

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2015
(expressed in U.S. Dollars)

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 Fund Ltd. (the "Fund"), which comprise the statements of financial position as at December 31, 2015 and 2014, the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable shares and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Zeifmans (Cayman)

Grand Cayman, Cayman Islands
July 28, 2016

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

(a Cayman Islands Company)

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

(in U.S. dollars)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash balances at broker	\$ 273,182,741	\$ 91,976,532
Cash held as collateral on futures and swap contracts	82,274,513	94,793,158
Equity securities (schedule)	385,525,861	322,649,539
Amounts receivable, including contracts awaiting settlement	69,803,888	252,311
Unrealized gain on open futures, forward and equity swap contracts (schedule)	15,961,573	39,213,042
Options contracts (schedule)	7,721,932	37,960,835
Credit default swap contracts (schedule)	-	11,936,796
TOTAL ASSETS	\$ 834,470,508	\$ 598,782,213
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities, including contracts awaiting settlement (note 10)	\$ 36,356,594	\$ 1,405,325
Equity securities sold short (schedule)	245,424,128	77,603,557
Unrealized loss on open futures, forward and equity swap contracts (schedule)	5,117,271	24,327,470
Options contracts written (schedule)	737,636	4,352,515
Redemptions payable	19,925	59,775
Credit default swap contracts (schedule)	9,846,449	19,894,723
TOTAL LIABILITIES (excluding net assets attributable to holders of redeemable shares)	297,502,003	127,643,365
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES	\$ 536,968,505	\$ 471,138,848
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES BY SERIES		
Series A	\$ 510,668,277	\$ 471,138,848
Series M	26,300,228	-
	\$ 536,968,505	\$ 471,138,848
NUMBER OF SHARES OUTSTANDING		
Series A	144,262	153,179
Series M	7,132	-
	151,394	153,179
NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES PER SHARE		
Series A	\$ 3,539.86	\$ 3,075.74
Series M	\$ 3,687.62	\$ -

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

Albert Friedberg Director, FCM Financial Services (Cayman) Ltd.

FRIEDBERG GLOBAL-MACRO HEDGE FUND L.T.D.
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
FOR THE YEAR ENDED DECEMBER 31, 2015

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

	2015			2014		
	Series A	Series M	Total	Series A	Series M	Total
Balance, beginning of the year	\$ 471,138,848	\$ -	\$ 471,138,848	\$565,995,006	\$ -	\$565,995,006
Conversion of shares (note 9)	(21,936,291)	21,936,291	-	-	-	-
Increase (decrease) in net assets attributable to holders of redeemable shares	67,306,280	4,363,937	71,670,217	(77,567,650)	-	(77,567,650)
Redemption of shares (note 9)	(5,840,560)	-	(5,840,560)	(17,288,508)	-	(17,288,508)
Balance, end of the year	\$ 510,668,277	\$ 26,300,228	\$ 536,968,505	\$471,138,848	\$ -	\$471,138,848

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2015

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

	2015	2014
<u>INCOME (LOSS)</u>		
Realized gains on equity securities and equity securities sold short	\$ 84,413,889	\$ 84,808,396
Realized gains (losses) on futures, forward and equity swap contracts	33,372,556	(72,754,631)
Dividends	3,695,896	3,335,997
Realized gains (losses) on credit default swap contracts	828,321	(40,634,076)
Foreign currency translation gain	430,715	1,041,109
Interest	110,093	1,851,400
Realized gains on fixed income securities	-	9,563,803
Change in net unrealized gain on fixed income securities	-	7,289,582
Change in net unrealized gain/loss on credit default swap contracts	(2,428,432)	24,965,160
Change in net unrealized gain/loss on futures, forward and equity swap contracts	(3,533,114)	26,494,143
Realized losses on options contracts and options contracts written	(4,282,591)	(12,198,967)
Change in net unrealized gain/loss on equity securities and equity securities sold short	(8,867,352)	(89,331,903)
Change in net unrealized gain/loss on options contracts and options contracts written	(13,874,579)	(2,464,027)
TOTAL INCOME (LOSS)	89,865,401	(58,034,014)
 <u>EXPENSES</u>		
Management fees (note 10)	8,849,824	10,272,004
Transaction costs	3,802,420	2,026,005
Dividends on securities sold short	3,125,769	3,914,531
Withholding taxes	1,010,487	1,021,000
Interest	938,922	1,802,218
Administrative fees	331,184	349,742
Audit fees	109,412	121,969
Legal fees	24,132	8,980
Custodian fees	3,035	17,187
TOTAL EXPENSES	18,195,184	19,533,636
 INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	\$ 71,670,217	\$ (77,567,650)
 INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES BY SERIES		
Series A	\$ 67,306,280	\$ (77,567,650)
Series M	4,363,937	-
	\$ 71,670,217	\$ (77,567,650)
 INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE		
Series A	\$ 492.56	\$ (495.26)
Series M	\$ 611.88	\$ -

