

FRIEDBERG ASSET ALLOCATION FUND LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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, 2017 and 2016, the statements of income and comprehensive income, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Zeifmans (Cayman)

Grand Cayman, Cayman Islands
June 25, 2018

FRIEDBERG ASSET ALLOCATION FUND LTD.
(a Cayman Islands Company)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,
(in U.S. dollars)

	2017	2016
	\$	\$
ASSETS		
Current		
Cash	9,767,367	10,358,618
Cash held as collateral on futures contracts	161,700	604,500
Equity securities	67,547,446	28,247,428
Fixed income securities	19,681,525	48,016,278
Amounts receivable (note 5)	880,741	5,894,660
Unrealized gain on futures contracts (note 7)	233,590	-
	98,272,369	93,121,484
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 6 and 12)	886,468	3,613,815
Withholding tax payable	567,219	664,875
Redemptions payable	3,582,993	44,931
Unrealized loss on futures contracts (note 7)	-	325,305
	5,036,680	4,648,926
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	93,235,689	88,472,558
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, BY SERIES		
Series A	59,342,523	60,747,831
Series M	33,893,166	27,724,727
	93,235,689	88,472,558
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, PER SHARE		
Series A	1,748.04	1,463.01
Series M	1,846.61	1,510.53

Approved and authorized for issue by the Fund's board of directors on June 25, 2018

_____ Director

_____ Director

FRIEDBERG ASSET ALLOCATION FUND LTD.
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
FOR THE YEARS ENDED DECEMBER 31,
(in U.S. dollars)

	2017			2016		
	Series A	Series M	Total	Series A	Series M	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of the year	60,747,831	27,724,727	88,472,558	61,201,223	25,625,163	86,826,386
Issuance of shares (note 11)	4,344,487	-	4,344,487	540,000	-	540,000
Increase in net assets attributable to holders of redeemable shares	11,469,182	6,168,439	17,637,621	4,388,607	2,099,564	6,488,171
Redemption of shares (note 11)	(17,218,977)	-	(17,218,977)	(5,381,999)	-	(5,381,999)
Balance, end of the year	59,342,523	33,893,166	93,235,689	60,747,831	27,724,727	88,472,558

See accompanying notes to financial statements

FRIEDBERG ASSET ALLOCATION FUND LTD.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(in U.S. dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
INCOME (LOSS)		
Change in net unrealized gain/loss on equity securities	10,604,380	(983,019)
Realized gains on equity securities	5,758,838	2,025,756
Interest	3,155,484	1,699,367
Realized gains (losses) on fixed income securities	3,112,883	(2,420,369)
Change in net unrealized gain/loss on futures contracts	558,895	(209,732)
Dividends	377,815	867,585
Change in net unrealized gain on options contracts	-	107,062
Foreign currency translation loss	(247)	(341)
Realized losses on options contracts	(147,086)	(414,477)
Change in net unrealized gain/loss on fixed income securities	(1,176,294)	8,679,964
Realized losses on futures contracts	(1,858,894)	(799,171)
	<u>20,385,774</u>	<u>8,552,625</u>
EXPENSES		
Withholding taxes	983,227	1,107,586
Incentive fees	668,976	-
Management fees	664,478	650,025
Transaction costs	169,547	104,809
Administrative fees	120,000	120,000
Audit and accounting fees	59,317	43,652
Office and sundry	49,717	35,663
Legal fees	32,891	2,719
	<u>2,748,153</u>	<u>2,064,454</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	<u>17,637,621</u>	<u>6,488,171</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, BY SERIES		
Series A	11,469,182	4,388,607
Series M	6,168,439	2,099,564
	<u>17,637,621</u>	<u>6,488,171</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, PER SHARE		
Series A	<u>285.03</u>	<u>102.81</u>
Series M	<u>336.08</u>	<u>114.39</u>

FRIEDBERG ASSET ALLOCATION FUND LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(in U.S. dollars)

