FRIEDBERG ASSET ALLOCATION FUND LTD.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2013 AND 2012

FRIEDBERG ASSET ALLOCATION FUND LTD.

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To Friedberg Asset Allocation Fund Ltd.

We have audited the accompanying financial statements of Friedberg Asset Allocation Fund Ltd. (the "Fund"), which comprise the statements of assets and liabilities, including the condensed schedules of investments, as of December 31, 2013 and 2012, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of Friedberg Asset Allocation Fund Ltd. as of December 31, 2013 and 2012, and the results of its operations, changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Rothstein Kass (Cayman)

Grand Cayman, Cayman Islands
May 19, 2014

FRIEDBERG ASSET ALLOCATION FUND LTD.

STATEMENTS OF ASSETS AND LIABILITIES
(Expressed in United States Dollars)

December 31,	2013	2012
Assets		
Investments in securities, at fair value (cost $63,431,776 and $68,113,659 in 2013 and 2012, respectively)	$ 63,524,796	$ 78,169,439
Derivative contracts, at fair value	619	-
Due from brokers	14,589,927	22,383,704
Cash	1,810,348	2,739,464
Interest and dividends receivable	328,048	269,356
Total assets	80,253,738	103,561,963
Liabilities		
Derivative contracts, at fair value	690,896	637,633
Accrued expenses	90,018	98,660
Management fee payable	66,236	85,697
Incentive fee payable	-	429,565
Redemptions payable	-	25,065
Total liabilities	847,150	1,276,620
Net assets	$ 79,406,588	$ 102,285,343
Number of shares outstanding		
Class A	58,917.77	69,107.07
Net asset value per share		
Class A	$ 1,347.75	$ 1,480.10

See accompanying notes to financial statements.

FRIEDBERG ASSET ALLOCATION FUND LTD.

STATEMENTS OF OPERATIONS
(Expressed in United States Dollars)

Years Ended December 31,	2013	2012
Investment income		
Interest	$ 857,968	$ 647,672
Dividends (net of U.S. withholding taxes of $38,488 and $99,592 in 2013 and 2012, respectively)	74,544	333,569
Total investment income	932,512	981,241
Expenses		
Incentive fee	90,929	740,763
Management fee	913,736	977,979
Administrative fee	120,000	120,000
Professional fees and other	104,726	106,434
Total expenses	1,229,391	1,945,176
Net investment income (loss)	(296,879)	(963,935)
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on securities	6,872,475	(3,280,018)
Net change in unrealized appreciation or depreciation on securities	(9,962,761)	12,072,882
Net realized gain (loss) from derivative contracts	(5,710,727)	(2,271,817)
Net change in unrealized appreciation or depreciation on derivative contracts	(52,644)	(1,107,781)
Net gain (loss) on investments	(8,853,657)	5,413,266
Net change in net assets resulting from operations	$ (9,150,536)	$ 4,449,331

FRIEDBERG ASSET ALLOCATION FUND LTD.

STATEMENTS OF CHANGES IN NET ASSETS
(Expressed in United States Dollars)

Years Ended December 31,	2013	2012
Operations		
Net investment income (loss)	$ (296,879)	$ (963,935)
Net realized gain (loss) on securities	6,872,475	(3,280,018)
Net change in unrealized appreciation or depreciation on securities	(9,962,761)	12,072,882
Net realized gain (loss) from derivative contracts	(5,710,727)	(2,271,817)
Net change in unrealized appreciation or depreciation on derivative contracts	(52,644)	(1,107,781)
Net change in net assets resulting from operations	(9,150,536)	4,449,331
Capital share transactions		
Issuance of shares	3,654,693	11,037,131
Redemption of shares	(17,382,912)	(2,516,101)
Net change in net assets resulting from capital share transactions	(13,728,219)	8,521,030
Net change in net assets	(22,878,755)	12,970,361
Net assets, beginning of year	102,285,343	89,314,982
Net assets, end of year	$ 79,406,588	$ 102,285,343

FRIEDBERG ASSET ALLOCATION FUND LTD.

STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

Years Ended December 31,	**2013**	**2012**
Cash flows from operating activities		
Net change in net assets resulting from operations	$ (9,150,536)	$ 4,449,331
Adjustments to reconcile net change in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gain) loss on securities	(6,872,475)	3,280,018
Net change in unrealized appreciation or depreciation on securities	9,962,761	(12,072,882)
Changes in operating assets and liabilities:		
Purchases of investments in securities	(33,752,435)	(70,839,485)
Proceeds from sales of investments in securities	45,306,792	75,815,657
Derivative contracts, at fair value	(619)	470,148
Due from brokers	7,793,777	(17,512,990)
Interest and dividends receivable	(58,692)	16,835
Derivative contracts, at fair value	53,263	637,633
Accrued expenses	(8,642)	9,309
Management fee payable	(19,461)	11,415
Incentive fee payable	(429,565)	358,428
Net cash provided by (used in) operating activities	12,824,168	(15,376,583)
Cash flows from financing activities		
Proceeds from issuance of shares	3,654,693	11,037,131
Payments for redemption of shares, net of change in redemptions payable	(17,407,977)	(2,491,036)
Net cash provided by (used in) financing activities	(13,753,284)	8,546,095
Net change in cash	(929,116)	(6,830,488)
Cash, beginning of year	2,739,464	9,569,952
Cash, end of year	$ 1,810,348	$ 2,739,464

FRIEDBERG ASSET ALLOCATION FUND LTD.

CONDENSED SCHEDULES OF INVESTMENTS
(Expressed in United States Dollars)

December 31, 2013

		Number of Shares / Contracts or Principal Amount	Percentage of Net Assets		Fair Value
Investments in securities, at fair value					
Common stocks					
United States					
Construction (cost $5,141,455)			7.8 %	$	6,229,396
Ireland					
Financials					
Bank of Ireland (cost $1,274,166)		11,864,583	5.2		4,108,990
Total common stocks, at fair value (cost $6,415,621)			13.0		10,338,386
Exchange-traded funds					
United States					
Pharmaceuticals					
XHB SPDR S&P Homebuilders (cost $4,575,912)		150,000	6.3		4,995,000
Government bonds					
United States					
U.S. Treasury Inflation-Protection Securities, 2.125% due February 15, 2040	$	16,200,000	24.7		19,592,829
U.S. Treasury Bills, 0.25% due January 31, 2014	$	10,000,000	12.6		10,000,000
U.S. Treasury Bills, 0.25% due February 28, 2014	$	5,000,000	6.3		5,001,172
Total United States (cost $38,273,594)			43.6		34,594,001
Germany					
Bundesrepublik Deutschland 2.5% due July 4, 2044 (cost $14,166,649)	€	10,450,000	17.1		13,597,409
Total government bonds (cost $52,440,243)			60.7		48,191,410
Total investments in securities, at fair value (cost $63,431,776)			80.0 %	$	63,524,796
Derivative contracts, assets, at fair value					
Futures					
United States					
Commodity			- %	$	619

See accompanying notes to financial statements.

FRIEDBERG ASSET ALLOCATION FUND LTD.

CONDENSED SCHEDULES OF INVESTMENTS (CONTINUED)
(Expressed in United States Dollars)

December 31, 2013

	Percentage of Net Assets	Fair Value
Derivative contracts, liabilities, at fair value		
Futures		
United States		
Commodity	0.6 %	$ 487,225
Interest rate	0.3	203,671
Total derivative contracts, liabilities, at fair value	0.9 %	$ 690,896

FRIEDBERG ASSET ALLOCATION FUND LTD.

CONDENSED SCHEDULES OF INVESTMENTS (CONTINUED)
(Expressed in United States Dollars)

December 31, 2012

	Expiration Dates	Number of Shares / Contracts or Principal Amount	Percentage of Net Assets	Fair Value
Investments in securities, at fair value				
Common stocks				
United States				
Construction			6.9 %	$ 7,050,734
Pharmaceuticals			4.4	4,479,948
Retail			4.2	4,292,942
Internet			2.1	2,192,878
Total United States (cost $14,507,807)			17.6	18,016,502
Ireland				
Financials				
Bank of Ireland (cost $6,522,352)		61,900,001	9.0	9,231,147
Total common stocks, at fair value (cost $21,030,159)			26.6	27,247,649
Government bonds				
United States				
U.S. Treasury Bills, 0.25% due February 28, 2014		$ 5,000,000	4.9	5,002,730
U.S. Treasury Inflation-Protection Securities, 2.125% due February 15, 2040		$ 29,300,000	44.9	45,919,060
Total government bonds (cost $47,083,500)			49.8	50,921,790
Total investments in securities, at fair value (cost $68,113,659)			76.4 %	$ 78,169,439
Derivative contracts, liabilities, at fair value				
Futures				
United States				
Interest Rate				
US T-Bonds	Mar-13	125	0.3 %	$ 367,845
US T-Note 10YR	Mar-13	37	-	25,438
Gold			0.2	156,000
Index			0.1	88,350
Total derivative contracts, liabilities, at fair value			0.6 %	$ 637,633

