

FRIEDBERG ASSET ALLOCATION FUND LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2015
(expressed in U.S. Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of 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 financial position as at December 31, 2015 and 2014, the statements of 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 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, 2015 and 2014, 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
July 28, 2016

FRIEDBERG ASSET ALLOCATION FUND LTD.

(a Cayman Islands Company)

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

(in U.S. dollars)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash balances at broker	\$ 7,033,337	\$ 22,067,110
Equity securities (schedule)	46,284,902	23,382,436
Fixed income securities (schedule)	32,727,426	46,160,699
Amounts receivable	857,022	192,985
Unrealized gain on open futures contracts (schedule)	40,436	688,218
Options contracts (schedule)	206,988	-
TOTAL ASSETS	<u>\$ 87,150,111</u>	<u>\$ 92,491,448</u>
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities (note 10)	\$ 167,717	\$ 185,555
Unrealized loss on open futures contracts (schedule)	156,008	47,576
Redemptions payable	-	188,856
TOTAL LIABILITIES (excluding net assets attributable to holders of redeemable shares)	<u>323,725</u>	<u>421,987</u>
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES	<u>\$ 86,826,386</u>	<u>\$ 92,069,461</u>
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES BY SERIES		
Series A	\$ 61,201,223	\$ 92,069,461
Series M	25,625,163	-
	<u>\$ 86,826,386</u>	<u>\$ 92,069,461</u>
NUMBER OF SHARES OUTSTANDING		
Series A	44,837	65,009
Series M	18,354	-
	<u>63,191</u>	<u>65,009</u>
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES PER SHARE		
Series A	\$ 1,364.96	\$ 1,414
Series M	\$ 1,396.14	\$ -

Approved and authorized for issue by the Fund's corporate director, FCMI Financial Services (Cayman) Ltd. on July 28, 2016.

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, 2015

(with comparative figures for the year ended December 31, 2014)
(in U.S. dollars)

	<u>2015</u>			<u>2014</u>		
	<u>Series A</u>	<u>Series M</u>	<u>Total</u>	<u>Series A</u>	<u>Series M</u>	<u>Total</u>
Balance, beginning of the year	\$ 92,069,461	\$ -	\$ 92,069,461	\$ 79,406,588	\$ -	\$ 79,406,588
Issuance of shares (note 9)	3,748,600	-	3,748,600	12,827,435	-	12,827,435
Conversion of shares (note 9)	(25,958,277)	25,958,277	-	-	-	-
Increase (decrease) in net assets attributable to holders of redeemable shares	(2,374,947)	(333,114)	(2,708,061)	3,471,979	-	3,471,979
Redemption of shares (note 9)	(6,283,614)	-	(6,283,614)	(3,636,541)	-	(3,636,541)
Balance, end of the year	\$ 61,201,223	\$ 25,625,163	\$ 86,826,386	\$ 92,069,461	\$ -	\$ 92,069,461

FRIEDBERG ASSET ALLOCATION FUND LTD.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2015

(with comparative figures for the year ended December 31, 2014)

(in U.S. dollars)

	2015	2014
<u>INCOME (LOSS)</u>		
Change in net unrealized gain/loss on equity securities	\$ 2,360,352	\$ (2,421,035)
Interest	635,633	618,581
Realized gains on options contracts	282,416	-
Dividends	217,775	174,623
Foreign currency translation gain (loss)	(24,341)	14,024
Realized losses on fixed income securities	(81,063)	(299,120)
Change in net unrealized loss on options contracts	(107,062)	-
Realized gains (losses) on futures contracts	(594,061)	391,945
Realized gains (losses) on equity securities	(640,956)	483,185
Change in net unrealized gain/loss on futures contracts	(756,215)	1,330,920
Change in net unrealized gain/loss on fixed income securities	(3,314,267)	4,373,302
TOTAL INCOME (LOSS)	(2,021,790)	4,666,426
 <u>EXPENSES</u>		
Management fees (note 10)	332,052	879,643
Administrative fees	120,000	120,000
Transaction costs	58,099	55,241
Withholding taxes	62,063	51,533
Audit and accounting fees	56,597	46,693
Office and sundry	37,598	33,168
Legal fees	19,863	8,169
TOTAL EXPENSES	686,271	1,194,447
 INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	\$ (2,708,061)	\$ 3,471,979
 INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES BY SERIES		
Series A	\$ (2,374,947)	\$ 3,471,979
Series M	(333,114)	-
	\$ (2,708,061)	\$ 3,471,979
 INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE		
Series A	\$ (51.11)	\$ 56.03
Series M	\$ (18.15)	\$ -

