

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Friedberg Global-Macro Hedge Fund Ltd.

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

Ideas
with
impact

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

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

Without modifying our opinion, we draw attention to note 11 to the financial statements which indicates that the Fund adopted International Financial Reporting Standards on January 1, 2014 with a transition date of January 1, 2013. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2013 and January 1, 2013, and the statements of comprehensive loss, changes in net assets attributable to holders of redeemable shares and cash flows for the year ended December 31, 2013 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Zeifmans (Cayman)

Grand Cayman, Cayman Islands
August 31, 2015

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

(a Cayman Islands Company)

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

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

(in U.S. Dollars)

AS AT	<u>December 31, 2014</u>	<u>December 31, 2013</u> (Unaudited)	<u>January 1, 2013</u> (Unaudited)
	<u>ASSETS</u>		
Current			
Cash balances at broker	\$ 186,769,690	\$ 230,889,663	\$ 353,798,673
Equity securities	322,649,539	651,773,005	1,227,204,839
Fixed income securities	-	185,744,520	354,985,990
Amounts receivable, including contracts awaiting settlement	252,311	2,763,603	2,294,452
Unrealized gain on open futures, forward and swap contracts	51,149,838	12,606,741	32,109,269
Options contracts	37,960,835	24,511,983	86,442,234
TOTAL ASSETS	\$ 598,782,213	\$ 1,108,289,515	\$ 2,056,835,457
	<u>LIABILITIES</u>		
Current			
Accounts payable, including contracts awaiting settlement	\$ 1,405,325	\$ 2,528,582	\$ 4,641,750
Cash balances due to broker	-	48,660,157	223,227,831
Reverse repurchase agreements	-	184,894,174	281,291,667
Equity securities sold short	77,603,557	253,311,440	613,996,886
Unrealized loss on open futures, forward and swap contracts	44,222,193	50,418,328	55,798,696
Options contracts written	4,352,515	2,436,000	-
Redemptions payable	59,775	45,828	29,887
TOTAL LIABILITIES (excluding net assets attributable to holders of redeemable shares)	127,643,365	542,294,509	1,178,986,717
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES	\$ 471,138,848	\$ 565,995,006	\$ 877,848,740
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE (note 9)	3,075.74	\$ 3,563.98	\$ 5,435.43

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

Albert Friedberg

Director, FCMI Financial Services (Cayman) Ltd.

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
FOR THE YEAR ENDED DECEMBER 31, 2014

(with comparative figures for the year ended December 31, 2013)
(in U.S. dollars)

	<u>2014</u>	<u>2013</u> (Unaudited)
Balance, beginning of the year	\$ 565,995,006	\$ 877,848,740
Decrease in net assets attributable to holders of redeemable shares	(77,567,650)	(301,641,385)
Redemption of redeemable shares (note 9)	<u>(17,288,508)</u>	<u>(10,212,349)</u>
Balance, end of the year	<u>\$ 471,138,848</u>	<u>\$ 565,995,006</u>

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.**STATEMENT OF COMPREHENSIVE LOSS****FOR THE YEAR ENDED DECEMBER 31, 2014**

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

(in U.S. Dollars)

	<u>2014</u>	<u>2013</u>
		(Unaudited)
<u>INCOME (LOSSES)</u>		
Net realized gains on equity securities and equity securities sold short	\$ 89,068,335	\$ 277,376,559
Change in net unrealized gains/losses on futures, forward and swap contracts	51,459,303	(8,221,291)
Net realized gains on fixed income securities	9,563,803	25,323,956
Change in net unrealized gains/losses on fixed income securities	7,289,582	(93,591,621)
Dividends	3,335,997	7,375,778
Interest	1,851,400	6,383,702
Foreign currency translation gain (loss)	1,041,109	(12,258,780)
Change in net unrealized gains/losses on options and options written	(2,464,027)	(30,219,515)
Net realized losses on options and options written	(12,198,967)	(20,850,119)
Change in net unrealized gains/losses on equity securities and equity securities sold short	(89,331,904)	(55,721,947)
Net realized losses on futures, forward and swap contracts	(117,648,646)	(356,109,941)
TOTAL LOSS	(58,034,015)	(260,513,219)
<u>EXPENSES</u>		
Management fees	\$ 10,272,004	\$ 14,726,493
Dividends on securities sold short	3,914,531	15,369,915
Transaction costs	2,026,005	2,057,649
Interest	1,802,218	6,163,642
Withholding taxes	1,021,000	2,202,958
Administrative fees	349,742	444,588
Audit fees	121,969	110,948
Custodian fees	17,186	36,745
Legal fees	8,980	15,228
TOTAL EXPENSES	19,533,635	41,128,166
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	\$ (77,567,650)	\$ (301,641,385)
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE (note 8)	\$ (495.26)	\$ (1,880.13)

