

**FRIEDBERG ASSET ALLOCATION FUND LTD.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Friedberg Asset Allocation Ltd.

We have audited the accompanying financial statements of Friedberg Asset Allocation Fund Ltd (the "Fund"), which comprise the statement of financial position as at December 31, 2014, the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Ideas  
with  
impact

### *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 controls 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Other Matters*

The financial statements of the Fund as at December 31, 2013 and for the year then ended were originally prepared under United States accounting principles generally accepted, and those original statements were audited by other auditors who expressed an opinion without reservation under auditing standards generally accepted in the United States of America on those statements in their report dated May 19, 2014.

Without modifying our opinion, we draw attention to note 12 to the financial statements which indicates that the Fund adopted International Financial Reporting Standards on January 1, 2014 with a transition date of January 1, 2013. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2013 and January 1, 2013, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable shares and cash flows for the year ended December 31, 2013 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

*Zeifmans (Cayman)*

Grand Cayman, Cayman Islands  
August 31, 2015

**FRIEDBERG ASSET ALLOCATION FUND LTD.**

(a Cayman Islands Company)

**STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2014**

(with comparative figures for December 31, 2013 and January 1, 2013)

(in U.S. Dollars)

AS AT	<u>December 31, 2014</u>	December 31, 2013 (Unaudited)	January 1, 2013 (Unaudited)
	<b><u>ASSETS</u></b>		
<b>Current</b>			
Cash balances at broker	\$ 22,067,110	\$ 16,400,275	\$ 25,123,168
Equity securities (schedule)	23,382,436	15,333,386	27,247,649
Fixed income securities (schedule)	46,160,699	48,191,410	50,921,790
Amounts receivable	192,985	328,048	269,356
Unrealized gain on open futures contracts (schedule)	688,218	619	-
<b>TOTAL ASSETS</b>	<b><u>\$ 92,491,448</u></b>	<b><u>\$ 80,253,738</u></b>	<b><u>\$ 103,561,963</u></b>
	<b><u>LIABILITIES</u></b>		
<b>Current</b>			
Accounts payable and accrued liabilities (note 10)	185,555	156,254	613,922
Unrealized loss on open futures contracts (schedule)	47,576	690,896	637,633
Redemptions payable (note 9)	188,856	-	25,065
<b>TOTAL LIABILITIES</b> (excluding net assets attributable to holders of redeemable shares)	<b><u>421,987</u></b>	<b><u>847,150</u></b>	<b><u>1,276,620</u></b>
<b>NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES</b>	<b><u>\$ 92,069,461</u></b>	<b><u>\$ 79,406,588</u></b>	<b><u>\$ 102,285,343</u></b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE</b> (note 9)	<b><u>\$ 1,414.29</u></b>	<b><u>\$ 1,347.75</u></b>	<b><u>\$ 1,480.10</u></b>

Approved and authorized for issue by the Fund's corporate director, FCMI Financial Services (Cayman) Ltd. on August 31 2015.

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 Albert Friedberg

Director, FCMI Financial Services (Cayman) Ltd.

**FRIEDBERG ASSET ALLOCATION FUND LTD.**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

(with comparative figures for the year ended December 31, 2013)

(in U.S. dollars)

	<u>2014</u>	<u>2013</u> <u>(Unaudited)</u>
<b>Balance, beginning of the year</b>	<b>\$ 79,406,588</b>	<b>\$ 102,285,343</b>
<b>Issuance of shares (note 9)</b>	<b>12,827,435</b>	<b>3,654,693</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>3,471,979</b>	<b>(9,150,536)</b>
<b>Redemption of redeemable shares (note 9)</b>	<b><u>(3,636,541)</u></b>	<b><u>(17,382,912)</u></b>
<b>Balance, end of the year</b>	<b><u>\$ 92,069,461</u></b>	<b><u>\$ 79,406,588</u></b>

See accompanying notes to financial statements

**FRIEDBERG ASSET ALLOCATION FUND LTD.**  
**STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(with comparative figures for the year ended December 31, 2013)  
(in U.S. Dollars)

