

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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, 2017 and 2016, the statements of income (loss) and 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Zeifmans (Cayman)

Grand Cayman, Cayman Islands
June 25, 2018

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.

(a Cayman Islands Company)

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

(in U.S. Dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
ASSETS		
Current		
Cash	125,255,541	87,646,927
Cash held as collateral on futures and swap contracts	36,997,208	21,438,794
Equity securities	174,969,419	60,316,345
Fixed income securities	121,989,342	265,705,383
Amounts receivable (note 5)	3,287,339	9,415,841
Unrealized gain on long futures and forward contracts	14,451,214	5,318,101
Unrealized gain on short futures contracts	918,698	-
Unrealized gain on equity swap contracts	2,613,402	-
Options contracts	115,690,163	26,218,925
	<u>596,172,326</u>	<u>476,060,316</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 6 and 12)	1,615,599	9,781,813
Withholding tax payable	1,192,644	3,877,872
Unrealized loss on long futures and forward contracts	918,698	5,086,356
Unrealized loss on equity swap contracts	-	2,151,000
Equity securities sold short	-	5,961,951
Options contracts written	-	8,637,600
Redemptions payable	26,059,248	219,344
Credit default swap contracts	391,353	1,870,928
	<u>30,177,542</u>	<u>37,586,864</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	<u>565,994,784</u>	<u>438,473,452</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, BY SERIES		
Series A	548,557,464	415,917,981
Series M	17,437,320	22,555,471
	<u>565,994,784</u>	<u>438,473,452</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, PER SHARE		
Series A	4,061.12	2,975.75
Series M	4,412.28	3,162.56

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

Director_____
Director

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES
FOR THE YEARS ENDED DECEMBER 31,
(in U.S. Dollars)

	2017			2016		
	Series A	Series M	Total	Series A	Series M	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of the year	415,917,981	22,555,471	438,473,452	510,668,277	26,300,228	536,968,505
Subscriptions of shares (note 11)	160,000,000	-	160,000,000	-	-	-
Increase (decrease) in net assets attributable to holders of redeemable shares	148,749,285	6,881,849	155,631,134	(80,890,610)	(3,744,757)	(84,635,367)
Redemptions of shares (note 11)	(176,109,802)	(12,000,000)	(188,109,802)	(13,859,686)	-	(13,859,686)
Balance, end of the year	<u>548,557,464</u>	<u>17,437,320</u>	<u>565,994,784</u>	<u>415,917,981</u>	<u>22,555,471</u>	<u>438,473,452</u>

See accompanying notes to financial statements

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31,
(in U.S. Dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
INCOME (LOSS)		
Change in net unrealized gain/loss on options contracts and options contracts written	55,273,355	(884,645)
Realized gain (loss) on options contracts and options contracts written	55,225,346	(17,005,742)
Realized gain on fixed income securities	39,761,934	1,478,954
Interest	20,805,819	14,214,915
Change in net unrealized gain/loss on equity securities and equity securities sold short	10,661,039	(84,800,982)
Change in net unrealized gain/loss on futures, forward and equity swap contracts	18,983,871	(13,289,717)
Realized gain on futures and forward contracts	3,524,428	14,002,135
Change in net unrealized gain/loss on credit default swap contracts	1,750,330	4,667,068
Dividends	1,331,820	2,636,612
Foreign currency translation gain	429,280	100,268
Realized gain (loss) on equity securities and equity securities sold short	(147,671)	39,964,574
Realized loss on credit default swap contracts	(2,041,097)	(5,515,409)
Realized loss on equity swap contracts	(3,538,520)	(50,322,699)
Change in net unrealized gain/loss on fixed income securities	(25,147,899)	33,347,438
	<u>176,872,035</u>	<u>(61,407,230)</u>
EXPENSES		
Management fees (note 12)	8,732,980	10,026,211
Withholding taxes	7,192,389	6,014,517
Transaction costs	3,071,263	2,632,566
Dividends on securities sold short	1,655,825	2,407,716
Administrative fees	340,736	387,994
Custodian fees	107,872	109,808
Audit fees	84,085	74,065
Legal fees	33,154	1,500
Interest	22,597	1,573,760
	<u>21,240,901</u>	<u>23,228,137</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	<u>155,631,134</u>	<u>(84,635,367)</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, BY SERIES		
Series A	148,749,285	(80,890,610)
Series M	6,881,849	(3,744,757)
	<u>155,631,134</u>	<u>(84,635,367)</u>
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES, PER SHARE		
Series A	1,095.80	(563.69)
Series M	1,079.00	(525.06)