1. Nature of operations and summary of significant accounting policies

Nature of Operations

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. ("FMG") is the Investment Advisor (the "Investment Advisor") to the Fund. FCMI Financial Services (Cayman) Ltd., an affiliate of FMG, is the Manager (the "Manager") of the Fund. Refer to the Fund's offering memorandum for more information.

Objective

The Fund is a multi-strategy fund 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; (ii) fixed income securities; (iii) commodity forwards and futures contracts and options thereon, and other over-the-counter traded derivative instruments; (iv) equity and fixed income securities of real estate companies; and (v) cash and cash equivalents ("Money Instruments"). The underlying value of the Fund's aggregate positions in derivatives entered into for non-hedging purposes (determined as of the time of acquiring a position in a derivative) will not exceed the value of the Fund's holdings of Money Instruments.

Basis of Presentation

The financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

These financial statements were approved by management and available for issuance on May 19, 2014. Subsequent events have been evaluated through this date.

Fair Value - Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The Fund's positions are normally priced at approximately 4:00 PM Eastern Standard Time.

In determining fair value, the Fund uses various valuation techniques. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Valuation techniques that are consistent with the market or income approach are used to measure fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

> *Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

> *Level 2* - Valuations based on inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.

1. Nature of operations and summary of significant accounting policies (continued)

Fair Value - Definition and Hierarchy (continued)

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Fair Value - Valuation Techniques and Inputs

<u>Investments in Securities</u>

The Fund values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last reported sales price as of the valuation date.

To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

<u>Derivative Contracts</u>

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are included in net realized gain (loss) from derivative contracts and net change in unrealized appreciation or depreciation on derivative contracts in the statements of operations. Derivative contracts include forward, futures and option contracts related to interest rates, foreign currencies, credit standing of reference entities, and equity prices or commodity prices.

Option contracts

The fair value of options which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date or based on the midpoint of the bid/ask spread at the close of business. Depending on the frequency of trading, options are generally categorized in Level 1 or 2 of the fair value hierarchy.

1. Nature of operations and summary of significant accounting policies (continued)

Fair Value - Valuation Techniques and Inputs (continued)

Derivative Contracts (continued)

Futures contracts

Futures contracts which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date. Futures contracts are generally categorized in Level 1 of the fair value hierarchy.

Forward contracts

Forward contracts are traded on the OTC market. The fair value of forward contracts is valued using observable inputs, such as currency exchange rates or commodity prices, applied to notional amounts stated in the applicable contracts. Forward contracts are generally categorized in Level 2 of the fair value hierarchy.

Government Bonds

The fair value of sovereign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads, and sovereign credit spreads similar to the bond in terms of issuer, maturity and seniority. Sovereign government bonds are generally categorized in Level 1 or 2 of the fair value hierarchy.

Corporate Bonds

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values as key inputs. Corporate bonds are generally categorized in Level 1 or 2 of the fair value hierarchy. In instances where significant inputs are unobservable, they are categorized in Level 3 of the fair value hierarchy.

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the year-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statements of operations.

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statements of operations.

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis.

1. Nature of operations and summary of significant accounting policies (continued)

Offsetting of Amounts Related to Certain Contracts

The Fund has elected not to offset fair value amounts recognized for cash collateral receivables against fair value amounts recognized for derivative positions executed with the same counterparty under the same master netting arrangement. At December 31, 2013 and 2012, the Fund had cash on deposit of approximately $1,486,000 and $3,554,000, respectively, with derivative counterparties under the same master netting arrangement, which is included in due from brokers on the statement of assets and liabilities.

