FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2012 AND 2011

Rothstein Kass

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To Friedberg Global-Macro Hedge Fund Ltd.

We have audited the accompanying financial statements of Friedberg Global-Macro Hedge Fund Ltd. (the "Fund"), which comprise the statements of assets and liabilities, including the condensed schedules of investments, as of December 31, 2012 and 2011, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friedberg Global-Macro Hedge Fund Ltd. as of December 31, 2012 and 2011, and the results of its operations, changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company (Cayman)

Grand Cayman, Cayman Islands
May 28, 2013

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31,	2012	2011
Assets		
Investments in securities, at fair value (cost $1,222,950,821 and $863,473,229 in 2012 and 2011, respectively)	$ 1,582,190,829	$ 933,580,580
Due from brokers	345,444,181	676,263,489
Derivative contracts, at fair value	118,551,503	144,919,528
Cash	8,354,492	51,384,393
Interest and dividends receivable	2,294,452	1,925,307
Total assets	2,056,835,457	1,808,073,297
Liabilities		
Securities sold short, at fair value (proceeds $574,885,111 and $398,910,466 in 2012 and 2011, respectively)	613,996,886	344,088,525
Payable for securities sold under agreements to repurchase	281,291,667	256,387,255
Due to broker	223,227,831	139,325,896
Derivative contracts, at fair value	55,798,696	100,463,904
Accrued expenses	2,371,037	1,971,504
Management fee payable	1,465,574	1,609,727
Interest and dividends payable	805,139	-
Redemptions payable	29,887	34,869
Total liabilities	1,178,986,717	843,881,680
Net assets	$ 877,848,740	$ 964,191,617
Number of shares outstanding		
Class A	161,505.05	161,916.97
Net asset value per share		
Class A	$ 5,435.42	$ 5,954.85

See accompanying notes to financial statements.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

STATEMENTS OF OPERATIONS
(Expressed in United States Dollars)

Years Ended December 31,	**2012**	**2011**
Investment income		
Dividends (net of U.S. and foreign withholding taxes of $3,834,634 and $1,268,786 in 2012 and 2011, respectively)	$ 9,274,430	$ 3,016,365
Interest	5,728,251	12,482,010
Total investment income	15,002,681	15,498,375
Expenses		
Management fee	17,852,938	16,289,760
Interest and dividends	16,415,437	8,598,329
Administrative fee	606,334	556,322
Incentive fee	-	80,297,628
Professional fees and other	271,236	434,685
Total expenses	35,145,945	106,176,724
Administrative fees reimbursed	(65,000)	(60,000)
Net expenses	35,080,945	106,116,724
Net investment income (loss)	(20,078,264)	(90,618,349)
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on securities	33,181,374	54,153,037
Net change in unrealized appreciation or depreciation on securities	195,198,939	145,472,790
Net realized gain (loss) from derivative contracts	(327,305,949)	310,661,260
Net change in unrealized appreciation or depreciation on derivative contracts	34,915,746	(138,716,855)
Net gain (loss) on investments	(64,009,890)	371,570,232
Net change in net assets resulting from operations	$ (84,088,154)	$ 280,951,883

See accompanying notes to financial statements.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

Years Ended December 31,	2012	2011
Operations		
Net investment income (loss)	$ (20,078,264)	$ (90,618,349)
Net realized gain (loss) on securities	33,181,374	54,153,037
Net change in unrealized appreciation or depreciation on securities	195,198,939	145,472,790
Net realized gain (loss) from derivative contracts	(327,305,949)	310,661,260
Net change in unrealized appreciation or depreciation on derivative contracts	34,915,746	(138,716,855)
Net change in net assets resulting from operations	(84,088,154)	280,951,883
Capital share transactions		
Redemption of shares	(2,254,723)	(51,053,931)
Net change in net assets	(86,342,877)	229,897,952
Net assets, beginning of year	964,191,617	734,293,665
Net assets, end of year	$ 877,848,740	$ 964,191,617

See accompanying notes to financial statements.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

Years Ended December 31,	2012	2011
Cash flows from operating activities		
Net change in net assets resulting from operations	$ (84,088,154)	$ 280,951,883
Adjustments to reconcile net change in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in unrealized appreciation or depreciation on securities	(195,198,939)	(145,472,790)
Changes in operating assets and liabilities:		
Cost of investments in securities, at fair value	(359,477,591)	114,358,922
Due from brokers	330,819,308	(302,176,514)
Derivative contracts, at fair value	26,368,025	76,866,452
Interest and dividends receivable	(369,145)	3,129,813
Proceeds from securities sold short, at fair value	175,974,642	206,411,249
Payable for securities sold under agreements to repurchase	24,904,412	(371,558,995)
Due to broker	83,901,935	139,325,896
Derivative contracts, at fair value	(44,665,208)	49,827,004
Accrued expenses	399,533	736,716
Management fee payable	(144,153)	383,819
Interest and dividends payable	805,139	(432,582)
Net cash provided by (used in) operating activities	(40,770,196)	52,350,873
Cash flows from financing activities		
Payments for redemption of shares, net of change in redemptions payable	(2,259,705)	(51,073,856)
Net change in cash	(43,029,901)	1,277,017
Cash, beginning of year	51,384,393	50,107,376
Cash, end of year	$ 8,354,492	$ 51,384,393
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 5,403,889	$ 2,010,446