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

	<u>2014</u>	<u>2013</u>
		(Unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss and comprehensive loss	\$ (77,567,650)	\$ (301,641,385)
Adjustments for:		
Net realized gains on equity securities and equity securities sold short	(89,068,335)	(277,376,559)
Change in net unrealized gains/losses on futures, forward and swap contracts	(51,459,303)	8,221,291
Net realized gains on fixed income securities	(9,563,803)	(25,323,956)
Change in net unrealized gains/losses on fixed income securities	(7,289,582)	93,591,621
Change in net unrealized gains/losses on options and options written	2,464,027	30,219,515
Net realized losses on options and options written	12,198,967	20,850,119
Change in net unrealized gains/losses on equity securities and equity securities sold short	89,331,904	55,721,947
Net realized losses on futures, forward and swap contracts	117,648,646	356,109,941
Purchase of investments	(1,322,209,865)	(2,300,691,261)
Proceeds on sale of investments	1,540,835,878	2,501,153,611
Net change in working capital items:		
Amounts receivable, including contracts awaiting settlement	2,511,292	(469,151)
Accounts payable, including contracts awaiting settlement	(1,123,257)	(2,113,168)
Reverse repurchase agreements	(184,894,174)	(96,397,493)
NET CASH FLOW FROM OPERATING ACTIVITIES	21,814,745	61,855,072
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments for redemption of shares, net of change in redemptions payable	(17,274,561)	(10,196,408)
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	4,540,184	51,658,664
CASH, BEGINNING OF THE YEAR	182,229,506	130,570,842
CASH, END OF THE YEAR	\$ 186,769,690	\$ 182,229,506
<u>CASH BALANCES, END OF THE YEAR</u>		
Cash balances at broker	\$ 186,769,690	\$ 230,889,663
Cash Balances due to broker	-	48,660,157
	\$ 186,769,690	\$ 182,229,506

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2014
(in U.S. dollars)

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

Number of shares	Country	Description	Average cost	Fair value	Fair value as of % of total
31,500	France	Blue Solutions Societe anonyme	\$ 1,620,015	\$ 1,048,163	0.32%
167,100	United States	Alaska Air Group Inc.	9,261,963	9,985,896	3.09%
212,000	United States	American Airlines Group Inc.	9,306,842	11,369,560	3.52%
870,200	United States	Circuit City Stores Inc.	4,361,491	1,740	0.00%
1,709,200	United States	D.R. Horton Inc.	23,694,642	43,225,668	13.40%
215,200	United States	Delta Air Lines Inc.	9,335,699	10,585,688	3.28%
727,500	United States	JetBlue Airways Corp.	9,285,231	11,534,978	3.58%
792,088	United States	KB Home	13,523,272	13,109,056	4.06%
1,095,963	United States	Lennar Corp.	40,152,079	49,110,102	15.22%
74,500	United States	Mohawk Industries Inc.	10,676,641	11,574,320	3.59%
25,500	United States	NVR Inc.	23,588,022	32,520,915	10.08%
2,233,469	United States	PulteGroup Inc.	17,757,647	47,930,245	14.86%
246,000	United States	Southwest Airlines Co.	9,355,355	10,410,720	3.23%
119,400	United States	Spirit Airlines Inc.	9,222,068	9,024,252	2.80%
530,000	United States	Standard Pacific Corp.	4,287,937	3,863,700	1.20%
278,000	United States	Toll Brothers Inc.	6,584,609	9,527,060	2.95%
166,800	United States	United Continental Holdings Inc.	9,319,366	11,157,252	3.46%
1,126,000	United States	USG Corp.	22,671,454	31,516,740	9.76%
26,600	United States	Whirlpool Corp.	4,510,543	5,153,484	1.60%
			236,874,861	321,601,376	99.68%
			\$ 238,494,876	\$ 322,649,539	100.00%

The following options contracts were open at December 31, 2014:

Contract	Country	Position	Exercise price	Shares/contract size	Contract value	Expiry date	Option premium paid/received	Fair value at December 31, 2014 (asset)	Fair value at December 31, 2014 (liability)
<i>Equity securities</i>									
Standard Chartered PLC	England	Put	5.25	232,000	\$ 1,897,279	September 18, 2015	\$ 7,410	\$ 12,648	\$ -
Standard Chartered PLC	England	Put	10.00	486,000	7,570,422	June 19, 2015	282,664	794,894	-
					9,467,701		290,074	807,542	-
Deutsche Bank AG DB	Germany	Put	23.00	1,300	29,900	January 17, 2015	1,722	130	-
Banco Bilbao Vizcaya Argentaria, SA	Spain	Put	6.50	1,196,400	9,408,131	December 18, 2015	564,604	528,303	-
Amazon.com Inc.	United States	Put	175.00	83,600	14,630,000	August 21, 2015	201,508	142,229	-
Amazon.com Inc.	United States	Put	215.00	76,900	16,533,500	April 17, 2015	254,568	118,811	-
Blackston Group LP	United States	Call	30.00	681,700	20,451,000	January 15, 2016	3,505,289	3,203,990	-
PulteGroup Inc.	United States	Call	34.87	1,277,400	44,542,938	January 18, 2015	241,891	74,728	-
Raytheon Co.	United States	Call	125.00	241,400	30,175,000	January 15, 2016	311,668	652,987	-
SPDR S&P 500 ETF	United States	Put	163.00	3,564,800	581,062,400	June 19, 2015	5,508,978	6,648,352	-
SPDR S&P 500 ETF	United States	Put	16.00	3,256,300	52,100,800	March 20, 2015	4,527,501	1,823,528	-
Toll Brothers Inc.	United States	Call	63.31	685,400	43,392,674	December 18, 2015	235,354	20,836	-
Whirlpool Corp.	United States	Call	130.00	231,400	30,082,000	January 17, 2015	4,479,131	14,832,740	-
Yum! Brands Inc.	United States	Put	60.00	606,600	36,396,000	January 15, 2015	313,700	18,198	-
Yum! Brands Inc.	United States	Put	57.50	163,600	9,407,000	January 15, 2016	353,439	313,294	-
					878,773,312		19,933,026	27,849,693	-
					\$ 897,679,044		20,789,427	29,185,668	-
<i>Futures contracts</i>									
Eurodollar		Put	0.98	1,625,000,000	\$ 1,592,500,000	December 19, 2016	7,012,500	7,028,125	-
Eurodollar		Put	0.98	800,250,000	784,245,000	December 14, 2015	2,520,788	1,440,450	-
Gold		Call	1,600.00	24,500 oz.	39,200,000	January 27, 2015	330,750	2,450	-
Gold		Call	1,600.00	24,500 oz.	39,200,000	November 24, 2015	955,500	173,950	-
Light crude oil		Call	90.00	1,500,000 barrels	135,000,000	January 17, 2015	195,000	120,000	-
Swiss franc		Call	1.26	37,750,000	47,565,000	September 4, 2015	99,893	10,192	-
					\$ 2,637,710,000		11,114,431	8,775,167	-
The following options contracts written were open at December 31, 2014:									
<i>Equity securities</i>									
Banco Bilbao Vizcaya Argentaria, SA	Spain	Call	8.00	1,196,400	\$ 11,579,238	March 1, 2015	\$ 579,082	\$ -	\$ 535,540
Amazon.com Inc.	United States	Call	320.00	76,900	24,608,000	January 17, 2015	276,036	-	259,538
D.R. Horton Inc.	United States	Call	26.00	512,700	13,330,200	February 20, 2015	358,840	-	399,906
Lennar Corp.	United States	Call	46.00	328,800	15,124,800	February 20, 2015	449,498	-	489,912
PulteGroup Inc.	United States	Call	22.00	670,000	14,740,000	February 20, 2015	348,203	-	442,200
SPDR Barclays High Yield Bond ETF	United States	Call	39.00	298,300	11,633,700	February 20, 2015	101,813	-	104,405
Tesla Motors Inc.	United States	Call	210.00	57,100	11,991,000	January 17, 2015	507,669	-	881,545
Wynn Resorts Ltd.	United States	Call	140.00	62,100	8,694,000	January 17, 2015	313,574	-	4,968
Wynn Resorts Ltd.	United States	Call	185.00	83,200	15,392,000	January 17, 2015	425,680	-	859,040
Yum! Brands Inc.	United States	Call	75.00	163,600	12,270,000	April 17, 2015	340,218	-	375,462
					127,783,700		3,121,531	-	3,816,976
					\$ 139,362,938		3,700,612	-	4,352,515
Total options contracts							\$ 35,604,470	\$ 37,960,835	\$ 4,352,515
Equity securities sold short at December 31, 2014 were comprised as follows:									
Number of shares	Country	Description	Average cost	Fair value	Fair value as of % of total				
294,500	United States	International Business Machine Corp.	\$ 49,422,680	\$ 47,249,580	60.89%				
198,700	United States	Las Vegas Sands Corp.	11,565,495	11,556,392	14.89%				
374,100	United States	Mattel Inc.	13,697,383	11,576,525	14.92%				
398,758	United States	Pandora Media Inc.	7,426,195	7,109,855	9.16%				
500	United States	Tesla Motors Inc.	109,482	111,205	0.14%				
			\$ 82,221,235	\$ 77,603,557	100.00%				

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2014
(in U.S. dollars)

The following futures, forward, and swap contracts were open as at December 31, 2014