	<b>2014</b>	<b>2013</b>
		(Unaudited)
<b><u>INCOME (LOSSES)</u></b>		
Change in net unrealized gains/losses on fixed income securities	\$ 4,373,302	\$ (8,087,123)
Change in net unrealized gains /losses on futures contracts	1,330,920	(52,644)
Interest	618,581	842,707
Net realized gains on equity securities	483,185	8,836,594
Net realized gains (losses) on futures contracts	391,945	(5,710,727)
Dividends	174,623	128,293
Foreign currency translation gain	14,024	19,252
Net realized losses on fixed income securities	(299,120)	(1,958,912)
Change in net unrealized gains/losses on equity securities	(2,421,035)	(1,875,638)
<b>TOTAL INCOME (LOSS)</b>	<b>4,666,424</b>	<b>(7,858,197)</b>
<b><u>EXPENSES</u></b>		
Management fees (note 10)	\$ 879,643	\$ 913,736
Administrative fees	120,000	120,000
Transaction costs	55,241	24,459
Withholding taxes	51,533	38,488
Audit and accounting fees	46,693	50,880
Office and sundry	33,168	42,408
Legal fees	8,169	11,439
Incentive fees (note 10)	-	90,929
<b>TOTAL EXPENSES</b>	<b>1,194,446</b>	<b>1,292,339</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARE</b>	<b>\$ 3,471,979</b>	<b>\$ (9,150,536)</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE (note 9)</b>	<b>\$ 56.03</b>	<b>\$ (141.00)</b>

**FRIEDBERG ASSET ALLOCATION FUND LTD.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(with comparative figures for the year ended December 31, 2013)  
(in U.S. Dollars)

	<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net income and comprehensive income	\$ 3,471,979	\$ (9,150,536)
Adjustments for:		
Change in net unrealized gains/losses on fixed income securities	(4,373,302)	8,087,123
Change in net unrealized gains/losses on futures contracts	(1,330,920)	52,644
Net realized gains on equity securities	(483,185)	(8,836,594)
Net realized gains (losses) on futures contracts	(391,945)	5,710,727
Net realized gains on fixed income securities	299,120	1,958,912
Change in net unrealized gains/losses on equity securities	2,421,035	1,875,638
Purchase of investments	(71,179,234)	(39,457,956)
Proceeds on sale of investments	67,689,173	45,306,793
Net change in working capital items:		
Amounts receivable	135,063	(58,692)
Accounts payable and accrued liabilities	29,301	(457,668)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(3,712,915)</b>	<b>5,030,390</b>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from issuance of shares	12,827,435	3,654,693
Payments for redemption of shares, net of change in redemptions payable	(3,447,685)	(17,407,977)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>9,379,750</b>	<b>(13,753,284)</b>
 <b>NET INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	<b>5,666,835</b>	<b>(8,722,893)</b>
 <b>CASH, BEGINNING OF THE YEAR</b>	<b>16,400,275</b>	<b>25,123,168</b>
 <b>CASH, END OF THE YEAR</b>	<b>\$ 22,067,110</b>	<b>\$ 16,400,275</b>

**FRIEDBERG ASSET ALLOCATION LTD.**  
**SCHEDULE OF INVESTMENT PORTFOLIO**  
**DECEMBER 31, 2014**  
(in U.S. dollars)

Equity securities owned at December 31, 2014 were comprised as follows:

<u>Number of shares</u>	<u>Country</u>	<u>Description</u>	<u>Average cost</u>	<u>Fair value</u>	<u>Fair value as of % of total</u>
200,000	Australia	Newcrest Mining Ltd.	\$ 1,514,300	\$ 1,780,515	7.61%
60,200	United States	Agnico Eagle Mines Ltd.	2,305,347	1,498,378	6.41%
81,800	United States	Goldcorp Inc	2,300,510	1,514,936	6.48%
381,400	United States	ishares US Homes Construction	9,239,156	9,870,632	42.22%
100,900	United States	Masco Corp .	1,375,057	2,542,680	10.87%
22,000	United States	Nucor Corp .	1,131,282	1,079,100	4.62%
2,300	United States	Nvr Inc.	1,869,426	2,933,259	12.54%
11,600	United States	SPDR S&P Biotech ETF	1,726,541	2,162,936	9.25%
			19,947,319	21,601,921	92.39%
			\$ 21,461,619	\$ 23,382,436	100.00%

Fixed income securities held at December 31, 2014 were comprised as follows:

<u>Description</u>	<u>Number/face value</u>	<u>Country</u>	<u>Coupon rate</u>	<u>Maturity</u>	<u>Average cost</u>	<u>Fair value</u>	<u>Fair value as of % of total</u>
Deutschland Bund	1,000,000	Germany	2.500%	July 4, 2044	\$ 1,355,660	\$ 1,541,830	3.34%
U.S. Treasury Inflation-Protected	13,700,000	U.S. dollars	2.125%	February 15, 2040	19,550,882	19,602,265	42.47%
U.S. Treasury	20,000,000	U.S. dollars	0.250%	November 30, 2015	20,019,531	19,998,440	43.32%
U.S. Treasury	5,000,000	U.S. dollars	2.375%	February 28, 2015	5,110,156	5,018,164	10.87%
					44,680,569	44,618,869	96.66%
					\$ 46,036,230	\$ 46,160,699	100.00%