See accompanying notes to financial statements.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

CONDENSED SCHEDULES OF INVESTMENTS
(Expressed in United States Dollars)

December 31, 2012

		Number of Shares	Percentage of Net Assets	Fair Value
Investments in securities, at fair value				
Common stocks				
Canada				
Financial (cost $288,689)	Level 2		0.1 %	$ 686,510
Ireland				
Banking & Finance				
Bank of Ireland (cost $57,123,130)		390,513,248	6.6	58,218,066
United States				
Residential Construction				
PulteGroup, Inc.		6,136,000	12.7	111,429,760
Lennar Corp.		2,158,000	9.5	83,449,860
Toll Brothers Inc.		2,384,000	8.8	77,074,720
DR Horton Inc.		3,665,000	8.3	72,493,700
Other			8.0	70,652,939
Retail				
eBay Inc.		2,537,600	14.7	129,411,764
Wal-Mart Stores Inc.		1,429,000	11.1	97,500,670
The Home Depot, Inc.		986,600	6.9	61,021,210
Other	Level 2		0.0	1,740
Internet				
Google Inc.		128,700	10.4	91,039,806
Banking & Finance				
The Hartford Financial Services Group, Inc.		3,300,800	8.4	74,069,952
Aerospace & Defense				
General Dynamics Corp.		957,100	7.6	66,298,317
Building Material				
USG Corporation		2,314,300	7.4	64,962,401
Entertainment Diversified			5.0	43,543,423
Paper			3.3	28,684,800
Information Technology Services			2.8	24,453,156
News			2.3	20,385,856
Biotechnology			2.3	20,271,795
Telecom Equipment			2.1	18,565,000
Automotive			1.5	12,989,394
Total United States (cost $896,855,051)			133.1	1,168,300,263
Total common stocks (cost $954,266,870)			139.8	1,227,204,839

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2012

	Expiration Date	Number of Contracts / Principal Amount	Percentage of Net Assets	Fair Value
Investments in securities, at fair value (continued)				
Debt securities				
Government debt				
Venezuela				
Financial (cost $3,277,812)			0.4 %	$ 4,027,938
United States				
U.S. Treasury Inflation-Protected Securities				
2.125% due February 15, 2040		$ 164,500,000	29.4	257,807,370
3.875% due April 15, 2029		$ 40,000,000	10.6	93,150,682
Total United States (cost $265,406,139)			40.0	350,958,052
Total debt securities (cost $268,683,951)			40.4	354,985,990
Total investments in securities, at fair value (cost $1,222,950,821)			180.2 %	$ 1,582,190,829
Derivative contracts, assets, at fair value				
Option contracts purchased				
Call options purchased				
United States				
Pharmaceuticals			4.1 %	$ 36,303,000
Health Care			1.9	16,382,250
Retail				
Wal-Mart Stores Inc.	Jan 2014	6,600	0.3	2,475,000
Interest Rate			0.1	624,609
Total call options purchased (cost $35,376,064)			6.4	55,784,859
Put options purchased				
United States				
Computer Equipment (cost $12,977,553)			3.5	30,657,375
Total option contracts purchased (cost $48,353,617)			9.9	86,442,234

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2012

	Percentage of Net Assets	Fair Value
Derivative contracts, assets, at fair value (continued)		
Futures contracts		
United States		
Commodity	2.0 %	$ 17,973,965
Index	1.0	8,614,876
Total futures contracts	3.0	26,588,841
Currency forwards		
United States		
Other	0.1	542,096
Swap contracts purchased		
Credit default swaps		
Kingdom of Spain		
Government	0.2	2,096,730
Venezuela		
Government	0.3	2,881,602
Total swap contracts purchased (includes upfront premiums paid of $6,565,459)	0.5	4,978,332
Total derivative contracts, assets, at fair value	13.5 %	$ 118,551,503

See accompanying notes to financial statements.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2012