Income Taxes

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. Further, certain non-United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

The Fund is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2013. The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next twelve months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with U.S. federal, U.S. state and foreign tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Fund's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

Valuation of Fund Shares

The shares of the Fund are issued at their net asset value on their issue date and are redeemable at the option of the holder at the net asset value on their date of redemption, less a predetermined redemption charge. Net asset value is determined for purchases and redemptions on the last business day of every month and also on the first business day of every week. The net asset value per share is determined by dividing the total net asset value by the total number of shares then outstanding.

Reclassification

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

(Expressed in United States Dollars)

2. Fair value measurements

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1. The following table presents information about the Fund's assets measured at fair value as of December 31, 2013:

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in securities				
Common stocks	$ 10,338,386	$ -	$ -	$ 10,338,386
Exchange-traded funds	4,995,000	-	-	4,995,000
Government bonds	48,191,410	-	-	48,191,410
Total investments in securities	63,524,796	-	-	63,524,796
Derivative contracts				
Futures contracts	619	-	-	619
	$ 63,525,415	$ -	$ -	$ 63,525,415

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 2013:

December 31, 2013	Level 1	Level 2	Level 3	Total
Liabilities (at fair value)				
Derivative contracts				
Futures contracts	$ 690,896	$ -	$ -	$ 690,896

The following table presents information about the Fund's assets measured at fair value as of December 31, 2012:

December 31, 2012	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in securities				
Common stocks	$ 27,247,649	$ -	$ -	$ 27,247,649
Government bonds	50,921,790	-	-	50,921,790
Total investments in securities	$ 78,169,439	$ -	$ -	$ 78,169,439

2. Fair value measurements (continued)

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 2012:

December 31, 2012	Level 1	Level 2	Level 3	Total
Liabilities (at fair value)				
Derivative contracts				
Futures contracts	$ 637,663	$ -	$ -	$ 637,663

3. Due from brokers

In the normal course of business, substantially all of the Fund's securities transactions, money balances and security positions are transacted with J.P. Morgan Chase Bank & Co., the Fund's broker. Fully paid securities are deposited in custody with CIBC Mellon Global Security Services Company. The Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

4. Derivative contracts

In the normal course of business, the Fund utilizes derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund's derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: interest rate, credit, foreign currency exchange rate, commodity price, and equity price. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

Options

The Fund is subject to equity and commodity price risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund may enter into options to speculate on the price movements of the financial instrument, commodity, or currency underlying the option, or for use as an economic hedge against certain positions held in the Fund's portfolio holdings. Options purchased give the Fund the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Options written obligate the Fund to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Options written by the Fund may expose the Fund to market risk of an unfavorable change in the financial instrument underlying the written option.

4. Derivative contracts (continued)

Options (continued)

For some OTC options, the Fund may be exposed to counterparty risk from the potential that a seller of an option does not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum risk of loss from counterparty risk to the Fund is the fair value of the contracts and the premiums paid to purchase its open options. In these instances, the Fund considers the credit risk of the intermediary counterparty to its option transactions in evaluating potential credit risk.

Futures Contracts

The Fund may use futures to gain exposure to, or hedge against, changes in the value of equities and commodities, interest rates or foreign currencies. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

The purchase and sale of futures requires margin deposits with a Futures Commission Merchant ("FCM") equal to a certain percentage of the contract amount. Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract. The Fund recognizes a gain or loss equal to the daily variation margin. Futures may reduce the Fund's exposure to counterparty risk since futures contracts are exchange-traded and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Fund's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

Forward Contracts

The Fund enters into forwards to hedge itself against foreign currency exchange rate risk for its foreign currency denominated assets and liabilities due to adverse foreign currency fluctuations against the U.S. dollar, and to manage the price risk associated with its commodity portfolio positions.

Forward currency and commodity transactions are contracts or agreements for delayed delivery of specific currencies and commodities in which the seller agrees to make delivery at a specified future date of specified currencies and commodities. Risks associated with forward currency and commodity contracts are the inability of counterparties to meet the terms of their respective contracts and movements in fair value and exchange rates.