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

	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Comprehensive income (loss)	\$ 71,670,217	\$ (77,567,650)
Adjustments for:		
Change in net unrealized gain on fixed income securities	-	(7,289,582)
Change in net unrealized gain/loss on credit default swap contracts	2,428,432	(24,965,160)
Change in net unrealized gain/loss on futures, forward and equity swap contracts	3,533,114	(26,494,143)
Change in net unrealized gain/loss on equity securities and equity securities sold short	8,867,352	89,331,903
Change in net unrealized gain/loss on options contracts and options contracts written	13,874,579	2,464,027
Realized gains on equity securities and equity securities sold short	(84,413,889)	(84,808,396)
Realized losses (gains) on futures, forward and equity swap contracts	(33,372,556)	72,754,631
Realized losses (gains) on credit default swap contracts	(828,321)	40,634,076
Realized gains on fixed income securities	-	(9,563,803)
Realized losses on options contracts and options contracts written	4,282,591	12,198,967
Purchase of investments	(1,345,312,901)	(1,322,209,864)
Proceeds on sale of investments	1,568,439,664	1,540,835,878
Net change in working capital items:		
Amounts receivable, including contracts awaiting settlement	(69,551,577)	2,511,292
Accounts payable and accrued liabilities, including contracts awaiting settlement	34,951,269	(1,123,257)
Reverse repurchase agreements	-	(184,894,174)
NET CASH FLOW FROM OPERATING ACTIVITIES	174,567,974	21,814,745
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments for redemption of shares, net of change in redemptions payable	(5,880,411)	(17,274,561)
NET INCREASE IN CASH FOR THE YEAR	168,687,563	4,540,184
CASH, BEGINNING OF THE YEAR	186,769,690	182,229,506
CASH, END OF THE YEAR	\$ 355,457,254	\$ 186,769,690
CASH BALANCES, END OF THE YEAR		
Cash balances at broker	\$ 273,182,741	\$ 91,976,532
Cash held as collateral on futures and swap contracts	82,274,513	94,793,158
	\$ 355,457,254	\$ 186,769,690

See accompanying notes to financial statements

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2015
(in U.S. dollars)

Equity securities owned at December 31, 2015:

<u>Number of shares</u>	<u>Country</u>	<u>Description</u>	<u>Average cost</u>	<u>Fair value</u>	<u>Fair value as of % of total</u>
31,500	France	<i>Information</i> Blue Solutions	\$ 1,620,015	710,229	0.18%
		<i>Consumer Discretionary</i>			
788,335	United States	CalAtlantic Group Inc.	34,391,417	29,893,664	7.78%
1,768,700	United States	D.R. Horton Inc.	25,357,364	56,651,461	14.69%
1,124,963	United States	Lennar Corp.	41,635,049	55,021,940	14.27%
76,800	United States	Mohawk Industries Inc.	11,118,989	14,545,152	3.77%
25,500	United States	NVR Inc.	23,568,022	41,896,500	10.87%
599,300	United States	Plategroup Inc.	4,958,868	10,679,526	2.77%
992,300	United States	Toll Brothers Inc.	32,466,730	33,043,590	8.57%
870,200	United States	Circuit City Stores Inc.	4,361,491	1,740	0.00%
			177,857,930	241,733,573	62.72%
		<i>Industrials</i>			
236,700	United States	Alaska Air Group Inc	14,202,489	19,056,717	4.94%
382,600	United States	Delta Air Lines, Inc.	16,930,679	19,393,994	5.03%
224,600	United States	FedEx Corp.	33,031,217	33,463,154	8.68%
829,000	United States	JetBlue Airways Corp.	12,024,983	18,776,850	4.87%
445,300	United States	Southwest Airlines Co.	16,980,813	19,174,618	4.97%
342,800	United States	United Continental Holdings Inc.	19,441,785	19,642,440	5.09%
			112,611,966	129,507,773	33.58%
		<i>Healthcare</i>			
161,100	United States	Eli. Lilly & Co.	12,829,811	13,574,286	3.52%
			\$ 304,919,722	385,525,861	100.00%