<u>Contract</u>	<u>Position</u>	<u>Local currency amounts</u>	<u>Open contract price</u>	<u>US dollar amount</u>	<u>Settlement date</u>	<u>Unrealized gains to December 31, 2014</u>	<u>Unrealized losses to December 31, 2014</u>
<i>Currency forward contracts</i>							
Brazilian real	Short	319,464,000	0.369	\$ 117,803,649	March 19, 2015	\$ -	\$ (1,803,649)
Bulgarian lev	Short	197,128,000	0.621	122,492,172	February 27, 2015	14,640,349	-
Bulgarian lev	Short	45,000,000	0.617	27,754,007	September 11, 2015	1,476,263	-
Euro dollars	Long	100,000,000	1.211	121,046,400	February 27, 2015	-	(16,253,600)
Swiss francs	Long	18,300,000	1.007	18,429,003	March 9, 2015	-	(477,325)
				<u>\$ 407,525,231</u> (a)		<u>\$ 16,116,612</u>	<u>\$ (18,534,574)</u>
Total unrealized gain (loss) on forward contracts							
<i>Futures contracts</i>							
Bean meal	Long	5,400 tons	362.300	1,877,040	March, 2015	-	(79,380)
Canola	Long	1,100 tons	437.500	483,780	March, 2015	2,177	-
Cattle	Long	1,320,000 lbs.	1.710	2,178,990	February, 2015	-	(79,470)
Copper	Short	3,250,000 lbs.	2.976	9,181,250	March, 2015	489,125	-
Corn	Long	1,980,000 bushels	4.030	7,860,600	March, 2015	-	(123,375)
Eurx-eur-bund	Long	329,000,000 EUR	€ 1.532	620,528,524	March, 2015	10,731,410	-
Gold	Long	115,500 oz.	1,199.00	136,601,850	February, 2015	-	(1,882,275)
NY light crude oil	Short	400,000 barrels	75.730	26,280,000	December, 2016	4,010,333	-
NY light crude oil	Short	1,500,000 barrels	73.740	102,750,000	December, 2017	7,863,385	-
Soybeans	Long	620,000 bushels	10.540	6,345,700	March, 2015	-	(187,550)
Wheat	Long	1,465,000 bushels	6.040	8,639,838	March, 2015	-	(215,925)
				<u>\$ 922,727,571</u>		<u>23,096,430</u>	<u>(2,567,975)</u>
Total unrealized gain (loss) on commodity futures contracts							
<i>Swap contracts</i>							
		<u>Contract size</u>	<u>Quarterly fees</u>	<u>Market price</u>	<u>Maturity</u>		
<i>Equity swap contracts</i>							
India Bank Futures Index	Short	\$ 13,119,648	nil	104.774	\$ 21,806,942	January 29, 2015	-
India Materials Futures Index	Short	\$ 21,165,284	nil	100.812	33,849,639	January 29, 2015	-
iShares iBoxx Investment Grade Corporate Bond ETF	Short	\$ 224,719	nil	230.953	51,899,489	March 20, 2015	-
					<u>\$ 107,556,069</u>		<u>(1,944,786)</u>
Total unrealized gain (loss) on equity swap contracts							
<i>Credit default swap contracts</i>							
Banco Bilbao Vizcaya Argentaria, SA	Long	€ 10,000,000	5.00%	0.865	\$ 8,371,000	September 20, 2017	-
Banco Santander	Long	€ 19,000,000	5.00%	0.948	17,804,900	December 20, 2015	-
BNP Paribas	Long	€ 33,300,000	5.00%	0.898	29,204,100	December 20, 2016	-
BNP Paribas	Long	€ 28,800,000	3.00%	0.935	26,544,960	March 20, 2017	-
BNP Paribas Fortis	Long	€ 7,000,000	3.00%	0.963	6,687,800	March 20, 2016	-
Credit Agricole	Long	€ 16,500,000	5.00%	0.885	14,212,011	March 20, 2017	-
Credit Agricole	Long	€ 33,300,000	5.00%	0.898	29,174,130	December 20, 2016	-
KBC Bank	Long	€ 20,000,000	3.00%	0.972	19,332,000	March 20, 2016	-
Kimco Realty Corp.	Long	\$ 19,000,000	1.00%	0.976	18,534,500	March 20, 2018	-
Kingdom of Spain	Long	\$ 10,000,000	1.00%	0.998	9,977,000	March 20, 2015	-
Kingdom of Spain	Long	\$ 55,000,000	1.00%	0.995	54,752,500	June 20, 2015	-
Kingdom of Spain	Long	\$ 80,000,000	1.00%	0.992	79,344,000	December 20, 2015	-
Kingdom of Spain	Long	\$ 40,000,000	1.00%	0.986	39,432,000	December 20, 2016	-
Portuguese Republic	Long	\$ 20,000,000	1.00%	0.993	19,862,000	December 20, 2015	-
Simon Property Group LP	Long	\$ 28,000,000	1.00%	0.966	27,059,200	March 20, 2019	-
Societe Generale	Long	€ 9,000,000	5.00%	0.974	8,712,900	June 20, 2015	-
Venezuela	Long	\$ 22,750,000	2.42%	1.525	34,686,925	January 20, 2017	-
					<u>\$ 443,691,926</u>		<u>11,936,796</u>
Total unrealized gain (loss) on credit default swap contracts							
Total unrealized gain (loss) on swap contracts							
						<u>11,936,796</u>	<u>(23,119,644)</u>
Total unrealized gain (loss) on open futures, forward and swap contracts						<u>\$ 51,149,838</u>	<u>\$ (44,222,193)</u>

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(amounts expressed in U.S. dollars)

1. GENERAL INFORMATION

The Friedberg Global-Macro Hedge Fund Ltd. (the “Fund”) is an open-ended private 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. is the investment advisor (the “Investment Advisor”) to the Fund. FCMI Financial Services (Cayman) Ltd., an affiliate of the Investment Advisor, is the manager (the “Manager”) of the Fund. The Manager owns all of the outstanding ordinary shares of the Fund.

The Fund is a multi-strategy commodity pool whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, 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 the 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.

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

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These are the Fund’s first annual financial statements in accordance with IFRS, and accordingly, IFRS 1, *First-time Adoption of International Financial Reporting Standards* has been applied.

Previously, the Fund prepared its financial statements in accordance with United States generally accepted accounting principles (“US GAAP”). The Fund’s significant accounting policies under IFRS are presented in note 3. The policies applied in these financial statements are based on IFRS issued and outstanding as of August 31, 2015, which is the date on which the financial statements were authorized for issue by the board of directors.

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

Any mention of net asset value (“NAV”) is referring to net assets attributable to holders of redeemable shares as reported under IFRS.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities held at fair value through profit or loss (“FVTPL”) that have been accounted for based on fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional currency and presentation currency

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

(d) Comparative figures

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

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

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

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

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

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

(b) Fair value measurement

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

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

Forward contracts are revalued to fair value, based on upon the difference between the opening contract price and the applicable forward rate to close out the contract. The applicable forward rate is determined by using the spot rate and applying the average forward premium or discount, pro-rated by the days until settlement.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded. The value of the contract is the gain or loss that would be realized upon settlement.

Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in the Fund's opinion, inaccurate, unreliable, or not reflective of all available material information are valued at their fair value as determined by the Fund using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data.

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

(c) Credit default swap contracts

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. A seller of protection is required to pay a notional or other agreed upon value to the buyer of the protection in the event of a default by a third party. In return, the seller would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the seller would keep the stream of payments and would have no payment obligations.