		Number of Shares	Percentage of Net Assets	Fair Value
Securities sold short, at fair value				
Common stocks				
Australia				
Banking & Finance				
Level 1 Securities			4.6 %	$ 40,653,718
Level 2 Securities			1.7	15,035,364
Steel & Iron				
Fortescue Metals Group Limited		10,208,000	5.7	49,631,728
Total Australia (proceeds $93,790,850)			12.0	105,320,810
Canada				
Banking & Finance (proceeds $114,921,941)			15.3	134,705,861
Russia				
Oil & Gas				
Gazprom (proceeds $43,773,827)	Level 2	4,900,000	5.3	46,354,000
Spain				
Banking & Finance (proceeds $31,161,441)			2.8	25,039,751
United States				
Pharmaceuticals				
Merck & Co. Inc.		1,240,000	5.8	50,765,600
Railroads			4.9	43,213,792
Restaurants			4.8	41,918,320
Consumer & Packaged Goods			4.3	37,429,434
Automotive			3.3	28,971,267
Health Care Plans			2.7	23,563,856
Semiconductors			2.3	19,995,214
Data Storage			2.2	19,665,690
Retail			1.8	15,930,837
Minerals			1.7	14,829,204
Total United States (proceeds $283,924,725)			33.8	296,283,214
Total common stocks (proceeds $567,572,784)			69.2	607,703,636
Exchange traded funds				
Brazil				
Index (proceeds $7,312,327)			0.7	6,293,250
Total securities sold short, at fair value (proceeds $574,885,111)			69.9 %	$ 613,996,886

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2012

	Percentage of Net Assets	Fair Value
Derivative contracts, liabilities, at fair value		
Futures contracts		
United States		
Interest Rate	1.0 %	$ 9,178,906
Commodity	0.9	8,318,347
Index	0.1	424,691
Total futures contracts	2.0	17,921,944
Currency forwards		
United States		
Other	0.1	594,381
Swap contracts purchased		
Credit default swaps		
France		
Banking & Finance (includes upfront premiums received of $846,464 and upfront premiums paid of $2,529,400)	1.8	16,026,519
Swap contracts written		
Total return swaps		
Brazil		
Banking & Finance	1.4	12,483,744
Australia		
Banking & Finance	0.5	4,579,836
France		
Banking & Finance	0.5	4,192,272
Total swap contracts written	2.4	21,255,852
Total derivative contracts, liabilities, at fair value	6.3 %	$ 55,798,696

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2011

		Number of Shares or Principal Amount	Percentage of Net Assets	Fair Value
Investments in securities, at fair value				
Common stocks				
Canada				
Financial (cost $484,949)	Level 2		0.1 %	$ 758,004
Ireland				
Banking & Finance (cost $57,123,130)			4.3	42,019,225
United States				
Residential Construction			13.4	128,841,750
Oil & Gas			11.5	111,088,300
Semiconductors				
Intel Corp.		3,800,000	9.6	92,150,000
Internet				
Google Inc.		46,500	3.1	30,034,350
News			2.9	27,975,384
Aerospace			2.9	27,547,621
Computer Storage & Peripherals			2.8	27,361,344
Biotechnology			2.2	21,096,658
Paper			2.2	21,312,000
Pharmaceuticals			1.9	18,506,278
Metal Fabrication			1.8	17,269,992
Electronics	Level 2		0.0	1,740
Total United States (cost $494,252,007)			54.3	523,185,417
Total common stocks (cost $551,860,086)			58.7	565,962,646
Exchange traded funds				
United States				
Utilities (cost $42,929,192)			4.9	47,227,348
Debt securities				
Government debt				
Venezuela				
Financial (cost $3,277,812)			0.3	3,300,975
United States				
U.S. Treasury Inflation-Protected Securities				
2.125% due February 15, 2040		$ 164,500,000	24.0	231,294,808
3.875% due April 15, 2029		$ 40,000,000	8.9	85,794,803
Total debt securities (cost $268,683,951)			33.2	320,390,586
Total investments in securities, at fair value (cost $863,473,229)			96.8 %	$ 933,580,580

(Expressed in United States Dollars)

December 31, 2011

	Expiration Date	Number of Contracts	Percentage of Net Assets	Fair Value
Derivative contracts, assets, at fair value				
Option contracts purchased				
Call options purchased				
United States				
Pharmaceuticals			3.6 %	$ 34,835,000
Internet				
Google Inc.	Mar 2012	2,900	3.4	32,248,000
Commodity			0.0	343,500
Total call options purchased (cost $54,762,090)			7.0	67,426,500
Put options purchased				
China				
Index (cost $3,295,281)			0.2	2,112,500
South Korea				
Index (cost $1,336,027)			0.1	660,000
United States				
Commodity (cost $252,000)			0.0	237,520
Total put options purchased (cost $4,883,308)			0.3	3,010,020
Total option contracts purchased (cost $59,645,398)			7.3	70,436,520
Futures contracts				
United States				
Commodity			3.2	30,740,021
Interest Rate			0.1	1,192,163
Index			0.4	4,173,227
Total United States			3.7	36,105,411
Turkey				
Index			0.1	1,035,202
Total futures contracts			3.8	37,140,613
Currency forwards				
United States				
Other			0.7	6,356,879