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

<u>Contract</u>	<u>Country</u>	<u>Position</u>	<u>Exercise price</u>	<u>Shares/contract size</u>	<u>Expiry date</u>	<u>Option premium paid/received</u>	<u>Fair value at December 31, 2015 (asset)</u>	<u>Fair value at December 31, 2015 (liability)</u>
<i>Equity securities</i>								
<i>Financials (0.40%)</i>								
Agricultural Bank Of China	Hong Kong	Call	4.70	16,140,000	June 29, 2016	\$ 427,826	12,491	\$ -
Bank Of China Ltd.	Hong Kong	Call	6.00	10,295,000	June 29, 2016	484,483	1,328	-
China CITIC Bank Corp.	Hong Kong	Call	7.50	10,224,000	June 29, 2016	641,363	13,191	-
China Construction Bank Corp.	Hong Kong	Call	8.75	8,708,000	June 29, 2016	439,044	1,124	-
Industrial & Commercial Bank Of China Ltd.	Hong Kong	Call	7.50	10,176,000	June 29, 2016	435,986	1,313	-
						2,428,702	29,447	-
<i>Consumer Discretionary (9.20%)</i>								
Amazon.com, Inc.	United States	Put	225.00	20,400	January 15, 2016	244,151	8,160	-
Amazon.com, Inc.	United States	Put	530.00	97,600	April 15, 2016	1,331,547	702,720	-
						1,575,698	710,880	-
<i>ETF (90.15%)</i>								
iShares US Home Construction	United States	Call	51.97	15,831,600	January 20, 2017	1,741,476	115,571	-
SPDR S&P 500 ETF	United States	Call	168.00	9,252,600	March 18, 2016	10,371,337	6,846,924	-
						12,112,813	6,962,495	-
<i>Futures contracts (0.25%)</i>								
Light crude oil		Call	70.00	1,500,000 barrels	February 17, 2016	347,140	19,110	-
						\$ 16,464,353	7,721,932	-
<i>Total options contracts and options contracts written</i>								
							7,721,932	(737,636)

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

Equity securities

Consumer Discretionary (75.21%)

Tesla Motors Inc.	United States	Call	235.00	3,580,000	January 15, 2016	\$ (260,701)	-	\$ (276,038)
Viacom, Inc.	United States	Call	42.00	6,550,000	January 15, 2016	(316,477)	-	(278,767)
						(577,178)	-	(554,805)
<i>Energy (24.79%)</i>								
Petroleo Brasileiro SA Petrobras	Brazil	Call	4.50	1,354,300	January 15, 2016	(433,376)	-	(182,831)
						\$ (1,010,554)	-	(737,636)

Total options contracts and options contracts written

7,721,932 (737,636)

Equity securities sold short at December 31, 2015 were comprised as follows:

<u>Number of shares</u>	<u>Country</u>	<u>Description</u>	<u>Average cost</u>	<u>Fair value</u>	<u>Fair value as of % of total</u>
863,800	China	<i>Consumer Discretionary</i> Alibaba Group Holding Ltd.	\$ 62,834,268	70,201,026	28.60%
2,314,100	Brazil	<i>Energy</i> Petroleo Brasileiro SA Petrobras	10,454,166	9,950,630	4.05%
1,017,000	United States	<i>Consumer Discretionary</i> Apple Inc.	109,108,018	107,049,420	43.62%
287,800	United States	Franklin Resources, Inc.	11,639,601	10,596,796	4.32%
86,500	United States	Legg Mason Inc.	3,761,694	3,393,395	1.38%
115,900	United States	T. Rowe Price Group, Inc.	8,729,652	8,285,691	3.38%
67,750	United States	Tesla Motors, Inc.	14,236,895	16,260,678	6.63%
431,500	United States	Viacom, Inc.	21,627,772	17,760,540	7.24%
67,200	United States	Waddell & Reed Financial, Inc.	2,330,914	1,925,952	0.78%
			171,434,546	165,272,472	67.35%
			\$ 244,722,980	245,424,128	100.00%

See accompanying notes to financial statements

FRIEDBERG GLOBAL-MACRO HEDGE FUND LIMITED
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2015
(in U.S. dollars)

The following futures, forward, and swap contracts were open as at December 31, 2015