The following futures contracts were open as at December 31, 2014:

<u>Currency</u>	<u>Position</u>	<u>Size</u>	<u>Open contract price</u>	<u>Amount</u>	<u>Settlement date</u>	<u>Unrealized gains to December 31, 2014</u>	<u>Unrealized losses to December 31, 2014</u>
<i>Futures contracts</i>							
Cocoa	Long	1,410 tonnes	\$2,869.07	\$ 4,103,100	March 2015	\$ 57,132	\$ -
Euro-bund	Long	197,000,000 EUR	€ 153.23	37,148,591	March 2015	629,154	-
Gold	Long	2,900 oz	\$1,199.17	3,429,830	February 2015	-	(47,576)
Palladium	Long	2,700 oz	\$796.35	2,152,170	March 2015	1,932	-
				\$ 46,833,691			
<b>Total unrealized gain (loss) on futures contracts</b>						<b>\$ 688,218</b>	<b>\$ (47,576)</b>

**FRIEDBERG ASSET ALLOCATION FUND LIMITED (CAYMAN)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

(amounts expressed in U.S. dollars)

**1. GENERAL INFORMATION**

The Friedberg Asset Allocation Fund Ltd. (the “Fund”) is an open-ended private investment company which was formed under the laws of the Cayman Islands on April 27, 2009 and commenced operations on June 23, 2009. 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 commodity pool whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, dividend income, currency gains and capital appreciation by investing in the following five discrete groups of investments: (i) equity securities generally; (ii) fixed income securities; (iii) commodity forward and futures contracts and options thereon, and other over-the-counter traded derivatives instruments and commodities (iv) equity and fixed income securities of real estate companies and (v) cash and cash equivalents.

The Fund’s cash balances at brokers and certain investments are pledged as margin to its brokers.

**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”). These are the Fund’s first annual financial statements in accordance with IFRS, and accordingly, IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied.

Previously, the Fund prepared its financial statements in accordance with United States generally accepted accounting principles (“US GAAP”). 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 August 31, 2015, which is the date on which the financial statements were authorized for issue by the board of directors.

The impact of the new standards, including reconciliations presenting the change from US GAAP to IFRS and the impact on reported financial position, financial performance and cash flows, is presented in note 11.

Any mention of net asset value (“NAV”) is referring to the limited partner’s interest as reported under IFRS.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial assets and 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**

Certain comparative figures have been reclassified and restated to conform to the current period's presentation.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Financial instruments**

The Fund's investments are measured at fair value through profit and loss ("FVTPL").

The Fund's obligation for net assets attributable to holders of redeemable shares is presented at the redemption amount which approximates fair value.

All other financial assets and liabilities are classified as loans and receivable or other financial liabilities.

The Fund's accounting policies for measuring the fair value of its investments are similar to those used in measuring its NAV for shareholder transactions; therefore it is expected that NAVs will be the same in all material respects as the NAV used in processing shareholder transactions.

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 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 and reported at their reporting period end value.

**(b) Fair value measurement**

The Fund's investments are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges are value 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 closing 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.

**(c) Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission 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 comprehensive income (loss).

**(d) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the statement 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 fair value through profit and loss and foreign currency translation gains and losses.

**(e) Cash and cash equivalents**

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

**(f) 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 statement of comprehensive income (loss) as part of the net change in unrealized gain (loss) on investments and derivatives. Interest income from investments in bonds 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 statement of comprehensive income (loss) as net realized gain (loss) on futures contracts and net unrealized gain (loss) on futures 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 comprehensive income (loss).

**(g) Foreign currency**

Transactions in foreign currencies, if any, are translated into the Fund's reporting 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 translation gains and losses are presented as "Foreign currency translation gain (loss)", except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within "Net realized gains (losses) on futures contracts" and "Net unrealized gains (losses) on futures contracts" in the statement of comprehensive income (loss).

**(h) Classification of redeemable Class A shares**

In accordance with IAS 32, *Financial Instruments: Presentation* (“IAS 32”) the redeemable Class A shares have been classified as a financial liability as they include a contractual obligation for the Fund to repurchase or redeem them for cash or another financial liability.