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(in U.S. Dollars)

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable shares	155,631,134	(84,635,367)
Adjustments for:		
Change in net unrealized gain/loss on fixed income securities	25,147,899	(33,347,438)
Change in net unrealized gain on credit default swap contracts	(1,750,330)	(4,667,068)
Change in net unrealized gain/loss on futures, forward and equity swap contracts	(18,983,871)	13,289,717
Change in net unrealized gain/loss on equity securities and equity securities sold short	(10,661,039)	84,800,982
Change in net unrealized gain/loss on options contracts and options contracts written	(55,273,355)	884,645
Realized (gain) loss on equity securities and equity securities sold short	147,671	(39,964,574)
Realized gain on equity swap contracts	3,538,520	50,322,699
Realized loss on credit default swap contracts	2,041,097	5,515,409
Realized loss on futures and forward contracts	(3,524,428)	(14,002,135)
Realized gain on fixed income securities	(39,761,934)	(1,478,954)
Realized (gain) loss on options contracts and options contracts written	(55,225,346)	17,005,742
Purchase of investments	863,214,197	(1,790,001,154)
Proceeds on sale of investments	(830,220,252)	1,525,675,673
Net change in working capital items:		
Amounts receivable	6,128,502	60,388,047
Accounts payable and accrued liabilities	(8,166,214)	(26,574,781)
Withholding tax payable	(2,685,228)	3,877,872
NET CASH FLOW FROM OPERATING ACTIVITIES	29,597,023	(232,910,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	160,000,000	-
Payments for redemption of shares	(136,429,995)	(13,460,848)
NET CASH FLOWS FROM FINANCING ACTIVITIES	23,570,005	(13,460,848)
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	53,167,028	(246,371,533)
CASH, BEGINNING OF THE YEAR	109,085,721	355,457,254
CASH, END OF THE YEAR	162,252,749	109,085,721
CASH BALANCES, END OF THE YEAR		
Cash	125,255,541	87,646,927
Cash held as collateral on futures and swap contracts	36,997,208	21,438,794
	162,252,749	109,085,721

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENT PORTFOLIO
DECEMBER 31, 2017
(in U.S. Dollars)

Equity Positions - Long	30.9%				Quantity	Average Cost	Fair Value
Security Name						\$	\$
Financials	28.3%						
ITAU Unibanco Holding SA ADR					6,006,700	78,558,445	78,087,100
Alpha Bank A.E.					12,868,051	26,824,696	27,605,746
Eurobank Ergasias SA					26,583,143	23,696,792	27,126,104
National Bank of Greece S.A.					70,794,989	22,395,466	27,111,614
						<u>151,475,399</u>	159,930,564
Consumer Discretionary	1.7%						
OPAP SA					429,250	4,774,669	5,410,804
Jumbo SA					241,900	4,248,569	4,326,974
Circuit City Stores Inc.					870,200	4,361,491	1,740
						<u>13,384,729</u>	9,739,518
Telecommunication Services	0.9%						
Hellenic Telecommunications Organization SA					383,850	4,344,244	5,299,337
						<u>169,204,372</u>	174,969,419
Fixed Income Positions - Long	21.6%						
Security Name	Currency	Maturity Date	Coupon %		Face Value	Cost	Fair Value
						\$	\$
Brazil Notas Do Tesouro Nacion Notes Ntnf Dtd	BRL	January 1, 2027	10.0		207,450,000	53,864,391	62,014,242
U.S Treasury Bill	USD	January 11, 2018	0.0		45,000,000	44,949,579	44,986,950
U.S Treasury Bill	USD	January 25, 2018	0.0		15,000,000	14,975,833	14,988,150
						<u>113,789,803</u>	121,989,342
Futures Contracts - Long	2.4%						
Name		Expiry Date	Contracts		Contract Size	Notional Value	Unrealized Gain / (Loss)
						\$	\$
Commodity Futures	2.6%						
NY LT Crude		February 2018	3,131 barrels		1,000	188,235,720	9,409,770
Gold		February 2018	1,275 oz.		100	166,438,500	5,041,444
						<u>354,674,220</u>	14,451,214
Interest Rate Futures	(0.2%)						
30 Day Fed Funds		February 2018	1,246		4,167	511,913,325	(918,698)
Futures Contracts - Short	0.2%						
Name		Expiry Date	Contracts		Contract Size	Notional Value	Unrealized Gain / (Loss)
						\$	\$
Interest Rate Futures							
30 Day Fed Funds		January 2018	(1,246)		4,167	(511,887,364)	918,698