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2011

	Percentage of Net Assets	Fair Value
Derivative contracts, assets, at fair value (continued)		
Swap contracts purchased		
Credit default swaps		
Brazil		
Government	0.0 %	$ 259,000
Kingdom of Spain		
Government	1.2	11,667,015
Republic of Italy		
Government	0.1	1,236,777
Venezuela		
Government	0.7	6,008,729
France		
Banking & Finance	0.1	1,087,899
Total swap contracts purchased (includes upfront premiums paid of $7,977,891)	2.1	20,259,420
Swap contracts written		
Total return swaps		
Australia		
Banking & Finance	0.4	4,111,379
Brazil		
Banking & Finance	0.7	6,171,617
France		
Banking & Finance	0.0	443,100
Total swap contracts written	1.1	10,726,096
Total derivative contracts, assets, at fair value	15.0 %	$ 144,919,528

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2011

		Number of Shares	Percentage of Net Assets	Fair Value
Securities sold short, at fair value				
Common stocks				
Australia				
Banking & Finance				
Level 2 Securities			3.0 %	$ 28,909,460
Level 1 Securities			1.7	16,287,134
Steel & Iron			3.6	34,800,000
Total Australia (proceeds $85,805,911)			8.3	79,996,594
Russia				
Oil & Gas				
Gazprom (proceeds $68,070,255)	Level 2	6,699,200	7.4	71,413,472
Spain				
Banking & Finance (proceeds $31,160,613)			2.3	22,615,159
United States				
Home Appliances			2.7	25,580,295
Energy			2.6	24,527,916
Metal Fabrication			2.3	22,300,488
Industrial Metals & Minerals			2.1	20,558,054
Coffee			1.9	18,298,800
Computer Equipment			1.6	15,471,000
Basic Materials			1.5	14,192,055
Semiconductors			1.3	12,841,374
Banking & Finance			1.0	9,836,943
Total United States (proceeds $206,561,360)			17.0	163,606,925
Total common stocks (proceeds $391,598,139)			35.0	337,632,150
Exchange traded funds				
Brazil				
Index (proceeds $7,312,327)			0.7	6,456,375
Total securities sold short, at fair value (proceeds $398,910,466)			35.7 %	$ 344,088,525

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

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

December 31, 2011

	Percentage of Net Assets	Fair Value
Derivative contracts, liabilities, at fair value		
Futures contracts		
United States		
Commodity	5.3 %	$ 50,751,555
Interest Rate	3.4	32,873,838
Total futures contracts	8.7	83,625,393
Currency forwards		
United States		
Other	0.6	6,266,900
Swap contracts purchased		
Credit default swaps		
Germany		
Banking & Finance (includes upfront premiums received of $2,651,109)	0.3	2,692,961
Swap contracts written		
Total return swaps		
Australia		
Banking & Finance	0.6	5,578,464
United States		
Banking & Finance	0.2	2,300,186
Total swap contracts written	0.8	7,878,650
Total derivative contracts, liabilities, at fair value	10.4 %	$ 100,463,904

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

Nature of Operations

Friedberg Global-Macro Hedge Fund Ltd. (the "Fund") is an investment company which was formed under the laws of the Cayman Islands and commenced operations on November 21, 2001. The Fund was organized for the purpose of trading and investing in securities. Pursuant to an investment advisory agreement, Friedberg Mercantile Group Ltd. (“FMG”) is the Investment Advisor (the “Investment Advisor”) to the Fund. FCMI Financial Services (Cayman) Ltd., an affiliate of FMG, is the Manager (the “Manager”) of the Fund. Refer to the Fund’s most recent offering memorandum for more information.

Objective

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

Basis of Presentation

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

These financial statements were approved by management and available for issuance on May 28, 2013. Subsequent events have been evaluated through this date.

Fair Value - Definition and Hierarchy

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

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

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

Fair Value - Definition and Hierarchy (continued)

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

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

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

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

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

Fair Value - Valuation Techniques and Inputs

<u>Investments in Securities and Securities Sold Short</u>

Investments in securities and securities sold short that are freely tradable and are listed on major securities exchanges are valued at their last reported sales price as of the valuation date.

Many over-the-counter ("OTC") contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Fund's valuation policies do not require that fair value always be a predetermined point in the bid-ask range. The Fund's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are generally valued at their last reported "bid" price if held long, and last reported "ask" price if sold short.