**(i) Increase (decrease) in net assets attributable to holders of redeemable Shares per Share**

The increase (decrease) in net assets attributable to holders of redeemable shares per in the statement of comprehensive income (loss) is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable shares by the weighted average number of redeemable Class A shares outstanding for 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.

**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 Manger 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 5 for more information on the fair value measurement of the Fund's financial instruments.

## 5. FINANCIAL INSTRUMENTS

The Fund held the following financial instruments as at:

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u> <u>(unaudited)</u>	<u>January 1, 2013</u> <u>(unaudited)</u>
<b>FVTPL, measured at fair value:</b>			
<b>Assets</b>			
Cash balances at broker	\$ 22,067,110	\$ 16,400,275	\$ 25,123,168
Equity securities	\$ 23,382,436	\$ 15,333,386	\$ 27,247,649
Fixed income securities	\$ 46,160,699	\$ 48,191,410	\$ 50,921,790
Unrealized appreciation on open futures contracts	\$ 688,218	\$ 619	\$ -
<b>Liabilities</b>			
Unrealized depreciation on open futures contracts	\$ 47,576	\$ 690,896	\$ 637,633
<b>Loans and receivables, measured at amortized cost:</b>			
Amounts receivable, including contracts awaiting settlement	\$ 192,985	\$ 328,048	\$ 269,356
<b>Financial liabilities, measured at amortized cost:</b>			
Accounts payable, including contracts awaiting settlement	\$ 185,555	\$ 156,254	\$ 613,922
Redemptions payable	\$ 188,856	\$ -	\$ 25,065

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

### ***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, equity securities, fixed income securities, and unrealized gains (losses) on futures contracts.

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 included credit default swaps, forward and option contracts. Currently, the Fund has no assets or liabilities that would be included in level 2.

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. Currently the Fund has no assets or liabilities that would be in level 3.

Currently all of the Fund's financial instruments at fair value as Level 1.

## 6. 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 and by daily monitoring of the Fund's positions and market events. 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 information memorandum for a complete discussion of the risks attributed to an investment in the shares 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	\$ 23,382,436	25.40%
Fixed income securities	46,160,699	50.14%
Futures contracts (total notional contract value)	46,833,691	50.87%
	<u>\$ 116,376,826</u>	<u>126.40%</u>

#### *Price sensitivity*

As at December 31, 2014 had the prices of the investments held in the Fund 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 \$5,818,841. In practice, the actual trading results may differ from this analysis and the difference may be material.

### (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>Cash</u>	<u>Equity securities</u>	<u>Fixed income</u>	<u>Open futures contracts (i)</u>	<u>Total</u>
Euro	\$ 846,373	\$ -	\$ 1,355,660	\$ 37,148,591	\$ 39,350,624
Australian dollar	-	1,780,515	-	-	1,780,515
	<u>\$ 846,373</u>	<u>\$ 1,780,515</u>	<u>\$ 1,355,660</u>	<u>\$ 37,148,591</u>	<u>\$ 41,131,139</u>

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

#### *Currency Sensitivity*

As at December 31, 2014, 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 for the year would have increased or decreased by \$355,314. 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 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 to 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.

#### **(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 consists principally of investments in fixed income securities, cash balances at brokers 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. 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.

(e) **Liquidity risk**

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. Certain derivative contracts may not trade in an organized market and may be illiquid. The Fund restricts such investment to maintain liquidity.

The Fund is exposed to liquidity risk due to potential cash redemptions of redeemable shares. The Fund retains sufficient cash and short-term investment positions to maintain adequate liquidity.

**7. 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>Gross</u>	<u>assets/liabilities offset</u>	<u>Net</u>	<u>Master netting arrangements</u>	<u>Financial collateral</u>	<u>Net</u>
<b>As at December 31, 2014</b>						
<b>Assets</b>						
Futures contracts	\$ 688,218	\$ -	\$ 688,218	\$ (47,576)	\$ -	\$ 640,642
<b>Liabilities</b>						
Futures contracts	\$ 47,576	\$ -	\$ 47,576	\$ (47,576)	\$ -	\$ -
<b>As at December 31, 2013</b>						
<b>Assets</b>						
Futures contracts	\$ 1,238	\$ (619)	\$ 619	\$ -	\$ -	\$ -
<b>Liabilities</b>						
Futures contracts	\$ 691,515	\$ (619)	\$ 690,896	\$ -	\$ (690,896)	\$ -
<b>As at January 1, 2013</b>						
<b>Liabilities</b>						
Futures contracts	\$ 637,633	\$ -	\$ 637,633	\$ -	\$ (637,633)	\$ -