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets attributable to holders of redeemable shares	17,637,621	6,488,171
Adjustments for:		
Change in net unrealized gain/loss on fixed income securities	1,176,294	(8,679,964)
Change in net unrealized gain/loss on equity securities	(10,604,380)	983,019
Change in net unrealized gain/loss on futures contracts	(558,895)	209,732
Change in net unrealized gain on options contracts	-	(107,062)
Realized gains on equity securities	(5,758,838)	(2,025,756)
Realized losses on options contracts	147,086	414,477
Realized (gains) losses on fixed income securities	(3,112,883)	2,420,369
Realized losses on futures contracts	1,858,894	799,171
Purchase of investments	(76,348,007)	(76,310,715)
Proceeds on sale of investments	81,676,569	85,462,072
Net change in working capital items:		
Amounts receivable	5,013,919	(5,037,638)
Withholding tax payable	(97,656)	664,875
Accounts payable and accrued liabilities	(2,727,347)	3,446,098
NET CASH FLOW FROM OPERATING ACTIVITIES	8,302,377	8,726,849
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	4,344,487	540,000
Payments for redemption of shares	(13,680,915)	(5,337,068)
NET CASH FLOW FROM FINANCING ACTIVITIES	(9,336,428)	(4,797,068)
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(1,034,051)	3,929,781
CASH, BEGINNING OF THE YEAR	10,963,118	7,033,337
CASH, END OF THE YEAR	9,929,067	10,963,118
CASH BALANCES, END OF THE YEAR		
Cash	9,767,367	10,358,618
Cash held as collateral on futures contracts	161,700	604,500
	9,929,067	10,963,118

See accompanying notes to financial statements

FRIEDBERG ASSET ALLOCATION FUND LTD.
SCHEDULE OF INVESTMENT PORTFOLIO
DECEMBER 31, 2017
(in U.S. dollars)

Equity Positions - Long		72.4%				
Security Name		Quantity		Average Cost	Fair Value	
				\$	\$	
Financials		16.2%				
Alpha Bank A.E.		780,308		1,830,684	1,673,990	
Eurobank Ergasias S.A.		2,258,927		2,133,625	2,305,066	
ITAU Unibanco Holding S.A. ADR		684,000		8,913,827	8,892,000	
National Bank of Greece S.A.		5,862,495		1,874,603	2,245,098	
				<u>14,752,739</u>	<u>15,116,154</u>	
Consumer Discretionary		42.4%				
iShares US Home Construction ETF		904,600		29,434,638	39,549,112	
Materials		13.8%				
Agnico Eagle Mines Ltd.		51,200		1,960,694	2,364,416	
Golden Star Resources Ltd.		454,000		300,642	404,060	
Newcrest Mining Ltd.		156,427		1,203,150	2,787,550	
Sandstorm Gold Ltd.		381,000		1,402,202	1,901,190	
VanEck Vectors Junior Gold Miners ETF		158,950		4,590,851	5,424,964	
				<u>9,457,539</u>	<u>12,882,180</u>	
				53,644,916	67,547,446	
Fixed Income Positions - Long		21.1%				
Security Name	Currency	Maturity Date	Coupon %	Face Value	Cost	Fair Value
					\$	\$
Brazil Notas Do Tesouro Nacion Notes	BRL	January 1, 2025	10.0	39,841,000	8,352,830	12,013,820
Brazil Notas Do Tesouro Nacion Notes	BRL	January 1, 2027	10.0	25,650,000	7,014,822	7,667,705
					<u>15,367,652</u>	<u>19,681,525</u>
Futures Contracts - Long		0.3%				
Name		Expiry Date	Contracts	Contract Size	Notional Value	Unrealized Gain / (Loss)
					\$	\$
Commodity Futures						
NY LT Crude		February 2018	77	1,000 barrels	4,395,650	233,590
Investment Portfolio Summary					Average Cost	Fair Value
	%				\$	\$
Equity Positions - Long	72.4				53,644,916	67,547,446
Fixed Income Positions - Long	21.1				15,367,652	19,681,525
Futures Contracts - Long	0.3				-	233,590
Total Investments	<u>93.8</u>				<u>69,012,568</u>	<u>87,462,561</u>
Other Net Assets	6.2				5,773,128	5,773,128
Net Assets	<u>100</u>				<u>74,785,696</u>	<u>93,235,689</u>