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

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

Fair Value - Valuation Techniques and Inputs (continued)

Derivative Contracts

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are included in net realized gain (loss) from derivative contracts and net change in unrealized appreciation or depreciation on derivative contracts in the statements of operations.

Option contracts

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

Futures contracts

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

Forward contracts

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

Interest rate swaps

Interest rate swaps are traded on the OTC market. The fair value for interest rate swaps is derived using a pricing model that is widely accepted by marketplace participants. The pricing model takes into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, interest rates, prepayment speeds and currency rates. Many inputs into the model do not require material subjectivity as they are observable in the marketplace. Interest rate swaps are generally categorized in Level 2 of the fair value hierarchy.

Credit default swaps

Credit default swaps are traded on the OTC market. The fair value for a credit default swap contract is derived using a pricing model that is widely accepted by marketplace participants. The pricing model takes into account multiple inputs including specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates, and current credit spreads obtained from swap counterparties and other market participants. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is heavily determined by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit risk of the underlying debt or reference entity. If the underlying debt is liquid and the OTC market for the current spread is active, credit default swaps are categorized in Level 2 of the fair value hierarchy. If the underlying debt is illiquid and the OTC market for the current spread is not active, credit default swaps are categorized in Level 3 of the fair value hierarchy. At December 31, 2012, investments in credit default swaps had maturities within a range of one and five years.

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

Fair Value - Valuation Techniques and Inputs (continued)

Derivative Contracts (continued)

Total return swaps

Total return swaps are traded on the OTC market. The fair value of total return swaps is recorded at the swap contract's net equity value. Net equity is calculated by determining the notional fair value of the assets or liabilities underlying the swap contracts, which are typically equity securities, and is consistent with the valuation procedures discussed previously. Total return swaps are categorized in Level 2 or 3 of the fair value hierarchy.

Government Bonds

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

Corporate Bonds

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

Translation of Foreign Currency

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

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

Investment Transactions and Related Investment Income

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

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

Income Taxes

The Fund has received an undertaking from the Cayman Islands government exempting the Fund from all local income, profits and capital gains taxes until December 4, 2021. Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. Further, certain non-United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

The Fund is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2012. The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next twelve months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with foreign tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

Use of Estimates

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

Valuation of Fund Shares

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

Offsetting of Amounts Related to Certain Contracts

The Fund has elected not to offset fair value amounts recognized for cash collateral receivables and payables against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting arrangement. At December 31, 2012 and December 31, 2011, the Fund had cash collateral receivables of approximately $188,348,000 and $144,775,000, respectively, with derivative counterparties under the same master netting arrangement. The cash collateral amount is included in due from brokers in the statements of assets and liabilities at December 31, 2012 and December 31, 2011.

2. Fair value measurements

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1. The following table presents information about the Fund's assets measured at fair value as of December 31, 2012 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in securities				
Common stocks	$ 1,226,517	$ 688	$ -	$ 1,227,205
Government debt	350,958	4,028	-	354,986
Total investments in securities	1,577,475	4,716	-	1,582,191
Derivative contracts				
Call options purchased	625	55,160	-	55,785
Put options purchased	30,657	-	-	30,657
Futures contracts	26,589	-	-	26,589
Forward contracts	-	542	-	542
Credit default swaps	-	4,978	-	4,978
Total derivative contracts	57,871	60,680	-	118,551
	$ 1,635,346	$ 65,396	$ -	$ 1,700,742

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

	Level 1	Level 2	Level 3	Total
Liabilities (at fair value)				
Securities sold short				
Common stocks	$ 546,314	$ 61,390	$ -	$ 607,704
Exchange traded funds	6,293	-	-	6,293
Total securities sold short	552,607	61,390	-	613,997
Derivative contracts				
Futures contracts	17,922	-	-	17,922
Forward contracts	-	594	-	594
Credit default swaps	-	16,027	-	16,027
Total return swaps	-	21,256	-	21,256
Total derivative contracts	17,922	37,877	-	55,799
	$ 570,529	$ 99,267	$ -	$ 669,796

2. Fair value measurements (continued)

The following table presents information about the Fund's assets measured at fair value as of December 31, 2011 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in securities				
Common stocks	$ 565,204	$ 759	$ -	$ 565,963
Exchange traded funds	47,227	-	-	47,227
Government debt	317,090	3,301	-	320,391
Total investments in securities	929,521	4,060	-	933,581
Derivative contracts				
Call options purchased	67,083	344	-	67,427
Put options purchased	2,772	238	-	3,010
Futures contracts	37,141	-	-	37,141
Forward contracts	-	6,357	-	6,357
Credit default swaps	-	20,259	-	20,259
Total return swaps	-	10,726	-	10,726
Total derivative contracts	106,996	37,924	-	144,920
	$ 1,036,517	$ 41,984	$ -	$ 1,078,501

