 31, 2016.

13. CAPITAL MANAGEMENT

Management considers the Fund's capital to consist of NAV. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's information memorandum, while maintaining sufficient liquidity to enable distributions to shareholders. The Fund does not have any externally imposed capital requirements.