FRIEDBERG ASSET ALLOCATION FUND LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(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 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 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 principal and registered address is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

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 June 25, 2018 which is the date on which the financial statements were authorized for issue by the Manager, except for IFRS 9 (see note 3(h)) which has been implemented on its effective date of January 1, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional currency and presentation currency

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

(d) Comparative figures

Where applicable, certain comparative figures on the statements of financial position have been reclassified.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Financial instruments**

(i) **Recognition and measurement**

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

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

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

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

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

(ii) **FVTPL**

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

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

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

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 Manager's opinion, inaccurate, unreliable, or not reflective of all available material information are valued at their fair value as determined by the Manager 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 currency forward contracts) are valued based on the difference between the contract forward rate and the rate prevailing on a reporting date.

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

(iii) Loans and receivables

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

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

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

(iv) Other financial liabilities

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

(b) Transaction costs

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

(c) 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.

(d) 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.

(e) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of income and comprehensive income 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 statements of income and comprehensive income as net realized gain (loss) on futures and options contracts and net unrealized gain (loss) on futures and options 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 statements of income and comprehensive income.

(f) 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 statements of income and comprehensive income.

(g) Net assets attributable to holders of redeemable shares

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

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

The increase (decrease) in net assets attributable to holders of redeemable shares per share reported in the statements of income and comprehensive income 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.

(h) Pending accounting changes

IFRS 9, Financial Instruments (“IFRS 9”) was issued in 2010 and replaces 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 effective for annual periods beginning on or after January 1, 2018.

The Fund adopted IFRS 9 on its effective date of January 1, 2018. On adoption of IFRS 9 the Fund’s financial assets continue to be measured at FVTPL and other financial assets and liabilities at amortized cost. The adoption of IFRS 9 is not expected to have a material impact on the Fund’s financial statements.

IFRS 7, Financial Instruments – Disclosure (“IFRS 7”) amends disclosures in respect of the transition from IAS 39 to IFRS 9. The adoption of amendments to IFRS 7, effective from January 1, 2018, is not expected to have a material impact on the Fund’s financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

5. AMOUNTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Interest receivable	810,586	1,441,722
Dividends receivable	70,155	5,133
Receivable for securities sold	-	4,447,805
	<u>880,741</u>	<u>5,894,660</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Incentive fees	663,329	-
Accruals	223,139	158,815
Payable for securities purchased	-	3,455,000
	<u>886,468</u>	<u>3,613,815</u>

7. FINANCIAL INSTRUMENTS

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

	<u>2017</u>	<u>2016</u>
	\$	\$
FVTPL, measured at fair value:		
Assets		
Cash (a)	9,767,367	10,358,618
Cash held as collateral on futures (a)	161,700	604,500
Equity securities (b)	67,547,466	28,247,428
Fixed income securities (b)	19,681,525	48,016,278
Unrealized gain on futures contracts (a)	233,590	-
Liabilities		
Unrealized loss on futures contracts (a)	-	325,305
Net assets attributable to holders of redeemable shares (b)	93,235,689	88,472,558
Loans and receivables, measured at amortized cost:		
Amounts receivable	880,741	5,894,660
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	886,468	3,613,815
Redemptions payable	3,582,993	44,931

(a) Held for trading

(b) Designated as FVTPL upon initial recognition

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

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Held for trading	(1,447,332)	(1,316,659)
Designated at FVTPL	21,833,106	9,869,284
	<u>20,385,774</u>	<u>8,552,625</u>

Fair Value Hierarchy of Financial Instruments

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

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets and liabilities classified as Level 1 generally include cash balances at broker, equity securities, fixed income securities, options contracts and options contracts written 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 generally include net assets attributable to holders of redeemable shares.

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 and liabilities that would be classified as Level 3.