FRIEDBERG ASSET ALLOCATION FUND LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative figures for the year ended December 31, 2014)
(in U.S. dollars)

	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Comprehensive income (loss)	\$ (2,708,061)	\$ 3,471,979
Adjustments for:		
Change in net unrealized gain/loss on fixed income securities	3,314,267	(4,373,302)
Change in net unrealized gain/loss on equity securities	(2,360,352)	2,421,035
Change in net unrealized gain/loss on futures contracts	756,215	(1,330,920)
Change in net unrealized loss on options contracts	107,062	-
Realized losses (gains) on equity securities	640,956	(483,185)
Realized gains on options contracts	(282,416)	-
Realized losses (gains) on fixed income securities	81,063	(391,945)
Realized losses (gains) on futures contracts	594,061	299,120
Purchase of investments	(65,348,899)	(71,179,235)
Proceeds on sale of investments	53,578,077	67,689,173
Net change in working capital items:		
Amounts receivable	(664,037)	135,063
Accounts payable and accrued liabilities	(17,838)	29,301
NET CASH FLOW FROM OPERATING ACTIVITIES	(12,309,902)	(3,712,916)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuance of shares	3,748,600	12,827,435
Payments for redemption of shares, net of change in redemptions payable	(6,472,471)	(3,447,685)
NET CASH FLOW FROM FINANCING ACTIVITIES	(2,723,871)	9,379,750
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(15,033,773)	5,666,835
CASH, BEGINNING OF THE YEAR	22,067,110	16,400,275
CASH, END OF THE YEAR	\$ 7,033,338	\$ 22,067,110

See accompanying notes to financial statements

FRIEDBERG ASSET ALLOCATION FUND LTD.
SCHEDULE OF INVESTMENT PORTFOLIO
DECEMBER 31, 2015
(in U.S. dollars)

Equity securities owned at December 31, 2015 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 total</u>
<i>Consumer Discretionary (75.25%)</i>					
1,066,800	United States	iShares US Home Construction	\$ 27,914,219	28,910,280	62.46%
100,900	United States	Masco Corp.	1,225,313	2,855,470	6.17%
1,800	United States	NVR Inc.	1,463,029	2,957,400	6.39%
11,211	United States	Topbuild Corp.	149,744	344,963	0.75%
			<u>30,752,305</u>	<u>35,068,113</u>	<u>75.77%</u>
<i>Industrials (13.85%)</i>					
18,700	United States	Alaska Air Group, Inc.	1,477,117	1,505,537	3.25%
32,200	United States	Delta Air Lines, Inc.	1,471,888	1,632,218	3.53%
63,000	United States	JetBlue Airways Corp.	1,489,278	1,426,950	3.08%
39,500	United States	Southwest Airlines Co.	1,483,411	1,700,870	3.67%
			<u>5,921,694</u>	<u>6,265,575</u>	<u>13.53%</u>
<i>Mining (10.90%)</i>					
200,000	Australia	Newcrest Mining Ltd.	1,514,300	1,889,988	4.08%
60,200	United States	Agnico Eagle Mines Ltd.	2,305,347	1,582,056	3.42%
77,000	United States	Market Vectors Gold Miners ETF	1,510,086	1,479,170	3.20%
			<u>3,815,433</u>	<u>3,061,226</u>	<u>6.62%</u>
			<u>5,329,733</u>	<u>4,951,214</u>	<u>10.70%</u>
			<u>\$ 42,003,732</u>	<u>\$ 46,284,902</u>	<u>100.00%</u>

Fixed income securities owned at December 31, 2015 were comprised as follows:

	<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 total</u>
Brazil Notas Do Tesouro Nacion Notes	22,945,000	Brazilian real	10.000%	January 1, 2025	\$ 4,441,857	\$ 4,134,506	12.63%
U.S. Treasury Inflation-Protected (a)	20,900,000	U.S. dollars	2.125%	February 15, 2040	29,942,084	27,085,713	82.76%
U.S. Treasury	1,500,000	U.S. dollars	2.375%	March 31, 2016	1,533,281	1,507,207	4.61%
					<u>\$ 35,917,222</u>	<u>\$ 32,727,426</u>	<u>100.00%</u>

(a) The U.S. Treasury Inflation-Protected Security earns interest at the rate of 2.125% per annum of the par value adjusted by changes in the CPI inflation index from February 26, 2010, the date of issuance. The principal amount upon maturity is equal to the par value amount adjusted by changes in the CPI inflation index from February 26, 2010. The adjusted par value was \$22,998,569 at December 31, 2015.

The following long options contracts were open at December 31, 2015 :

<u>Contract</u>	<u>Position</u>	<u>Exercise price</u>	<u>Contract size</u>	<u>Expiry date</u>	<u>Option premium paid</u>	<u>Fair value</u>
S&P 500	Put	1,675.00	28,550	March 18, 2016	<u>\$ 314,050</u>	<u>\$ 206,988</u>

The following futures contracts were open at December 31, 2015 :

<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, 2015</u>	<u>Unrealized losses to December 31, 2015</u>
<i>Non-financial futures</i>							
Cocoa	Long	650 tons	3,358.24	\$ 2,087,150	March 2016	\$ -	\$ (95,708)
Nikkei 225	Long	180 \$5 x Index	1,944.50	1,689,975	March 2016	-	(60,300)
Sugar	Long	14,560,000 lbs	0.15	2,218,944	March 2016	<u>34,592</u>	-
				<u>\$ 5,996,069</u>		<u>34,592</u>	<u>(156,008)</u>
<i>Financial futures</i>							
U.S. Ultra Treasury Bond	Long	1,700,000	1.58		March 2016	<u>5,844</u>	-
Total unrealized gain (loss) on commodity futures contracts						<u>\$ 40,436</u>	<u>\$ (156,008)</u>

FRIEDBERG ASSET ALLOCATION FUND LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

(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. FCFI 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

(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.

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 July 28, 2016, 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 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 currency of the Fund.

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 due to their short term nature.

All other financial assets and liabilities are classified as loans and receivables 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 net asset value ("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 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 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 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 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 FVTPL financial instruments 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 the 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 statements 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) and net unrealized gain (loss).

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 translation

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 FVTPL financial instruments, which are recognized as a component within net realized gains (losses) and change in net unrealized gains (losses) in the statement of comprehensive income (loss).

(h) 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 (excluding net assets attributable to redeemable shares) 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 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.

(i) 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 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 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>2015</u>	<u>December 31,</u> <u>2014</u>
FVTPL, measured at fair value:		
Assets		
Cash balances at broker	\$ 7,033,337	\$ 22,067,110
Equity securities	\$ 46,284,902	\$ 23,382,436
Fixed income securities	\$ 32,727,426	\$ 46,160,699
Unrealized gain on open futures contracts	\$ 40,436	\$ 688,218
Options contracts	\$ 206,988	\$ -
Liabilities		
Unrealized loss on open futures contracts	\$ 156,008	\$ 47,576
Net assets attributable to redeemable shares	\$ 86,826,386	\$ 92,069,461
Loans and receivables, measured at amortized cost:		
Amounts receivable	\$ 857,022	\$ 192,985
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	\$ 167,717	\$ 185,555
Redemptions payable	\$ -	\$ 188,856

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, exchange-traded options contracts and unrealized gain (loss) 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 contracts and net assets attributable to redeemable shares. 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.