<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, 2015</u>	<u>Unrealized losses to December 31, 2015</u>	
<i>Currency forward contracts</i>								
<i>Counterparty - J.P. Morgan Securities, LLC - Rating Aa3</i>								
Euro	Short	125,400,000	1.09330	\$ 136,272,180	February 5, 2016	\$ 706,434	\$ -	
Korean won	Short	62,100,370,000	0.00085	52,854,078	March 9, 2016	-	(254,078)	
Taiwan dollar	Short	1,733,929,000	0.03032	52,677,390	March 9, 2016	77,391	-	
Total unrealized gain (loss) on forward contracts				<u>\$ 241,803,648</u>		<u>\$ 783,825</u>	<u>\$ (254,078)</u>	
<i>Futures contracts</i>								
<i>Non-financial futures</i>								
Canola	Long	4,440 tons	352.83	\$ 1,557,835	March, 2016	-	(8,761)	
Cattle	Short	2,200,000 pounds	1.34	3,009,600	February, 2016	-	(69,910)	
Cocoa	Long	390 tons	3,391.80	1,252,290	March, 2016	-	(70,520)	
Cotton	Long	3,600,000 lbs.	0.64	2,278,080	March, 2016	-	(32,760)	
Gold	Short	15,700 oz.	1,077.10	16,338,860	February, 2016	271,610	-	
Gold	Long	78,000 oz.	1,077.17	82,664,400	February, 2016	-	(1,354,664)	
Light crude oil	Short	2,388,000 barrels	53.28	114,050,880	December, 2017	13,185,558	-	
Sugar	Long	68,880,000 lbs.	0.14	10,497,312	March, 2016	733,410	-	
Soybeans	Short	165,000 bushel	8.74	1,426,013	March, 2016	16,500	-	
Soybean oil	Long	21,300,000 lbs.	0.32	549,750	March, 2016	-	(206,610)	
				<u>\$ 233,625,020</u> (b)		<u>14,207,078</u>	<u>(1,743,225)</u>	
<i>Financial Futures</i>								
Emini S&P 500	Short	269 13,450 \$50 x Index	2,021.05		March, 2016	-	(180,887)	
Fed Funds	Short	15,444 \$ 6,435,514,800	0.9964		February, 2016	-	(311,046)	
U.S. Dollar Index	Long	1,054 \$ 105,400,000	0.99		March, 2016	174,178	-	
						<u>174,178</u>	<u>(491,933)</u>	
Total unrealized gain (loss) on futures contracts						<u>14,381,256</u>	<u>(2,235,158)</u>	
<i>Equity Swap contracts</i>								
<i>Counterparty - J.P. Morgan Securities, LLC - Rating Aa3</i>								
Australia New Zealand Bank	Short	578,481	nil	20.357	\$ 11,776,136	December 15, 2016	-	(718,564)
Australia bank swaps	Short	277,121	nil	79.767	22,105,025	October 7, 2016	-	(1,909,471)
					33,881,161		-	(2,628,035)
<i>Counterparty - UBS AG - Rating BBB+</i>								
India Futures Index	Short	52,169,211.85	nil	1.496	78,064,119	January 28, 2016	796,492	-
					<u>\$ 111,945,279</u>		<u>796,492</u>	<u>(2,628,035)</u>
Total unrealized gain (loss) on equity swap contracts							<u>796,492</u>	<u>(2,628,035)</u>
Total unrealized gain (loss) on open futures, forwards and equity swaps contracts							<u>\$ 15,961,573</u>	<u>\$ (5,117,271)</u>
<i>Credit default swap contracts</i>								
<i>Counterparty - Barclays Bank PLC - Rating A2</i>								
Banco Bilbao Vizcaya Argentaria, SA	Long	€ 10,000,000	5.00%	0.0080	\$ 9,920,000	September 20, 2017	\$ -	\$ (800,171)
BNP Paribas	Long	€ 33,300,000	5.00%	0.0545	31,485,150	December 20, 2016	-	(1,814,062)
BNP Paribas	Long	€ 28,800,000	3.00%	0.0384	27,694,008	March 20, 2017	-	(1,106,501)
BNP Paribas Fortis	Long	€ 7,000,000	1.00%	0.0082	6,942,600	March 20, 2016	-	(57,727)
Credit Agricole	Long	€ 33,300,000	5.00%	0.0545	31,485,150	December 20, 2016	-	(1,814,062)
KBC Bank	Long	\$ 20,000,000	1.00%	0.0063	19,874,000	March 20, 2016	-	(126,980)
Kimco Realty Corp.	Long	€ 19,000,000	5.00%	0.0179	18,659,900	March 20, 2018	-	(339,663)
Kingdom of Spain	Long	\$ 40,000,000	1.00%	0.0085	39,660,000	December 20, 2016	-	(340,619)
Simon Property Group, LP	Long	\$ 28,000,000	5.00%	0.0285	27,202,000	March 20, 2019	-	(797,629)
					<u>212,922,808</u>		-	<u>(7,197,414)</u>
<i>Counterparty - J.P. Morgan Securities, LLC - Rating Aa3</i>								
Credit Agricole SA	Long	€ 16,500,000	3.00%	0.0679	15,379,856	March 20, 2017	-	(1,119,891)
Kingdom of Spain	Long	\$ 160,000,000	1.00%	0.0096	158,464,000	March 20, 2017	-	(1,529,144)
					<u>173,843,856</u>		-	<u>(2,649,035)</u>
Total unrealized gain (loss) on credit default swap contracts					<u>\$ 386,766,664</u>		<u>\$ -</u>	<u>\$ (9,846,449)</u>

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(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 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

(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”).

The Fund’s significant accounting policies under IFRS are presented in note 3. The policies applied in these financial statements are based on IFRS issued and outstanding as of July 28, 2016, which is the date on which the financial statements were authorized for issue by the Manager.

(b) Basis of measurement

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

(c) Functional currency and presentation currency

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

(d) Comparative figures

Certain comparative amounts have been reclassified to conform to the current year’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 due to their short term nature.

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

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

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

(b) Fair value measurement

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

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

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

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.

Investments held that are not traded in an active market are valued based on the results of valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and those which make the maximum use of observable inputs. See Note 5 for more information about the Fund's fair value measurements.

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 change in the value of a credit default swap contract is included in the statements of financial position in “credit default swaps contracts” and in the statements of comprehensive income (loss) in “change in net unrealized gain/loss on credit default swap contracts”.