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 2011 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities (at fair value)				
Securities sold short				
Common stocks	$ 237,309	$ 100,323	$ -	$ 337,632
Exchange traded funds	6,456	-	-	6,456
Total securities sold short	243,765	100,323	-	344,088
Derivative contracts				
Futures contracts	83,625	-	-	83,625
Forward contracts	-	6,267	-	6,267
Credit default swaps	-	2,693	-	2,693
Total return swaps	-	7,879	-	7,879
Total derivative contracts	83,625	16,839	-	100,464
	$ 327,390	$ 117,162	$ -	$ 444,552

3. Due from/to broker(s)

Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold short.

Amounts due to broker represent margin borrowings that are collateralized by certain marketable securities.

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

4. Derivative contracts

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

Options

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

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

4. Derivative contracts (continued)

Options (continued)

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

Futures Contracts

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

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

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

Forward Contracts

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

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

Swap Contracts

The Fund enters into various swaps, including interest rate swaps, total return swaps and credit default swaps as part of its investment strategies, to hedge against unfavorable changes in the value of investments, and to protect against adverse movements in interest rates or credit performance with counterparties. Generally, a swap contract is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified notional amount of the underlying assets. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

4. Derivative contracts (continued)

Swap Contracts (continued)

During the term of the swap contract, changes in value are recognized as unrealized gains or losses by marking the contracts at fair value. Additionally, the Fund records a realized gain (loss) when a swap contract is terminated and when periodic payments are received or made at the end of each measurement period. In addition to realized gains (losses) and the change in unrealized gains (losses), periodic interest expense and/or income is also reflected in net realized gain (loss) from derivative contracts and net change in unrealized appreciation or depreciation on derivative contracts in the statements of operations.

The fair value of open swaps reported in the statements of assets and liabilities may differ from that which would be realized in the event the Fund terminated its position in the contract. Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the aggregate fair value of swap contracts in an unrealized gain position as well as any collateral posted with the counterparty. The risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty. Therefore, the Fund considers the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying investments.

Interest Rate Swaps

The Fund is exposed to interest rate risk when there is an unfavorable change in the value of investments as a result of adverse movements in the market interest rates. The Fund enters into interest rate swaps to protect against such adverse movements in the interest rates.

Interest rate swaps are contracts whereby counterparties exchange different rates of interest on a specified notional amount for a specified period of time. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Fund did not hold any interest rate swap contracts at December 31, 2012 or December 31, 2011.

Credit Default Swaps

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swaps to manage its exposure to the market or certain sectors of the market, to reduce its risk exposure to defaults of corporate and sovereign issuers, or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed.

Credit default swap contracts involve an arrangement between the Fund and a counterparty which allows the Fund to protect against losses incurred as a result of default by a specified reference entity. Generally, the Fund pays or receives a premium upfront and continues to pay periodic interest payments while the counterparty agrees to make a payment to compensate the Fund for losses upon the occurrence of a specified credit event.

The Fund's credit default swap contracts are scheduled to terminate from 2013 through 2017.

4. Derivative contracts (continued)

Swap Contracts (continued)

Total Return Swaps

The Fund is subject to equity price risk in the normal course of pursuing its investment objectives. The Fund may enter into total return swaps either to manage its exposure to the market or certain sectors of the market, or to create exposure to certain equities to which it is otherwise not exposed.

Total return swap contracts involve the exchange by the Fund and a counterparty of their respective commitments to pay or receive a net amount based on the change in the fair value of a particular security or index and a specified notional amount. The Fund's total return swap contracts are scheduled to terminate on the cash settlement payment dates in August 2013 through December 2013.

Credit-Risk-Related Contingent Features

The Fund's derivative contracts are subject to International Swaps and Derivatives Association ("ISDA") Master Agreements which contain certain covenants and other provisions that may require the Fund to post collateral on derivatives if the Fund is in a net liability position with its counterparties exceeding certain amounts.

Additionally, counterparties may immediately terminate these agreements and the related derivative contracts if the Fund fails to maintain sufficient asset coverage for its contracts or its net assets decline by stated percentages or amounts.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position at December 31, 2012 and December 31, 2011 is approximately $16,027,000 and $2,693,000, respectively, for which the Fund has posted approximately $6,232,000 and $1,297,000, respectively, as collateral in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered as of December 31, 2012 or December 31, 2011, the Fund would have been required to post additional collateral of approximately $9,795,000 and $1,396,000, respectively, to its counterparties.

Additionally, counterparties may immediately terminate these agreements and the related derivative contracts if the Fund fails to maintain sufficient asset coverage for its contracts, or its net assets decline by stated percentages or amounts.