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 3</u>	<u>Total</u>
ASSETS			
Cash balances at broker	\$ 7,033,337	\$ -	\$ 7,033,337
Equity securities	46,284,902	-	46,284,902
Fixed income securities	32,727,426	-	32,727,426
Unrealized gain on open futures contracts	40,436	-	40,436
Options contracts	206,988	-	206,988
	<u>\$ 86,293,089</u>	<u>\$ -</u>	<u>\$ 86,293,089</u>
LIABILITIES			
Unrealized loss on open futures contracts	\$ 156,008	\$ -	\$ 156,008
Net assets attributable to redeemable shares	-	86,826,386	86,826,386
	<u>\$ 156,008</u>	<u>\$ 86,826,386</u>	<u>\$ 86,982,394</u>

The following table presents the Fund's fair value hierarchy of its financial instruments as at December 31, 2014:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
ASSETS			
Cash balances at broker	\$ 22,067,110	\$ -	\$ 22,067,110
Equity securities	23,382,436	-	23,382,436
Fixed income securities	46,160,699	-	46,160,699
Unrealized gain on open futures contracts	688,218	-	688,218
	<u>\$ 92,298,463</u>	<u>\$ -</u>	<u>\$ 92,298,463</u>
LIABILITIES			
Unrealized loss on open futures contracts	\$ 47,576	\$ -	\$ 47,576
Net assets attributable to redeemable shares	-	92,069,461	92,069,461
	<u>\$ 47,576</u>	<u>\$ 92,069,461</u>	<u>\$ 92,117,037</u>

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 recent 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 statements 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>% of NAV</u>
Equity securities	\$ 46,284,902	53.31%
Non-financial futures contracts (total notional contract value)	5,996,069	6.91%
Options contracts	<u>206,988</u>	<u>0.24%</u>
	<u>\$ 52,487,959</u>	<u>60.46%</u>

Price sensitivity

As at December 31, 2015 had the prices of the investments included in the table above, 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 \$4,260,769. In practice, the actual trading results may differ from this analysis and the difference may be material.

As at December 31, 2015 has the underlying interest rate on the U.S. Ultra Bond increased or decreased by 1% comprehensive income (loss) for the year would have increased or decreased by \$26,895.

(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>Equities</u>	<u>Fixed income</u>	<u>Total</u>	<u>% of NAV</u>
Australian dollar	\$ -	\$ 1,889,988	\$ -	\$ 1,889,988	2.18%
Brazilian Real	-	-	4,134,506	4,134,506	4.76%
Euro	<u>30,411</u>	<u>-</u>	<u>-</u>	<u>30,411</u>	<u>0.04%</u>
	<u>\$ 30,411</u>	<u>\$ 1,889,988</u>	<u>\$ 4,134,506</u>	<u>\$ 6,054,905</u>	<u>6.98%</u>

Currency Sensitivity

As at December 31, 2015, 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 \$60,549. 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.

In addition, the Fund holds Nikkei contracts that, while priced in US dollars, are subject to changes in the Japanese Yen.

(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.

Interest Sensitivity

As at December 31, 2015, had the interest rates strengthen or weakened by 25 basis points, with all other variables remaining constant, comprehensive income (loss) for the year would have decreased by \$1,322,593 or increased by \$1,399,468, respectively. See note 6(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 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.

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

<u>Counterparty</u>	<u>Cash</u> <u>balances</u> <u>at broker</u>	<u>Equity</u> <u>securities</u>	<u>Fixed</u> <u>income</u> <u>securities</u>	<u>Futures</u> <u>contracts</u>	<u>Options</u> <u>contracts</u>	<u>Total %</u> <u>of NAV</u>
CIBC Mellon	6.13 %	38.24 %	53.74 %	- %	- %	98.11 %
BMO Harris Bank	0.86 %	- %	- %	- %	- %	0.86 %
JPMorgan Chase Bank N.A.	1.11 %	- %	- %	0.05 %	0.24 %	1.40 %
	<u>8.10 %</u>	<u>38.24 %</u>	<u>53.74 %</u>	<u>0.05 %</u>	<u>0.24 %</u>	<u>100.37 %</u>

The table below summarizes the Fund's financial intermediaries' exposure as a percentage of NAV, as at December 31, 2014:

<u>Counterparty</u>	<u>Cash balances</u> <u>at broker</u>	<u>Equity</u> <u>securities</u>	<u>Fixed</u> <u>income</u> <u>securities</u>	<u>Futures</u> <u>contracts</u>	<u>Total %</u> <u>of NAV</u>
Cayman National Fund Services Ltd.	0.01 %	- %	- %	- %	0.01 %
CIBC Mellon	10.16 %	50.33 %	25.59 %	- %	86.08 %
JPMorgan Chase Bank N.A.	13.79 %	- %	- %	0.70 %	14.49 %
	<u>23.96 %</u>	<u>50.33 %</u>	<u>25.59 %</u>	<u>0.70 %</u>	<u>100.58 %</u>