When credit default swap contracts are closed out, gains or losses are included in the statements of comprehensive income (loss) in “realized gain (loss) on credit default 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 contract 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 or paid for equity swap contracts is included in the statements of comprehensive income (loss) in “realized gain (loss) on futures, forward and equity swap contracts”. The change in the value of an equity swap contract is included in the statements of financial position in “unrealized gain (loss) on futures, forward and equity swap contracts” and in the statements of comprehensive loss in “change in net unrealized gain/loss on futures, forward and equity swap contracts”.

When the equity swap contracts are closed out, gains or losses are included in the statements of comprehensive income (loss) in “net realized gain (loss) on futures, forward and equity 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 commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs are expensed and are included in the statement of comprehensive income (loss).

(f) Offsetting

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

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign currency translation gains and losses.

(g) Cash and cash equivalents

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

(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 statements of comprehensive income (loss) as part of the net change in unrealized gain (loss) of investments and derivatives. Interest income (expense) from investments in fixed income securities and short-term investments represents the coupon interest received (paid) 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 (expense) is recognized on the ex-dividend date.

Income (loss) from derivatives is shown in the statements of comprehensive income (loss) as net realized gain (loss) on futures, forward and equity swap contracts, credit default swap contracts and options contracts and net unrealized gain (loss) on futures, forward and equity swap contracts, credit default swap contracts and option 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 income (loss).

(i) Foreign currency translation

Transactions in foreign currencies, if any, are translated into the Fund's functional 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 FVTPL, which are recognized as a component within the applicable net realized or unrealized gain (loss) in the statements of comprehensive income (loss).

(j) Net assets attributable to holders of redeemable shares

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

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

The increase (decrease) in net assets attributable to holders of redeemable shares per share reported in the statements of comprehensive income (loss) represents the increase (decrease) in net assets attributable to holders of redeemable shares by series for the period, divided by the average number of shares of the series outstanding during the period.

(k) Pending accounting changes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

5. FINANCIAL INSTRUMENTS

The Fund held the following financial instruments as at:

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
FVTPL, measured at fair value:		
Assets		
Cash balances at broker	\$ 273,182,741	\$ 91,976,532
Cash held as collateral on futures and swap contracts	\$ 82,274,513	\$ 94,793,158
Equity securities	\$ 385,525,861	\$ 322,649,539
Unrealized gain on open futures, forwards and equity swap contracts	\$ 15,961,573	\$ 39,213,042
Options contracts	\$ 7,721,932	\$ 37,960,835
Credit default swap contracts	\$ -	\$ 11,936,796
Liabilities		
Equity securities sold short	\$ 245,424,128	\$ 77,603,557
Unrealized loss on open futures, forwards and equity swap contracts	\$ 5,117,271	\$ 24,327,470
Options contracts written	\$ 737,636	\$ 4,352,515
Credit default swap contracts	\$ 9,846,449	\$ 19,894,723
Net assets attributable to redeemable shares	\$ 536,968,505	\$ 471,138,848
Loans and receivables, measured at amortized cost:		
Amounts receivable, including contracts awaiting settlement	\$ 69,803,888	\$ 252,311
Financial liabilities, measured at amortized costs		
Accounts payable and accrued liabilities, including contracts awaiting settlement	\$ 36,356,594	\$ 1,405,325
Redemptions payable	\$ 19,925	\$ 59,775

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, cash held as collateral on futures and swap contracts, equity securities, exchange-traded options contracts, unrealized gain (loss) on futures contracts, equity securities sold short and exchange-traded options contracts written.

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 forward and equity swap 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 swaps and net assets attributable to redeemable shares.

The following table presents the Fund's fair value hierarchy of its financial instruments as at December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Cash balances at broker	\$ 273,182,741	\$ -	\$ -	\$ 273,182,741
Cash held as collateral on futures and swap contracts	82,274,513	-	-	82,274,513
Equity securities	385,525,861	-	-	385,525,861
Unrealized gain on equity swap contracts	-	796,492	-	796,492
Unrealized gain on futures contracts	14,381,256	-	-	14,381,256
Unrealized gain on forward contracts	-	783,825	-	783,825
Options contracts	7,721,932	-	-	7,721,932
	<u>\$ 763,086,303</u>	<u>\$ 1,580,317</u>	<u>\$ -</u>	<u>\$ 764,666,620</u>
LIABILITIES				
Equity securities sold short	\$ 245,424,128	\$ -	\$ -	\$ 245,424,128
Unrealized loss on equity swap contracts	-	2,628,035	-	2,628,035
Unrealized loss on futures contracts	2,235,158	-	-	2,235,158
Unrealized loss on forward contracts	-	254,078	-	254,078
Options contracts written	737,636	-	-	737,636
Credit default swap contracts	-	-	9,846,449	9,846,449
Net assets attributable to redeemable shares	-	-	536,968,505	536,968,505
	<u>\$ 248,396,922</u>	<u>\$ 2,882,113</u>	<u>\$ 546,814,954</u>	<u>\$ 798,093,989</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Cash balances at broker	\$ 91,976,532	\$ -	\$ -	\$ 91,976,532
Cash held as collateral on futures and swap contracts	94,793,158	-	-	94,793,158
Equity securities	322,649,539	-	-	322,649,539
Unrealized gain on futures contracts	23,096,430	-	-	23,096,430
Unrealized gain on forward contracts	-	16,116,612	-	16,116,612
Options contracts	29,185,668	8,775,167	-	37,960,835
Credit default swap contracts	-	-	11,936,796	11,936,796
	<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
Unrealized loss on equity swap contracts	-	3,224,922	-	3,224,922
Unrealized loss on futures contracts	2,567,975	-	-	2,567,975
Unrealized loss on forward contracts	-	18,534,574	-	18,534,574
Options contracts written	4,352,515	-	-	4,352,515
Credit default swap contracts	-	-	19,894,722	19,894,722
Net assets attributable to redeemable shares	-	-	471,138,848	471,138,848
	<u>\$ 84,524,047</u>	<u>\$ 21,759,496</u>	<u>\$ 491,033,570</u>	<u>\$ 597,317,113</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, by daily monitoring of the Fund's positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most recent prospectus for a complete discussion of the risk attributed to an investment in the units 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, excluding financial futures contracts:

		<u>% of NAV</u>
Equity securities	\$ 385,525,861	71.80 %
Equity securities sold short	245,424,128	45.71 %
Options contracts	7,721,932	1.44 %
Options contracts written	737,636	0.14 %
Non-financial futures contracts (total notional value)	233,625,020	43.51 %
Forward contracts (total notional contract value)	241,803,648	45.03 %
Equity swaps contracts (total notional contract value)	111,945,279	20.85 %
Credit default swaps (total notional contract value)	<u>386,766,664</u>	<u>72.03 %</u>
	<u>\$ 1,613,550,168</u>	<u>300.51 %</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, 2015 had the prices of the investments held in the Fund, excluding financial futures, decreased or increased by 5% with all other variables held constant, comprehensive income (loss) would have increased or decreased by approximately \$80,678,000. In practice, the actual trading results may differ from this analysis and the difference may be material.

As at December 31, 2015 had the underlying U.S. Federal overnight interest rate on the Fed Funds futures contract increased or decreased by 25 basis points comprehensive income (loss) for the year would have increased or decreased by approximately \$16,088,000.

As at December 31, 2015 had the exchange rate for the underlying currency basket on the U.S. dollar index futures contract increased or decreased by 5% comprehensive income (loss) for the year would have increased or decreased by approximately \$5,203,000.

As at December 31, 2015 had the underlying index on the Emini S&P 500 futures contract increased or decreased by 5% comprehensive income (loss) for the year would have decreased or increased by approximately \$1,368,000.

(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 absolute exposure to currency risk (in U.S. dollars):

Currency	Cash	Equities	Options (i)	Open futures, forwards, and swap contracts (ii)	Total	% of NAV
Australian dollar	\$ 686	\$ -	\$ -	\$ 33,881,161	\$ 33,881,847	6.31 %
Brazilian real	-	9,950,630	182,831	-	10,133,461	1.89 %
Canadian dollar	-	-	-	1,557,835	1,557,835	0.29 %
Chinese yuan	-	70,201,026	-	-	70,201,026	13.07 %
Euro	1,816	710,229	-	277,838,844	278,550,889	51.87 %
Hong Kong dollar	-	-	31,447	-	31,447	0.01 %
Indian rupee	-	-	-	78,064,119	78,064,119	14.54 %
Korean won	-	-	-	52,854,078	52,854,078	9.84 %
Taiwan dollar	-	-	-	52,677,390	52,677,390	9.81 %
	<u>\$ 2,502</u>	<u>\$ 80,861,885</u>	<u>\$ 214,278</u>	<u>\$ 496,873,427</u>	<u>\$ 577,952,092</u>	<u>107.63 %</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, 2015, had the United States dollar strengthened or weakened by 1% in relation to all currencies, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares for the year would have increased or decreased by approximately \$5,780,000. 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 the 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 of 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, 2015, the Fund did not hold any fixed income securities and did not have any exposure to interest rate risk with respect to fixed income securities. See note 3(a) for discussion of interest rate risk on financial futures. This analysis only addresses the impact on the financial instruments with respect to interest rate movement, and excludes any other economic or geo-political implications of such interest rate fluctuation.

(d) Credit risk

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

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

Credit default 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.