4. Derivative contracts (continued)

Volume of Derivative Activities

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

(notional amounts in thousands)

	Long exposure		Short exposure	
Primary underlying risk	**Notional amounts**	**Number of contracts**	**Notional amounts**	**Number of contracts**
Interest rate				
Futures contacts	$ 452,471	3,080	$ -	-
Option contracts	90,713	615	-	-
	543,184	3,695	-	-
Foreign currency exchange rate				
Forward contracts	37,718	2	38,507	2
Equity price				
Options (b)	205,281	49,600	158,321	2,975
Futures contracts	100,266	1,750	805,796	30,501
Total return swap contracts	-	-	321,703	4
	305,547	51,350	1,285,820	33,480
Commodity price				
Futures contracts	245,372	2,369	498,563	5,547
Credit				
Purchased protection:				
Credit default swap contracts	322,852	10	-	-
	$ 1,454,673	57,426	$ 1,822,890	39,029

(a) Notional amounts are presented net of identical offsetting derivative contracts.

(b) Notional amounts presented for options are based on the fair value of the underlying shares as if the options were exercised at December 31, 2012.

4. Derivative contracts (continued)

At December 31, 2011, the volume of the Fund's activities based on their notional amounts[a] and number of contracts, categorized by primary underlying risk, are as follows:

(notional amounts in thousands)

	Long exposure		Short exposure	
Primary underlying risk	**Notional amounts**	**Number of contracts**	**Notional amounts**	**Number of contracts**
Interest rate				
Futures contacts	$ 129,814	990	$ 7,076,560	17,010
Foreign currency exchange rate				
Forward contracts	274,498	1	356,259	4
Equity price				
Options (b)	328,295	45,900	54,040	14,500
Futures contracts	-	-	219,425	30,514
Total return swap contracts	-	-	552,823	5
	328,295	45,900	826,288	45,019
Commodity price				
Options (b)	344	3,435	238	80
Futures contracts	393,298	4,120	870,384	8,467
	393,642	7,555	870,622	8,547
Credit				
Purchased protection:				
Credit default swap contracts	883,466	10	-	-
	$ 2,009,715	54,456	$ 9,129,729	70,580

(a) Notional amounts are presented net of identical offsetting derivative contracts.

(b) Notional amounts presented for options are based on the fair value of the underlying shares as if the options were exercised at December 31, 2011.

4. Derivative contracts (continued)

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

The following tables identifies the fair value amounts of derivative instruments included in the statements of assets and liabilities as derivative contracts, categorized by primary underlying risk, at December 31, 2012 and December 31, 2011. Balances are presented on a gross basis, prior to the application of the impact of counterparty and collateral netting. The following tables also identifies the net gain and loss amounts included in the statements of operations as net realized gain (loss) from derivative contracts and net change in unrealized appreciation or depreciation on derivative contracts, categorized by primary underlying risk, for the years ended December 31, 2012 and December 31, 2011:

(in thousands)

2012 **Primary underlying risk**	**Derivative assets**	**Derivative liabilities**	**Amount of gain (loss)**
Interest rate			
Options	$ 625	$ -	$ (1,115)
Future contracts	-	9,179	(43,120)
	625	9,179	(44,235)
Foreign currency exchange rate			
Futures contracts	-	-	(12,646)
Forward contracts	542	594	(3,738)
	542	594	(16,384)
Equity price			
Options	85,818	-	19,781
Futures contracts	8,615	425	(71,852)
Total return swap contracts	-	21,256	(92,701)
	94,433	21,681	(144,772)
Commodity price			
Options	-	-	(9,696)
Futures contracts	17,974	8,318	(3,610)
	17,974	8,318	(13,306)
Credit			
Purchased protection:			
Credit default swap contracts	4,978	16,027	(73,693)
Total	$ 118,552	$ 55,799	$ (292,390)

4. Derivative contracts (continued)

(in thousands)

2011 Primary underlying risk	Derivative assets	Derivative liabilities	Amount of gain (loss)
Interest rate			
Options	$ -	$ -	$ (7,719)
Futures contracts	1,192	32,874	2,708
Interest rate swaps	-	-	36,039
	1,192	32,874	31,028
Foreign currency exchange rate			
Options	-	-	(1,180)
Futures contracts	-	-	(27,779)
Forward contracts	6,357	6,267	2,962
	6,357	6,267	(25,997)
Equity price			
Options	69,856	-	17,834
Futures contracts	5,209	-	(6,568)
Total return swap contracts	10,726	7,879	82,528
	85,791	7,879	93,794
Commodity price			
Options	581	-	18,198
Futures contracts	30,740	50,751	54,957
	31,321	50,751	73,155
Credit			
Purchased protection:			
Credit default swap contracts	20,259	2,693	(36)
Total	$ 144,920	$ 100,464	$ 171,944

5. Concentration of credit risk

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

6. Securities sold short

The Fund is subject to certain inherent risks arising from its investing activities of selling securities short. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.