A buyer of protection would receive a notional or other agreed upon value from the seller of the protection in the event of a default by a third party. In return, the buyer would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

The premiums paid or received are included in the statements of comprehensive loss in "net realized gain (loss) on futures, forward and swap contracts". The change in the value of a credit default swap contract is included in the statement of financial position in "unrealized gain (loss) on open futures, forward and swap contracts" and in the statement of comprehensive loss in "change in net unrealized gain/loss on futures, forward and swap contracts".

When credit default swap contracts are closed out, gains or losses are included in the statement of comprehensive loss in "net realized gain (loss) on futures, forwards and swap contracts".

(d) Equity swap contracts

An equity swap contract is an agreement between two parties to exchange periodic payments based upon a notional principal amount, with one party paying a fixed or floating amount and the other party paying the actual return of a stock, a basket of stocks or a stock index.

A buyer of an equity swap would receive the total return of the underlying stocks or stock index. In return, the buyer would be required to pay to the counterparty a fixed or floating amount on the agreed settlement dates.

Any amount received for equity swap contracts are included in the statements of comprehensive loss in "realized gain (loss) on futures, forward and swap contracts". The change in value of an equity swap contract is included in the statement of financial position in "unrealized gain (loss) on open futures, forward and swap contracts" and in the statement of comprehensive loss in "change in net unrealized gain/loss on futures, forward and swap contracts".

When the equity swap contracts are closed out, gains or losses are included in the statement of comprehensive loss in "net realized gain (loss) on futures, forward and swap contracts".

(e) Transaction costs

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

(f) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit and loss and foreign currency translation gains and losses.

(g) Cash and cash equivalents

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

(h) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statement of comprehensive loss as part of the net change in unrealized gain (loss) on investments and derivatives. Interest income from investments in bonds and short-term investments represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Dividend income is recognized on the ex-dividend date.

Income (loss) from derivatives is shown in the statement of comprehensive loss as net realized gain (loss) on futures contracts and net unrealized gain (loss) on futures contracts.

If the Fund incurs withholding taxes imposed by certain countries on investment income and capital gains, such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive loss.

(i) Foreign currency

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

(j) Classification of redeemable Class A shares

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

(k) Decrease in net assets attributable to holders of redeemable shares per share

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

(l) Pending accounting changes

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued in 2010 and is to replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9 the same impairment model is applied to all financial instruments that are subject to impairment accounting. The current impairment model is replaced with an expected credit loss model which means that a loss event will no longer need to occur before an impairment allowance is recognized. IFRS 9 is tentatively effective for annual periods beginning on or after January 1, 2018. The Manager is currently evaluating the impact of IFRS 9 on the Fund’s financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manger to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 5 for more information on the fair value measurement of the Fund's financial instruments.

5. FINANCIAL INSTRUMENTS

The Fund held the following financial instruments as at:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>January 1, 2013</u>
		(unaudited)	(unaudited)
FVTPL, measured at fair value:			
Assets			
Cash balances at broker	\$ 186,769,690	\$ 230,889,663	\$ 353,798,673
Equity securities	\$ 322,649,539	\$ 651,773,005	\$ 1,227,204,839
Fixed income securities	\$ -	\$ 185,744,520	\$ 354,985,990
Unrealized appreciation on open futures, forward and swap contracts	\$ 51,149,838	\$ 12,606,741	\$ 32,109,269
Options contracts	\$ 37,960,835	\$ 24,511,983	\$ 86,442,234
Liabilities			
Due to broker	\$ -	\$ 48,660,157	\$ 223,227,831
Equity securities sold short	\$ 77,603,557	\$ 253,311,440	\$ 613,996,886
Unrealized depreciation on open futures, forward and swap contracts	\$ 44,222,193	\$ 50,418,328	\$ 55,798,696
Options contracts written	\$ 4,352,515	\$ 2,436,000	\$ -
Loans and receivables, measured at amortized cost:			
Amounts receivable, including contracts awaiting settlement	\$ 252,310	\$ 2,763,603	\$ 2,294,452
Financial liabilities, measured at amortized cost:			
Accounts payable, including contracts awaiting settlement	\$ 1,405,324	\$ 2,528,582	\$ 4,641,750
Reverse repurchase agreements	\$ -	\$ 184,894,174	\$ 281,291,667
Redemptions payable	\$ 59,775	\$ 45,828	\$ 29,887

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

Fair Value Hierarchy of Financial Instruments

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

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets and liabilities classified as Level 1 generally include cash balances at broker, equity securities, fixed income securities, and unrealized gains (losses) on open futures, forwards and swaps 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 include options contracts and unrealized gains (losses) on open futures, forward, and equity swaps contracts.