(i) Analysis of credit quality

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

AAA/Aaa	<u>32.93 %</u>	<u>50.14 %</u>
BBB/Bbb	<u>4.76 %</u>	<u>- %</u>
	<u>37.69 %</u>	<u>50.14 %</u>

(ii) Concentration of credit risk

The following are the significant countries of domicile of the Fund's cash balances at brokers, equity securities, and fixed income securities as at December 31, as a percentage of NAV:

Australia	<u>2.18 %</u>	<u>1.93 %</u>
Brazil	<u>4.76 %</u>	<u>- %</u>
Germany	<u>- %</u>	<u>1.67 %</u>
United States	<u>84.06 %</u>	<u>71.92 %</u>
	<u>91.00 %</u>	<u>75.52 %</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>2015</u>	<u>2014</u>
iShares US Home Construction	33.30 %	10.72 %
U.S. Treasury	32.93 %	48.46 %

(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>Amounts offset</u>			<u>Amounts not offset</u>		
	<u>Gross</u>	<u>Gross assets/liabilities offset</u>	<u>Net</u>	<u>Master netting arrangements</u>	<u>Financial collateral</u>	<u>Net</u>
As at December 31, 2015						
Assets						
Futures contracts	\$ 40,436	\$ -	\$ 40,436	\$ (40,436)	\$ -	\$ -
Liabilities						
Futures contracts	\$ 156,008	\$ -	\$ 156,008	\$ (40,436)	\$ -	\$ 115,572
As at December 31, 2014						
Assets						
Futures contracts	\$ 688,218	\$ -	\$ 688,218	\$ (47,576)	\$ -	\$ 640,642
Liabilities						
Futures contracts	\$ 47,576	\$ -	\$ 47,576	\$ (47,576)	\$ -	\$ -

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 is comprised of 4,999,900 series A shares (“Series A”), 4,990,900 series M shares (“Series M”), and 100 common shares.

Series A and Series M shares are non-voting, participating, redeemable shares of \$0.01 par value each. Series M shares are identical to Series A shares except that Series M shares do not bear any portion of the management fees or the incentive fees and are not available for subscription without the Manager’s agreement.

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 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.

The following details the changes in the number of Series A and Series M shares outstanding for the two years ended December 31, 2015:

	<u>Series A</u>	<u>Series M</u>
Number of units outstanding, December 31, 2013	58,918	-
Issued during the year	8,768	-
Redeemed during the year	(2,587)	-
Number of units outstanding, December 31, 2014	<u>65,099</u>	-
Issued during the year	2,599	-
Conversion of shares during the year	(18,354)	18,354
Redeemed during the year	<u>(4,507)</u>	-
Number of units outstanding, December 31, 2015	<u><u>44,837</u></u>	<u><u>18,354</u></u>
Weighted average number of shares outstanding, December 31, 2014	<u>61,962</u>	-
Weighted average number of shares outstanding, December 31, 2015	<u><u>46,470</u></u>	<u><u>18,354</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, 2015.

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's shares, excluding Series M shares, (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 years ended December 31, 2015 and 2014.

The incentive fee is calculated with respect to the Fund's 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 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 1/12th of 1% per month (1% per annum) of the month-end NAV of the Class A shares. Management fee expense of the Fund incurred with the Investment Advisor for the year ended December 31, 2015 was \$894,391 (\$879,643 for the year ended December 31, 2014). The Investment Advisor issued a rebate to the Fund that was allocated to the Class M shares of \$562,339 for management fees incurred which is included in management fees in the statements of comprehensive income (loss). The net management fee for the year ended December 31, 2015 was \$332,052. An amount of \$51,044 (\$76,946 as at December 31, 2014), due to the Investment Advisor for management fees, is included in accounts payable of the Fund at December 31, 2015.

Companies subject to common control redeemed nil Series A shares (4 Series A shares in 2014) of the Fund in the amount of \$nil (\$6,000 in 2014) and subscribed for 2,361 Series A shares (6,974 Series A shares in 2014) of the Fund in the amount of \$3,410,000 (\$10,272,000 in 2014) during the year.

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.