4. Derivative contracts (continued)

Volume of Derivative Activities

At December 31, 2013 and 2012, respectively, the volume of the Fund's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

(notional amounts in thousands)

December 31, 2013	**Long exposure**		**Short exposure**	
Primary underlying risk	**Notional amounts**	**Number of contracts**	**Notional amounts**	**Number of contracts**
Interest rate				
Futures contracts	$ 12,451	65	$ -	-
Commodity price				
Futures contracts	18,216	275	-	-
	$ 30,667	340	$ -	-

(notional amounts in thousands)

December 31, 2012	**Long exposure**		**Short exposure**	
Primary underlying risk	**Notional amounts**	**Number of contracts**	**Notional amounts**	**Number of contracts**
Interest rate				
Futures contracts	$ 23,261	162	$ -	-
Commodity price				
Futures contracts	5,028	30	-	-
Equity price				
Futures contracts	-	-	16,208	228
	$ 28,289	192	$ 16,208	228

4. Derivative contracts (continued)

Impact of Derivatives on the Statements of Assets and Liabilities and Statements of Operations

The following tables identify the fair value amounts of derivative instruments included in the statements of assets and liabilities as derivative contracts, categorized by primary underlying risk, at December 31, 2013 and 2012, respectively. Balances are presented on a gross basis, prior to the application of the impact of counterparty and collateral netting. The following table also identifies the net gain and loss amounts included in the statements of operations as net realized gain (loss) from derivative contracts and net change in unrealized appreciation or depreciation on derivatives, categorized by primary underlying risk, for the years ended December 31, 2013 and 2012.

(in thousands)
December 31, 2013

Primary underlying risk	Derivative assets	Derivative liabilities	Amount of gain (loss)
Commodity price			
Futures contracts	$ -	$ 487	$ (4,105)
Interest rate			
Futures contracts	1	204	(911)
Equity price			
Futures contracts	-	-	(747)
Total	$ 1	$ 691	$ (5,763)

(in thousands)
December 31, 2012

Primary underlying risk	Derivative assets	Derivative liabilities	Amount of gain (loss)
Commodity price			
Futures contracts	$ -	$ 156	$ (1,530)
Option contracts	-	-	619
Foreign currency exchange rate			
Forward contracts	-	-	60
Futures contracts	-	-	(52)
Interest rate			
Futures contracts	-	393	643
Equity price			
Futures contracts	-	89	(3,120)
Total	$ -	$ 638	$ (3,380)

5. Offsetting assets and liabilities

The Fund is required to disclose the impact of offsetting assets and liabilities represented in the statements of assets and liabilities to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities. These recognized assets and liabilities are financial instruments and derivative instruments that are either subject to an enforcable master netting arrangement or similar agreement or meet the following right of setoff criteria: the amounts owed by the Fund to another party are determinable, the Fund has the right to set off the amounts owed with the amounts owed by the other party, the Fund intends to set off, and the Fund's right of setoff is enforceable at law.

As of December 31, 2013 and 2012, the Fund holds financial instruments and derivative instruments that are eligible for offset in the statements of assets and liabilities and are subject to a master netting arrangement. The master netting arrangement allows the counterparty to net applicable collateral held on behalf of the Fund against applicable liabilities or payment obligations of the Fund to the counterparty.

As discussed in Note 1, the Fund has elected not to offset assets and liabilities in the statements of assets and liabilities. The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the statements of assets and liabilities had the Fund elected to offset:

As of December 31, 2013

		Gross Amounts Not Offset in the Statements of Assets and Liabilities		
Description	Gross Amounts of Recognized Assets Presented in the Statements of Assets and Liabilities	Financial Instruments	Cash Collateral Received	Net Amount
Futures contracts	$ 619	$ (619)	$ -	$ -

(Expressed in United States Dollars)

5. Offsetting assets and liabilities (continued)

The following tables provides disclosure regarding the potential effect of offsetting of recognized liabilities presented in the statements of assets and liabilities had the Fund elected to offset for the years December 31, 2013 and 2012:

As of December 31, 2013

Description	Gross Amounts of Recognized Liabilities Presented in the Statements of Assets and Liabilities	Gross Amounts Not Offset in the Statements of Assets and Liabilities: Financial Instruments	Gross Amounts Not Offset in the Statements of Assets and Liabilities: Cash Collateral Paid	Net Amount
Futures contracts	$ 690,896	$ (619)	$ (690,277)	$ -

As of December 31, 2012

Description	Gross Amounts of Recognized Liabilities Presented in the Statements of Assets and Liabilities	Gross Amounts Not Offset in the Statements of Assets and Liabilities: Financial Instruments	Gross Amounts Not Offset in the Statements of Assets and Liabilities: Cash Collateral Paid	Net Amount
Futures contracts	$ 637,663	$ -	$ (637,663)	$ -

The above tables do not include collateral of approximately $796,000 and $2,916,000 for the years December 31, 2013 and 2012, respectively, that was pledged and is included in due from brokers in the statements of assets and liabilities.