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. The types of assets and liabilities classified as Level 3 include credit default swap contracts.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Cash balances at broker	\$ 186,769,690	\$ -	\$ -	\$ 186,769,690
Equity securities	322,649,539	-	-	322,649,539
Credit default swaps	-	-	11,936,796	11,936,796
Futures contracts	23,096,430	-	-	23,096,430
Forward contracts	-	16,116,612	-	16,116,612
Options contracts	29,185,668	8,775,167	-	37,960,835
	<u>\$ 561,701,327</u>	<u>\$ 24,891,779</u>	<u>\$ 11,936,796</u>	<u>\$ 598,529,902</u>
LIABILITIES				
Equity securities sold short	\$ 77,603,557	\$ -	\$ -	\$ 77,603,557
Credit default swaps	-	-	19,894,722	19,894,722
Equity swaps	-	3,224,922	-	3,224,922
Futures contracts	2,567,975	-	-	2,567,975
Forward contracts	-	18,534,574	-	18,534,574
Options contracts written	4,352,515	-	-	4,352,515
	<u>\$ 84,524,047</u>	<u>\$ 21,759,496</u>	<u>\$ 19,894,722</u>	<u>\$ 126,178,265</u>

The following table presents the Fund's fair value hierarchy of its financial instruments as at December 31, 2013 (unaudited):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Cash balances at broker	\$ 230,889,663	\$ -	\$ -	\$ 230,889,663
Equity securities	651,771,265	1,740	-	651,773,005
Fixed income securities	185,744,520	-	-	185,744,520
Credit default swaps	-	-	4,283,301	4,283,301
Equity swaps	-	486,094	-	486,094
Futures contracts	3,661,446	-	-	3,661,446
Forward contracts	-	4,175,900	-	4,175,900
Options contracts	24,083,600	428,383	-	24,511,983
	<u>\$ 1,096,150,494</u>	<u>\$ 5,092,117</u>	<u>\$ 4,283,301</u>	<u>\$ 1,105,525,912</u>
LIABILITIES				
Due to broker	\$ 48,660,157	\$ -	\$ -	\$ 48,660,157
Equity securities sold short	253,311,440	-	-	253,311,440
Credit default swaps	-	-	30,486,316	30,486,316
Equity swaps	-	915,993	-	915,993
Futures contracts	11,620,762	-	-	11,620,762
Forward contracts	-	7,395,257	-	7,395,257
Options contracts written	2,436,000	-	-	2,436,000
	<u>\$ 316,028,359</u>	<u>\$ 8,311,250</u>	<u>\$ 30,486,316</u>	<u>\$ 354,825,925</u>

The following table presents the Fund's fair value hierarchy of its financial instruments as at January 1, 2013 (unaudited):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Cash balances at broker	\$ 353,798,673	\$ -	\$ -	\$ 353,798,673
Equity securities	1,227,892,839	-	-	1,227,892,839
Fixed income securities	354,985,990	-	-	354,985,990
Credit default swaps	-	-	4,978,332	4,978,332
Futures contracts	26,588,841	-	-	26,588,841
Forward contracts	-	542,096	-	542,096
Options contracts	30,657,375	55,784,859	-	86,442,234
	<u>\$ 1,993,923,718</u>	<u>\$ 56,326,955</u>	<u>\$ 4,978,332</u>	<u>\$ 2,055,229,005</u>
LIABILITIES				
Due to broker	\$ 223,227,831	\$ -	\$ -	\$ 223,227,831
Equity securities sold short	609,361,486	4,635,400	-	613,996,886
Credit default swaps	-	-	16,026,519	16,026,519
Equity swaps	-	21,255,852	-	21,255,852
Futures contracts	17,921,944	-	-	17,921,944
Forward contracts	-	594,381	-	594,381
	<u>\$ 850,511,261</u>	<u>\$ 26,485,633</u>	<u>\$ 16,026,519</u>	<u>\$ 893,023,413</u>

6. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the Fund's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors and by daily monitoring of the Fund's positions and market events. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most information memorandum for a complete discussion of the risks attributed to an investment in the shares of the Fund. Significant financial instrument risks that are relevant to the Fund and an analysis of how they are managed are presented below. Total assets and liabilities presented in the tables below are not intended to match total assets and liabilities disclosed in the statement of financial position, due to differences of derivative instruments. Certain risks, such as currency and interest rate risk may be correlated. Such correlation is not taken into account in these financial statements.

(a) **Market price risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The table below summarizes the Fund's overall market exposure:

	<u>Fair value</u>	<u>% of NAV</u>
Equity securities	\$ 322,649,539	68.48%
Equity securities sold short	77,603,557	16.47%
Futures contracts (total notional contract value)	922,727,571	195.85%
Forward contracts (total notional contract value)	407,525,231	86.50%
Swap contracts (total notional contract value)	551,247,995	117.00%
Options contracts (total notional contract value)	3,674,751,987	779.97%
	<u>\$ 5,956,505,880</u>	<u>1264.28%</u>

The total of contract amounts represents the absolute total of all contracts. Such amounts are not truly additive as they may include opposite positions for different dates in the same underlying position or opposite positions for the same or different dates in the same underlying derivative but in different types of vehicles.

Price sensitivity

As at December 31, 2014 had the prices of the investments held in the Fund decreased or increased by 5% with all other variables held constant, decrease in net assets attributable to holders of redeemable shares would have increased or decreased by \$297,825,294. In practice, the actual trading results may differ from this analysis and the difference may be material.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates, which can be caused by market, political and/or other factors which may be subject to intervention by sovereign governments.

The Fund holds assets denominated in currencies other than its measurement currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuates due to changes in exchange rates.