FRIEDBERG GLOBAL MACRO HEDGE FUND LTD.
SCHEDULE OF INVESTMENT PORTFOLIO
DECEMBER 31, 2017
(in U.S. Dollars)

Option Positions - Long Equities		20.4%					
Security Name	Expiry Date	Contracts		Strike Price	Average Cost \$	Fair Value \$	
iShares U.S. Home Construction ETF	January 19, 2018	72,078		38.00	4,071,362	42,526,020	
Dr. Horton	January 18, 2019	6,071		35.00	2,640,605	10,184,103	
iShares U.S. Home Construction ETF	January 1, 2019	38,476		47.00	9,311,192	9,811,380	
iShares U.S. Home Construction ETF	January 1, 2018	38,476		45.00	7,560,534	8,176,150	
iShares U.S. Home Construction ETF	January 18, 2019	8,496		25.00	2,574,384	7,731,360	
iShares U.S. Home Construction ETF	December 21, 2018	25,837		46.00	7,082,440	7,492,730	
iShares U.S. Home Construction ETF	April 20, 2018	23,222		42.00	4,784,661	7,082,710	
iShares U.S. Home Construction ETF	December 21, 2018	25,836		47.00	6,137,153	6,459,000	
Lennar Corp	January 18, 2019	3,925		55.00	2,669,000	5,239,875	
Eli Lilly & Co.	January 18, 2019	20,103		100.00	4,996,601	3,156,171	
Netflix Inc.	February 16, 2018	23,431		150.00	5,274,462	2,600,841	
iShares U.S. Home Construction ETF	April 20, 2018	7,741		43.00	1,421,944	1,838,488	
Tesla Inc.	April 20, 2018	8,093		200.00	2,381,770	1,622,647	
Whirlpool Corp.	January 18, 2019	1,152		190.00	2,880,000	1,013,760	
SPDR S&P 500 ETF	March 16, 2018	34,050		205.00	2,408,016	663,975	
					<u>66,194,124</u>	<u>115,599,210</u>	
Option Positions - Long Commodities		0.01%					
Security Name	Expiry Date	Contracts	Contract Size	Strike Price	Average Cost \$	Fair Value \$	
Crude Oil Futures	January 17, 2018	4,543	barrels	1,000	80.00	2,135,289	45,430
Option Positions - Long Financials		0.01%					
Security Name	Expiry Date	Contracts	Contract Size	Strike Price	Average Cost \$	Fair Value \$	
Nikkei 225 YEN	March 9, 2018	330	1000 x index	17,000.00	689,784	26,355	
Nikkei 225 YEN	March 9, 2018	720	1000 x index	15,500.00	751,760	19,168	
					<u>1,441,544</u>	<u>45,523</u>	
					<u>69,770,957</u>	<u>115,690,163</u>	
Equity Swap Positions		0.5%					
Security Name				Notional Value \$	Average Cost / (Proceeds) \$	Unrealized Gain / (Loss) \$	
Counterparty - UBS AG - Rating A2							
iShares US Home Construction ETF				170,534,232	-	2,613,402	
Credit Default Swap Positions		(0.1%)					
Security Name				Notional Value \$	Average Cost / (Proceeds) \$	Fair Value \$	
Counterparty - Barclays Bank Plc - Rating A2							
Kimco Realty Corp.				19,000,000	(353,900)	(44,363)	
Simon Property Group LP				28,000,000	(669,344)	(346,990)	
					<u>(1,023,244)</u>	<u>(391,353)</u>	
Investment Portfolio Summary					Average Cost / (Proceeds) \$	Fair Value \$	
	%						
Equity Positions - Long	30.91			169,204,372	174,969,419		
Fixed Income Positions - Long	21.55			113,789,803	121,989,342		
Futures Contracts - Long	2.39			-	13,532,516		
Futures Contracts - Short	0.16			-	918,698		
Options Positions - Long Equities	20.42			66,194,124	115,599,210		
Options Positions - Long Commodities	0.01			2,135,289	45,430		
Options Positions - Long Financials	0.01			1,441,544	45,523		
Equity Swap Postions	0.46			-	2,613,402		
Credit Default Swap Positions	(0.07)			(1,023,244)	(391,353)		
Total Investments	<u>75.85</u>			<u>351,741,888</u>	<u>429,322,187</u>		
Total Other Net Assets	<u>24.15</u>			<u>136,672,597</u>	<u>136,672,597</u>		
Total Net Assets	<u>100.00</u>			<u>488,414,485</u>	<u>565,994,784</u>		