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

<u>Counterparty</u>	<u>Cash</u> <u>balances</u> <u>at broker</u>	<u>Cash held</u> <u>as</u> <u>collateral</u> <u>on futures</u> <u>and swap</u> <u>contracts</u>	<u>Equity</u> <u>securities</u>	<u>Futures,</u> <u>forward</u> <u>and swap</u> <u>contracts</u>	<u>Option</u> <u>contracts</u>	<u>% of</u> <u>Total NAV</u>
Barclays Bank PLC	- %	2.82 %	- %	- %	- %	2.82 %
BMO Harris Bank	1.12 %	- %	- %	- %	- %	1.12 %
CIBC Mellon	0.06 %	- %	- %	- %	- %	0.06 %
JP Morgan Chase Bank, N.A. ("JPM")	47.96 %	6.79 %	16.57 %	2.38 %	1.19 %	74.89 %
UBS AG("AG")	1.73 %	5.70 %	9.52 %	0.15 %	0.11 %	17.21 %
	<u>50.87 %</u>	<u>15.31 %</u>	<u>26.09 %</u>	<u>2.53 %</u>	<u>1.30 %</u>	<u>96.10 %</u>

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

<u>Counterparty</u>	<u>Cash</u> <u>balances</u> <u>at broker</u>	<u>Cash held</u> <u>as</u> <u>collateral</u> <u>on futures</u> <u>and swap</u> <u>contracts</u>	<u>Equity</u> <u>securities</u>	<u>Futures,</u> <u>forward</u> <u>and swap</u> <u>contracts</u>	<u>Option</u> <u>contracts</u>	<u>% of</u> <u>Total NAV</u>
Barclays Bank PLC	- %	6.82 %	- %	- %	- %	6.82 %
CIBC Mellon	0.07 %	- %	- %	- %	- %	0.07 %
JPM	14.89 %	9.58 %	50.01 %	4.36 %	6.42 %	85.26 %
UBS	4.57 %	3.72 %	2.00 %	2.53 %	0.71 %	13.53 %
	<u>19.53 %</u>	<u>20.12 %</u>	<u>52.01 %</u>	<u>6.89 %</u>	<u>7.13 %</u>	<u>105.68 %</u>

(ii) **Concentration of credit risk**

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

<u>Country</u>	<u>2015</u>	<u>2014</u>
Argentina	0.16 %	- %
Belgium	0.03 %	14.07 %
China	0.01 %	14.07 %
France	1.19 %	0.22 %
Spain	0.37 %	- %
United Kingdom	6.14 %	4.21 %
United States	110.40 %	109.19 %
Venezuela	- %	2.53 %
	<u>118.30 %</u>	<u>144.29 %</u>

The following are the individual issuers of equity and fixed income securities of that exceed 5% of NAV as at December 31, as a percentage of NAV:

	<u>2015</u>	<u>2014</u>
D.R. Horton Inc.	10.67 %	9.35 %
Lennar Corp.	10.36 %	10.54 %
NVR Inc.	8.17 %	70.03 %
FedEx Corp.	6.27 %	- %
Toll Brothers Inc.	6.20 %	- %
CalAtlantic Group Inc.	5.67 %	- %
Plutegroup Inc.	- %	10.28 %
USG Corp.	- %	6.82 %
International Business Machine Corp.	- %	10.00 %
	<u>47.34 %</u>	<u>117.02 %</u>

(e) Liquidity risk

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. Certain derivative contracts may not trade in an organized market and may be illiquid. The Fund restricts such investment to maintain liquidity.

The Fund is exposed to liquidity risk due to potential cash redemptions of redeemable shares. The Fund retains sufficient cash and short-term investment positions to maintain adequate liquidity.

7. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

	Amounts offset			Amounts not offset		
	<u>Gross</u>			<u>Master netting arrangements</u>	<u>Financial collateral</u>	<u>Net</u>
	<u>Gross</u>	<u>assets/liabilities offset</u>	<u>Net</u>			
As at December 31, 2015						
ASSETS						
Accounts receivable, including contracts awaiting settlement	\$ 69,803,888	\$ -	\$ 69,803,888	\$ -	\$ -	\$ 69,803,888
Unrealized gain on forward contracts	1,153,834	(370,009)	783,825	(254,078)	-	529,747
Unrealized gain on futures contracts	14,392,533	(11,277)	14,381,256	(2,335,158)	-	12,046,098
Options contracts	7,721,932	-	7,721,932	(737,636)	-	6,984,296
Unrealized gain on equity swap contracts	796,492	-	796,492	(796,492)	-	-
	<u>\$ 93,868,679</u>	<u>\$ (381,286)</u>	<u>\$ 93,487,393</u>	<u>\$ (4,123,364)</u>	<u>\$ -</u>	<u>\$ 89,364,029</u>
LIABILITIES						
Accounts payable and accrued liabilities, including contracts awaiting settlement	\$ 36,356,594	\$ -	\$ 36,356,594	\$ -	\$ -	\$ 36,356,594
Unrealized loss on forward contracts	624,087	(370,009)	254,078	(254,078)	-	-
Unrealized loss on futures contracts	2,346,435	(11,277)	2,335,158	(2,335,158)	-	-
Options contracts written	737,636	-	737,636	(737,636)	-	-
Unrealized loss on equity swap contracts	2,628,035	-	2,628,035	(796,492)	(1,831,543)	-
Credit default swaps	9,846,449	-	9,846,449	-	(9,846,449)	-
	<u>\$ 52,539,236</u>	<u>\$ (381,286)</u>	<u>\$ 52,157,950</u>	<u>\$ (4,123,364)</u>	<u>\$ (11,677,992)</u>	<u>\$ 36,356,594</u>
As at December 31, 2014						
ASSETS						
Accounts receivable, including contracts awaiting settlement	\$ 252,311	\$ -	\$ 252,311	\$ -	\$ -	\$ 252,311
Unrealized gain on forward contracts	16,116,612	-	16,116,612	(16,116,612)	-	-
Unrealized gain on futures contracts	23,387,223	(290,793)	23,096,430	(2,567,975)	-	20,528,455
Options contracts	37,960,835	-	37,960,835	(4,352,513)	-	33,608,322
Credit default swaps	11,936,796	-	11,936,796	(11,936,796)	-	-
	<u>\$ 89,653,777</u>	<u>\$ (290,793)</u>	<u>\$ 89,362,984</u>	<u>\$ (34,973,896)</u>	<u>\$ -</u>	<u>\$ 54,389,088</u>
LIABILITIES						
Accounts payable and accrued liabilities, including contracts awaiting settlement	\$ 1,405,325	\$ -	\$ 1,405,325	\$ -	\$ -	\$ 1,405,325
Unrealized loss on forward contracts	18,534,574	-	18,534,574	(16,116,612)	(2,417,962)	-
Unrealized loss on futures contracts	2,858,768	(290,793)	2,567,975	(2,567,975)	-	-
Options contracts written	4,352,515	-	4,352,515	(4,352,515)	-	-
Unrealized loss on equity swap contracts	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>\$ 52,539,236</u>	<u>\$ (381,286)</u>	<u>\$ 52,157,950</u>	<u>\$ (4,123,364)</u>	<u>\$ (9,846,449)</u>	<u>\$ 38,188,137</u>

8. INCOME TAXES

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

9. SHARE CAPITAL

Authorized share capital of the Fund is comprised of an unlimited series A shares (“Series A”), series B shares (“Series B”), and series M shares (“Series M”), and 100 common shares.

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

On termination of the Fund, all the shareholders of record holding outstanding Series A and Series M shares are entitled to receive any assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

Series A, Series B and Series M shares are issued at the NAV per share for their respective series on the date of issuance. Redemptions of Series A and Series M shares are at NAV per share of the respective series less a redemption charge of 0.375%. The redemption charge is retained by the Fund.

The common shares are non-participating, voting and non-redeemable. These shares do not participate in the income, distributions, or net assets upon redemption or liquidation of the Fund.

No Series B shares are currently outstanding.

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

	<u>Series A</u>	<u>Series M</u>
Number of units outstanding, December 31, 2013	158,810	-
Shares redeemed during the year	<u>(5,631)</u>	<u>-</u>
Number of units outstanding, December 31, 2014	153,179	-
Conversion of shares during year	<u>(7,132)</u>	7,132
Shares redeemed during the year	<u>(1,785)</u>	<u>-</u>
Number of units outstanding, December 31, 2015	<u>144,262</u>	<u>7,132</u>
Weighted average number of shares outstanding, December 31, 2014	<u>156,621</u>	<u>-</u>
Weighted average number of shares outstanding, December 31, 2015	<u>136,646</u>	<u>7,132</u>

There are 100 common shares issued and outstanding at a nominal value of \$100 and they are owned by the Manager.

The Fund made no distributions to shareholders during the two years ended December 31, 2015.

10. RELATED PARTY TRANSACTIONS

The Fund pays to the Investment Advisor a quarterly incentive fee equal to 20% of the net appreciation in the NAV of the Fund's shares, excluding Series M shares, (adjusted for any issuance and redemption of shares), provided, however, that an incentive fee is not 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, 2015 and 2014.

The incentive fee is calculated with respect to the Fund of all issued classes of shares excluding Series M shares. Accordingly, under certain circumstances, an incentive fee may be paid to the Investment Advisor before a shareholder recovers its entire pro 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 20% 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 all issued classes of shares excluding Series M shares. Management fee expense of the Fund incurred with the Investment Advisor for the year ended December 31, 2015 was \$9,861,521 (\$10,272,004 for the year ended December 31, 2014). The Investment Advisor issued a rebate to the Fund that was allocated to the Series M shares of \$1,011,697 for management fees incurred which is included in management fees in the statements of comprehensive income (loss). The net management fee for the year ended December 31, 2015 was \$8,849,824. An amount of \$852,568 (\$786,609 as at December 31, 2014), due to the Investment Advisor for management fees, is included in accounts payable of the Fund at December 31, 2015.

Companies subject to common control redeemed nil Series A shares (nil Series A shares in 2014) of the Fund in the amount of \$nil (\$nil in 2014) and subscribed for nil Series A shares (nil Series A shares in 2014) of the Fund in the amount of \$nil (\$nil in 2014) during the year.

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.