**8. 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.

**9. SHARE CAPITAL**

Authorized share capital of the Fund comprises of 4,999,900 non-voting participating redeemable shares of \$0.01 par value each (“Class A Shares”). Each Class A Share entitles the holder thereof to the same rights and obligations as a holder of any other Class A Share and no shareholder is entitled to any privilege, priority or preference in relation to any other shareholder. Each shareholder is entitled to participate equally with respect to any and all distributions made by the Fund. On termination of the Fund, all the shareholders of record holding outstanding Class A Shares are entitled to receive any assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

As of December 31, 2014, there were 100 non-participating, voting and non-redeemable shares issued from the Fund to the Manager. These shares were issued at a nominal value of \$100, and do not participate in the income, distributions, or net assets upon redemption or liquidation of the Fund.

The Fund issued Class A Shares during the year at the NAV per share on the date of issuance. On redemption of the Class A Shares, a redemption charge of 0.375% of the aggregate NAV per share of the shares redeemed is retained by the Fund.

The Fund made no distributions to shareholders during the two years ended December 31, 2014.

The following details the changes in the number of Class A Shares outstanding for the two years ended December 31, 2014:

	<u>2014</u>	<u>2013</u> (unaudited)
Number of units outstanding, beginning of the year	58,918	69,107
Units subscribed during the year	8,768	2,554
Units redeemed during the year	<u>(2,587)</u>	<u>(12,743)</u>
Number of units outstanding, end of the year	<u>65,099</u>	<u>58,918</u>

## **10. RELATED PARTY TRANSACTIONS**

The Fund pays to the Investment Advisor a quarterly incentive fee equal to 15% of the net appreciation in the NAV of the Fund (adjusted for any issuance and redemption of shares), provided, however, that an incentive fee will not be 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 the 2 Year U.S. Treasury Note (the “Hurdle Rate”). The Hurdle Rate for each calendar year will be the rate quoted on the first day of business in a calendar year. An incentive fee of \$nil was recognized for the year ended December 31, 2014 (\$90,929 for the year ended December 31, 2013). An amount of \$nil (\$nil at December 31, 2013 and \$429,565 as at January 1, 2013), due to the Investment Advisor for incentive fees, was included in accounts payable of the Fund at December 31, 2014.

The incentive fee is calculated with respect to the Fund as a whole. Accordingly, under certain circumstances, an incentive fee may be paid to the Investment Advisor before a shareholder recovers its entire pro rata share of previously incurred net depreciation and a shareholder’s actual pro rata interest in an incentive fee may be greater or less than 15% 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 1/12<sup>th</sup> of 1% per month (1% per annum) of the month-end NAV of the Fund. Management fee expense of the Fund incurred with the Investment Advisor for the year ended December 31, 2014 was \$879,643 (\$913,736 for the year ended December 31, 2013). An amount of \$76,946 (\$66,238 as at December 31, 2013 and \$85,697 as

at January 1, 2013), due to the Investment Advisor for management fees, was included in accounts payable of the Fund at December 31, 2014.

Certain Class A shareholders are affiliated with the Investment Advisor. The aggregate value of the affiliated shareholders' share of NAV at December 31, 2014 was approximately \$9,980,000 (\$9,510,000 as at December 31, 2013 and \$10,440,000 as at January 1, 2013).

## **11. CAPITAL MANAGEMENT**

Management considers the Fund's capital to consist of the 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 partners. The Fund does not have any externally imposed capital requirements.

## **12. TRANSITION TO IFRS**

The effect of the Fund's transition to IFRS is summarized as follows:

### ***Transition elections***

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset and liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under US GAAP.

### ***Classification of redeemable shares issued by the Fund***

Under US GAAP, the Fund accounted for its Class A Shares as equity. Under IFRS, IAS 32 *Financial Instruments: Presentation* ("IAS 32") requires that equity of an entity which includes a contractual obligation for the issuer to repurchase or redeem it for cash or another financial asset be classified as a financial liability. The Class A Shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

### ***Reclassification adjustments***

The Fund reclassifies certain amounts upon transition to conform to its financial statement presentation under IFRS. Withholding taxes of \$38,488 and transaction costs of \$24,459 for the year ended December 31, 2013, which were previously netted against dividends and dividends on securities sold short and realized gains/losses from the underlying portfolio investments under US GAAP, have been reclassified separately as an expense under IFRS.