(Expressed in United States Dollars)

7. Payable for securities sold under agreements to repurchase

Transactions involving securities sold under agreements to repurchase are treated as collateralized financial transactions, and are recorded at their contracted repurchase amounts. In addition, interest on such transactions is included in interest payable, respectively. Interest rates range from 2.125% to 3.875%.

At December 31, 2012 and December 31, 2011, securities with a fair value of approximately $284,351,000 and $257,333,000, respectively, which are included in investments in securities in the statements of assets and liabilities, were pledged to collateralize securities sold under agreements to repurchase.

8. Capital share transactions

As of December 31, 2012, there are 100 non-participating, voting and non-redeemable shares issued from the Fund to FCMI Financial Services (Cayman) Ltd., a Cayman Islands affiliate of the Fund, which are not reflected in the Fund's share capital. These shares were issued at a nominal value and do not participate in the income, distributions, and net asset value on redemption or liquidation of the Fund.

Authorized share capital of the Fund comprises of an unlimited number of Class A and B shares, without nominal or par value, participating, non-voting and redeemable at the option of the shareholder. On redemption of Class A shares, a redemption charge of 3/8 of 1% is retained by the Fund. No Class B shares are currently outstanding.

Transactions in capital shares during the years, and the shares outstanding and the net asset value ("NAV") per share as of December 31, 2012 and December 31, 2011, for Class A are as follows:

Number of Shares	**Class A 2012**	**Class A 2011**
Outstanding, beginning of year	161,916.97	173,690.02
Redeemed during the year	(411.92)	(11,773.05)
Outstanding, end of year	161,505.05	161,916.97
Amounts		
Amounts redeemed	$ 2,254,723	$ 51,053,931
Ending net assets	$ 877,848,740	$ 964,191,617
Ending NAV per share	$ 5,435.42	$ 5,954.85

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

Redemptions payable represent amounts due to shareholders based on redemption requests effective through December 31, 2012 and December 31, 2011, respectively.

9. Related party transactions

Management and Incentive Fees

The Investment Advisor is entitled to a management fee, calculated and payable monthly in arrears equal to 1/12 of 2% per month of the net assets of the Fund determined as of the last business day of the month.

The Investment Advisor is also entitled to an incentive fee, payable on a quarterly basis, which will generally be equal to 20%. The incentive fees are based on "net new trading profits", defined as the difference, if positive, between the net asset value at the end of the applicable period and the net asset value at the end of the preceding period, adjusted to reflect the amount of any unrecovered loss carried forward from the preceding period or periods. The net new trading profits must also exceed a hurdle rate before any incentive fees are paid.

Certain investors are affiliated with the Investment Advisor. The aggregate value of the affiliated investors' share of net assets at December 31, 2012 and December 31, 2011 was approximately $203,795,000 and $221,700,000, respectively.

10. Administrative fee

Cayman National Fund Services Ltd. (the "Administrator) serves as the administrator for the Fund and performs certain administrative and clerical services on behalf of the Fund including the calculation of month-end net asset value. FMG continuess to calculate the weekly net asset value. At December 31, 2012 and December 31, 2011, cash balances in the amount of approximately $10,000 and $22,000, respectively, were held by an affiliate of the Administrator.

(Expressed in United States Dollars)

11. Financial highlights

Financial highlights for the years ended December 31, 2012 and December 31, 2011 are as follows:

	2012 Class A Shares	2011 Class A Shares
Per share operating performance		
Net asset value, beginning of year	$ 5,954.85	$ 4,227.61
Income (loss) from investment operations:		
Net investment income (loss)	(124.03)	(63.45)
Incentive fee	0.00	(493.65)
Net gain (loss) on investments	(395.40)	2,284.34
Total from investment operations	(519.43)	1,727.24
Net asset value, end of year	$ 5,435.42	$ 5,954.85
Total return		
Total return before incentive fee	(8.7) %	52.5 %
Incentive fee	0.0	(11.7)
Total return after incentive fee	(8.7) %	40.8 %
Ratio to average net assets		
Expenses other than incentive fee	3.9 %	3.2 %
Administrative fees reimbursed	(0.0)	(0.0)
Incentive fee	0.0	10.1
Total expenses	3.9 %	13.3 %
Net investment income (loss)	(2.2) %	(11.4) %

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

12. Subsequent events

From January 1, 2013 through May 28, 2013, the Fund had additional redemptions of approximately $1,771,000.