The following table presents the Fund's fair value hierarchy of its financial instruments as at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	\$	\$	\$
ASSETS			
Cash	9,767,367	-	9,767,367
Cash held as collateral on futures contracts	161,700	-	161,700
Equity securities	67,547,446	-	67,547,446
Fixed income securities	19,681,525	-	19,681,525
Unrealized gain on futures contracts	233,590	-	233,590
	<u>97,391,628</u>	<u>-</u>	<u>97,391,628</u>
LIABILITIES			
Net assets attributable to holders of redeemable shares	<u>-</u>	<u>93,235,689</u>	<u>93,235,689</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	\$	\$	\$
ASSETS			
Cash	10,358,618	-	10,358,618
Cash held as collateral on futures	604,500	-	604,500
Equity securities	28,247,428	-	28,247,428
Fixed income securities	48,016,278	-	48,016,278
	<u>87,226,824</u>	<u>-</u>	<u>87,226,824</u>
LIABILITIES			
Unrealized loss on futures contracts	325,305	-	325,305
Net assets attributable to holders of redeemable shares	<u>-</u>	<u>88,472,558</u>	<u>88,472,558</u>
	<u>325,305</u>	<u>88,472,558</u>	<u>88,797,863</u>

8. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the Fund's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors 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 at December 31, 2017:

	<u>Fair value</u>	<u>% of NAV</u>
	\$	%
Equity securities	67,547,446	72.4
Fixed income securities	19,681,526	21.1
Futures contracts (total notional contract value)	4,395,650	4.7

Price sensitivity

As at December 31, 2017, had the prices of the investments held in the Fund, increased or decreased 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 \$4,581,231. 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) at December 31, 2017:

<u>Currency</u>	<u>Equity securities</u>	<u>Fixed income securities</u>	<u>Amounts receivable</u>	<u>Withholding tax payable</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Australian Dollar	2,787,551	-	-	-	2,787,551
Brazilian Real	8,892,000	19,681,525	833,134	(567,219)	28,839,440
Euro	6,224,154	-	-	-	6,224,154
Japanese Yen	-	-	47,607	-	47,607
	<u>17,903,705</u>	<u>19,681,525</u>	<u>880,741</u>	<u>(567,219)</u>	<u>37,898,752</u>

Currency Sensitivity

As at December 31, 2017, had the United States dollar strengthened or weakened by 1% in relation to all currencies, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased or decreased by \$378,988. 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.

Interest Sensitivity

As at December 31, 2017, had the interest rates strengthened or weakened by 25 basis points, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased by \$233,116 or decreased by \$241,265, respectively.

(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. The Fund's cash balances at brokers are pledged as margin to its brokers. Credit risk is managed by dealing only with counterparties the Fund believes to be creditworthy, setting transaction limits with specific counterparties and by daily monitoring of credit exposure. Credit risk did not impact the values of the Fund's financial liabilities.

The table below summarizes the Fund's financial intermediaries' exposure as a percentage of NAV, as at December 31, 2017:

<u>Counterparty</u>	<u>Cash</u>	<u>Amounts</u>	<u>Equity</u>	<u>Fixed income</u>	<u>Future</u>	<u>Total % of</u>
	<u>%</u>	<u>receivable</u>	<u>securities</u>	<u>securities</u>	<u>contracts</u>	<u>NAV</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
BMO Harris Bank	2.29	-	-	-	-	2.29
CIBC Mellon	3.77	0.89	72.45	21.11	-	98.22
Cayman National Bank	3.85	-	-	-	-	3.85
JPMorgan Chase Bank N.A.	0.73	0.05	-	-	0.25	1.03
	<u>10.64</u>	<u>0.94</u>	<u>72.45</u>	<u>21.11</u>	<u>0.25</u>	<u>105.39</u>

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

<u>Counterparty</u>	<u>Cash</u>	<u>Amounts receivable</u>	<u>Equity securities</u>	<u>Fixed income securities</u>	<u>Total % of NAV</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
BMO Harris Bank	1.36	-	-	-	1.36
CIBC Mellon	8.13	6.66	31.93	54.27	100.99
Cayman National Bank	0.06	-	-	-	0.06
JPMorgan Chase Bank N.A.	2.85	-	-	-	2.85
	<u>12.40</u>	<u>6.66</u>	<u>31.93</u>	<u>54.27</u>	<u>105.26</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:

	<u>2017</u>	<u>2016</u>
	<u>%</u>	<u>%</u>
AAA/Aaa	-	18.07
BBB/Bbb	21.11	36.20
	<u>21.11</u>	<u>54.27</u>

(ii) Concentration of credit risk

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

	<u>2017</u>	<u>2016</u>
	<u>%</u>	<u>%</u>
Australia	2.99	3.31
Brazil	31.54	36.20
Canada	3.77	8.13
Greece	4.27	5.87
Japan	0.05	-
United States	60.37	50.96
	<u>102.99</u>	<u>104.47</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>2017</u>	<u>2016</u>
	<u>%</u>	<u>%</u>
iShares US Home Construction ETF	42.42	-
Government of Brazil	21.11	36.20
ITAU Unibanco Holding S.A. ADR	9.54	-
VanEck Vectors Junior Gold Miners ETF	5.82	13.77
U.S. Treasury	-	18.07

(e) **Liquidity risk**

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

9. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

	<u>Amounts offset</u>			<u>Amounts not offset</u>		
	<u>Gross</u>	<u>Gross</u>	<u>Net</u>	<u>Master netting</u>	<u>Financial collateral</u>	<u>Net</u>
	<u>\$</u>	<u>assets/liabilities</u>	<u>\$</u>	<u>arrangements</u>	<u>\$</u>	<u>\$</u>
	<u>offset</u>					
As at December 31, 2017						
Assets						
Futures contracts	<u>233,590</u>	<u>-</u>	<u>233,590</u>	<u>-</u>	<u>(233,590)</u>	<u>-</u>
Liabilities						
Futures contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at December 31, 2016						
Assets						
Futures contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities						
Futures contracts	<u>325,305</u>	<u>-</u>	<u>325,305</u>	<u>-</u>	<u>(325,305)</u>	<u>-</u>

10. INCOME TAXES

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

Certain jurisdictions withhold taxes on the Fund's investment income, which are charged to the statement of income and comprehensive income.

11. 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 ordinary 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 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 ordinary 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, 2017:

	<u>Series A</u>	<u>Series M</u>
Number of units outstanding, December 31, 2015	44,837	18,354
Issued during the year	348	-
Redeemed during the year	(3,663)	-
Number of units outstanding, December 31, 2016	<u>41,522</u>	<u>18,354</u>
Issued during the year	2,695	-
Redeemed during the year	(10,269)	-
Number of units outstanding, December 31, 2017	<u><u>33,948</u></u>	<u><u>18,354</u></u>
Weighted average number of shares outstanding, year ended December 31, 2016	<u>42,688</u>	<u>18,354</u>
Weighted average number of shares outstanding, year ended December 31, 2017	<u><u>40,988</u></u>	<u><u>18,354</u></u>

There are 100 ordinary 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, 2017.

12. RELATED PARTY TRANSACTIONS

The Fund pays 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 is 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 is the rate quoted on the first day of business in a calendar year. Incentive fees of \$668,976 were recognized for the year ended December 31, 2017 and \$nil for the year ended December 31, 2016. Incentive fees payable of \$663,329 (\$nil as at December 31, 2016) are included in accounts payable and accrued liabilities at December 31, 2017.

The incentive fee is calculated with respect to all of 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 Series A shares. Management fee expense of the Fund incurred with the Investment Advisor for the year ended December 31, 2017 was \$664,478 (\$650,025 for the year ended December 31, 2016). An amount of \$50,046 (\$50,665 as at December 31, 2016), due to the Investment Advisor for management fees, is included in accounts payable of the Fund at December 31, 2017.

13. 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 shareholder redemptions. The Fund does not have any externally imposed capital requirements.

14. SUBSEQUENT EVENTS

In the period from January 16, 2018 to March 12, 2018 the Fund paid \$8,995,262 on the redemption of 4,738 Class M shares.