The table below summarizes the Fund's exposure to currency risk (in U.S. dollars):

<u>Currency</u>	<u>Cash</u>	<u>Equities</u>	<u>Options (i)</u>	<u>Open futures, forwards, and swap contracts (ii)</u>	<u>Total</u>	<u>% of NAV</u>
Australian dollar	\$ 1,202	\$ -	\$ -	\$ -	\$ 1,202	0.00 %
Brazilian dollar	-	-	-	117,803,649	117,803,649	25.00 %
British pound	21,207	-	9,467,701	-	9,488,908	2.01 %
Bulgarian lev	-	-	-	150,246,179	150,246,179	31.89 %
Euro	9,757,065	1,048,163	1,613,517,269	741,574,924	2,365,897,421	502.17 %
Swiss francs	-	-	47,565,000	18,429,003	65,994,003	14.01 %
Turkish lira	4,480	-	-	-	4,480	0.00 %
	<u>\$ 9,783,954</u>	<u>\$ 1,048,163</u>	<u>\$ 1,670,549,970</u>	<u>\$ 1,028,053,755</u>	<u>\$ 2,709,435,842</u>	<u>575.07 %</u>

(i) Net of short positions.

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

Currency Sensitivity

As at December 31, 2014, had the United States dollar strengthened or weakened by 1% in relation to all currencies, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares for the year would have increased or decreased by \$27,094,358. This analysis only addresses the impact on the financial instruments with respect to currency movement, and excludes any other economic or geo-political implications of such currency fluctuation. In practice, the actual result may differ from this analysis and the difference may be material.

(c) Interest rate risk

The Fund is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. How sensitive the Fund is to changes in prevailing interest rates depends on other factors like credit rating of the issuers and the term to maturity of the Fund's investments. The lower the credit rating of the issuers and the longer the term to maturity, the more sensitive the Fund is to changes in prevailing interest rates, thus the higher the interest rate risk. Although there would be no impact on interest earned on the Fund's holdings of fixed income securities at a fixed rate of interest, an increase or decrease in interest rates could have an impact on the fair value of the debt securities.

As at December 31, 2014, the Fund did not hold any fixed income securities and did not have any direct exposure to interest rate risk. This analysis only addresses the direct impact on the financial instruments with respect to interest rate movement, and excludes any other economic or geo-political implications of such interest rate fluctuation.

(d) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties, related to securities purchases, sales and positions held by the counterparties on the Fund's behalf. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consists principally of investments in fixed income securities, cash balances at brokers and derivatives. Until the fixed income securities are sold or mature, the Fund is exposed to credit risk relating to whether the counterparty will meet its obligations when they come due. Credit risk is managed by dealing only with counterparties the Fund believes to be creditworthy, setting transaction limits with specific counterparties and by daily monitoring of credit exposure.

Swap contracts involve an arrangement between the Fund and the counterparty, in which the Fund pays periodic premiums and the counterparty agrees to make a payment upon the occurrence of a specified credit event. The fair value of open swaps reported in the schedule of investments may differ from that which would be realized in the event of the Fund terminating 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 the counterparty is generally limited to the aggregate of the unrealized gain on the swap contracts as well as any collateral posted with the counterparty. Therefore, the Fund considers the creditworthiness of the counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying securities and the lack of market liquidity to unwind the positions at current fair values.

(e) **Liquidity risk**

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. Certain derivative contracts may not trade in an organized market and may be illiquid. The Fund is exposed to liquidity risk due to potential cash redemptions of redeemable shares. The Fund retains sufficient cash and short-term investment positions to maintain adequate liquidity.

7. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

As at December 31, 2014

	<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>assets/liabilities</u>				
Assets						
Foreign currency forward contracts	\$ 16,116,612	\$ -	\$ 16,116,612	\$ (16,116,612)	\$ -	\$ -
Futures contracts	23,387,223	(290,793)	23,096,430	(2,567,975)	-	20,528,455
Option contracts	37,960,835	-	37,960,835	(4,352,515)	-	33,608,320
Credit default swaps	11,936,796	-	11,936,796	(11,936,796)	-	-
	<u>\$ 89,401,466</u>	<u>\$ (290,793)</u>	<u>\$ 89,110,673</u>	<u>\$ (34,973,898)</u>	<u>\$ -</u>	<u>\$ 54,136,775</u>
Liabilities						
Foreign currency forward contracts	\$ 18,534,574	\$ -	\$ 18,534,574	\$ (16,116,612)	\$ (2,417,962)	\$ -
Futures contracts	2,858,768	(290,793)	2,567,975	(2,567,975)	-	-
Option contracts written	4,352,515	-	4,352,515	(4,352,515)	-	-
Equity swaps	3,224,921	-	3,224,921	-	(3,224,921)	-
Credit default swaps	19,894,723	-	19,894,723	(11,936,796)	(7,957,927)	-
	<u>\$ 48,865,501</u>	<u>\$ (290,793)</u>	<u>\$ 48,574,708</u>	<u>\$ (34,973,898)</u>	<u>\$ (13,600,810)</u>	<u>\$ -</u>

As at December 31, 2013

	<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>assets/liabilities</u>				
Assets						
Foreign currency forward contracts	\$ 4,176,040	\$ (140)	\$ 4,175,900	\$ (4,175,900)	\$ -	\$ -
Futures contracts	3,659,894	1,552	3,661,446	(3,661,446)	-	-
Option contracts	24,511,983	-	24,511,983	(2,436,000)	-	22,075,983
Equity swaps	486,094	-	486,094	(486,094)	-	-
Credit default swaps	4,283,301	-	4,283,301	(4,283,301)	-	-
	<u>\$ 37,117,312</u>	<u>\$ 1,412</u>	<u>\$ 37,118,724</u>	<u>\$ (15,042,741)</u>	<u>\$ -</u>	<u>\$ 22,075,983</u>
Liabilities						
Foreign currency forward contracts	\$ 7,395,397	\$ (140)	\$ 7,395,257	\$ (4,175,900)	\$ (3,219,357)	\$ -
Futures contracts	11,619,210	1,552	11,620,762	(3,661,446)	(7,959,316)	-
Option contracts written	2,436,000	-	2,436,000	(2,436,000)	-	-
Equity swaps	915,993	-	915,993	(486,094)	(429,899)	-
Credit default swaps	30,486,316	-	30,486,316	(4,283,301)	(26,203,015)	-
	<u>\$ 52,852,916</u>	<u>\$ 1,412</u>	<u>\$ 52,854,328</u>	<u>\$ (15,042,741)</u>	<u>\$ (37,811,587)</u>	<u>\$ -</u>