6. Concentration of credit risk

In the normal course of business, the Fund maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Fund is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

(Expressed in United States Dollars)

7. Capital share transactions

As of December 31, 2013, there were 100 non-participating, voting and non-redeemable shares issued from the Fund to the Manager, which are not reflected in the Fund's share capital. These shares were issued at a nominal value, and do not participate in the income, distributions, or net asset value upon redemption or liquidation of the Fund.

Authorized share capital of the Fund comprises of 4,999,900 non-voting participating redeemable shares of $.01 par value each. The Fund issued shares during the year at the net asset value per share on the date of issuance. On redemption of the Class A shares, a redemption charge of .375% of the aggregate net asset value per share of the shares redeemed is retained by the Fund.

Transactions in capital shares during the year, and the shares outstanding and the net asset value ("NAV") per share as of December 31, 2013 and 2012, for each class and series of shares are as follows:

	Class A Shares Series 1 2013	Class A Shares Series 1 2012
Shares outstanding, beginning of year	69,107.07	63,179.85
Shares issued	2,553.82	7,644.28
Shares redeemed	(12,743.12)	(1,717.06)
Shares outstanding, end of year	58,917.77	69,107.07
Proceeds from issuance of shares	$ 3,654,693	$ 11,037,131
Payments for redemption of shares	$ (17,382,912)	$ 2,516,101
Ending net assets	$ 79,406,588	$ 102,285,343

Shareholders have redemption rights which contain certain restrictions with respect to rights of redemption of shares as specified in the offering memorandum.

Redemptions payable represent amounts due to shareholders based on redemption requests effective through December 31, 2013.

8. Related party transactions

The Investment Advisor is entitled to a management fee, calculated and payable monthly in arrears, at the rate of 1/12 of 1% per month (1% per annum) of the month-end Net Asset Value of the Fund.

The Fund pays to the Investment Advisor a quarterly incentive fee equal to 15% of the net appreciation in the net asset value of the Fund (adjusted for any issuance and redemption of shares), provided, however, that an incentive fee will not be payable if the net asset value of the Fund, (adjusted for any issuance and redemption of shares) is not higher than the net asset value 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.

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 net asset value per share of the shares held by such investor.

One of the directors of the Fund is a member of the Investment Manager.

9. Administrative fee

Cayman National Fund Services Ltd. (the “Sub-Administrator”) performs certain administrative and clerical services on behalf of the Fund. At December 31, 2013 and 2012, cash balances in the amount of approximately $6,000 and $16,000, respectively, are held by an affiliate of the Sub-Administrator.

(Expressed in United States Dollars)

10. Financial highlights

Financial highlights for the years ended December 31, 2013 and 2012 are as follows:

	2013 Class A Shares Series 1	2012 Class A Shares Series 1
Per share operating performance		
Net asset value, beginning of year	$ 1,480.10	$ 1,413.66
Income (loss) from investment operations:		
Net investment income (loss)	(2.97)	(3.82)
Incentive fee	(1.32)	(11.06)
Net gain (loss) on investments	(128.06)	81.32
Total from investment operations	(132.35)	66.44
Net asset value, end of year	$ 1,347.75	$ 1,480.10
Total return		
Total return before incentive fee	(8.8) %	5.5 %
Incentive fee	(0.1)	(0.8)
Total return after incentive fee	(8.9) %	4.7 %
Ratio to average net assets		
Expenses other than incentive fee	1.2 %	1.2 %
Incentive fee	0.1	0.8
Total expenses	1.3 %	2.0 %
Net investment income (loss)	(0.3) %	(1.1) %

Financial highlights are calculated for each permanent, non-managing class or series of common shares. An individual shareholder’s return and ratios may vary based on the timing of capital share transactions.

11. Subsequent events

From January 1, 2014 through May 19, 2014, the Fund accepted additional subscriptions of approximately $2,223,000 and had additional redemptions of approximately $1,045,000.