As at January 1, 2013

	<u>Amounts offset</u>			<u>Amounts not offset</u>		
	<u>Gross</u>	<u>Gross assets/liabilities offset</u>	<u>Net</u>	<u>Master netting arrangements</u>	<u>Financial collateral</u>	<u>Net</u>
Assets						
Foreign currency forward contracts	\$ 565,097	\$ (23,001)	\$ 542,096	\$ (542,096)	\$ -	\$ -
Futures contracts	33,673,653	(7,084,812)	26,588,841	(17,921,944)	-	8,666,897
Option contracts	86,442,234	-	86,442,234	-	-	86,442,234
Credit default swaps	5,824,637	(846,305)	4,978,332	(4,978,332)	-	-
	<u>\$ 126,505,621</u>	<u>\$ (7,954,118)</u>	<u>\$ 118,551,503</u>	<u>\$ (23,442,372)</u>	<u>\$ -</u>	<u>\$ 95,109,131</u>
Liabilities						
Foreign currency forward contracts	\$ 617,382	\$ (23,001)	\$ 594,381	\$ (542,096)	\$ (52,285)	\$ -
Futures contracts	25,006,756	(7,084,812)	17,921,944	(17,921,944)	-	-
Equity swaps	21,255,852	-	21,255,852	-	(21,255,852)	-
Credit default swaps	16,872,824	(846,305)	16,026,519	(4,978,332)	(11,048,187)	-
	<u>\$ 63,752,814</u>	<u>\$ (7,954,118)</u>	<u>\$ 55,798,696</u>	<u>\$ (23,442,372)</u>	<u>\$ (32,356,324)</u>	<u>\$ -</u>

8. INCOME TAXES

On December 4, 2001, the Fund received an undertaking from the Governor in the Cabinet of the Cayman Islands to the effect that, for a period of 20 years from the date thereof, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on the profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Fund, or to the shareholders thereof, in respect to any such property or income. The Fund, expects, therefore, to be exempt from income or capital gains tax in the Cayman Islands.

9. SHARE CAPITAL

Authorized share capital of the Fund comprises of an unlimited number of Class A and Class B shares, without nominal or par value, participating, non-voting and redeemable at the option of the shareholder. No Class B shares are currently outstanding.

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

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

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

	<u>2014</u>	<u>2013</u> (unaudited)
Number of Class A shares outstanding, beginning of the year	158,810	161,505
Class A shares redeemed during the year	<u>(5,631)</u>	<u>(2,695)</u>
Number of Class A shares outstanding, end of the year	<u>153,179</u>	<u>158,810</u>
Weighted average number of Class A shares outstanding for the year	<u>156,621</u>	<u>160,437</u>

10. RELATED PARTY TRANSACTIONS

The Fund pays to the Investment Advisor a quarterly incentive fee equal to 20% of the net appreciation in the NAV of the Fund (adjusted for any issuance and redemption of shares), provided, however, that an incentive fee is not 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 2-year U.S. treasury notes (the “Hurdle Rate”). The Hurdle Rate for each calendar year is the rate quoted on the first day of business in a calendar year. An incentive fee of \$nil was recognized for the years ended December 31, 2014 and 2013.

The incentive fee is calculated with respect to the Fund as a whole. Accordingly, under certain circumstances, an incentive fee may be paid to the Investment Advisor before a shareholder recovers its entire pro rate 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 2% per month (2% per annum) of the month-end NAV of the Fund. Management fee expense of the Fund incurred with the Investment Advisor for the year ended December 31, 2014 was \$10,272,004 (\$14,726,493 for the year ended December 31, 2013). An amount of \$786,609 (\$944,933 as at December 31, 2013 and \$1,465,574 as at January 1, 2013), due to the Investment Advisor for management fees, was included in accounts payable of the Fund at December 31, 2014.

Certain Class A shareholders are affiliated with the Investment Advisor. The aggregate value of the affiliated shareholders’ share of NAV at December 31, 2014 was approximately \$121,260,000 (\$126,030,000 as at December 31, 2013 and \$203,795,000 as at January 1, 2013).

11. CAPITAL MANAGEMENT

Management considers the Fund’s capital to consist of NAV. The Manager manages the capital of the Fund in accordance with the Fund’s investment objectives, policies and restrictions, as outlined in the Fund’s information memorandum, while maintaining sufficient liquidity to enable distributions to shareholders. The Fund does not have any externally imposed capital requirements.

12. TRANSITION TO IFRS

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

Transition elections

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

Classification of redeemable shares

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

Reclassification adjustments

The Fund reclassifies certain amounts upon transition to conform to its financial statement presentation under IFRS. Withholding taxes of \$2,202,958 and transaction costs of \$2,057,649 for the year ended December 31, 2013, which were previously netted against dividends and dividends on securities sold short and realized gains/losses from the underlying portfolio investments under US GAAP, have been reclassified separately as an expense under IFRS.