FRIEDBERG GLOBAL-MACRO HEDGE FUND LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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 fund whose investment objective is to seek significant total investment returns, consisting of a combination of interest income, currency gains and capital appreciation by investing in the following four discrete groups of investments: (i) long positions in fixed income securities; (ii) long and short positions in equity securities; (iii) currency forwards and futures contracts and options thereon; and (iv) commodity forwards and futures contracts and options thereon, and other over-the counter traded derivatives instruments, (the “Portfolio Strategies”). The Fund invests in the Portfolio Strategies through managed accounts. Other managed accounts, investment vehicles, strategies and products may be added to the universe of 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 principal and registered address is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The Fund’s significant accounting policies applied in these financial statements are based on IFRS issued and outstanding as of June 25, 2018 which is the date on which the financial statements were authorized for issue by the Manager, except for IFRS 9 (see note 3(j)) which has been implemented on its effective date of January 1, 2018.

(b) Basis of measurement

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

(c) Functional currency and presentation currency

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

(d) Comparative figures

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Financial instruments**

(i) **Recognition and measurement**

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

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

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

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

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

(ii) **FVTPL**

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

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

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

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

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

Over the counter derivatives (such as foreign currency forward contracts) are valued based on the difference between the contract forward rate and the rate prevailing on a reporting date.

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

(iii) Loans and receivables

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

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

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

(iv) Other financial liabilities

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

(b) 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 income (loss) and comprehensive income (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 statements of financial position in credit default swap contracts" and in the statements of income (loss) and 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 income (loss) and comprehensive income (loss) in “net realized gains (losses) on credit default swap contracts”.

(c) 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 income (loss) and comprehensive income (loss) in “realized gains (losses) 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 income (loss) and 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 income (loss) and comprehensive income (loss) in “net realized gains (losses) on equity swap contracts”.

(d) 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 income (loss) and comprehensive income (loss).

(e) 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.

(f) 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.

(g) Investment income

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

Income (loss) from derivatives is shown in the statements of income (loss) and 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 income (loss) and comprehensive income (loss).

(h) 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 exchange 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 income (loss) and comprehensive income (loss).

(i) Net assets attributable to holders of redeemable shares

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

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

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

(j) Pending accounting changes

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

5. AMOUNTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Interest receivable	2,561,484	9,415,841
Dividends receivable	725,855	-
	<u>3,287,339</u>	<u>9,415,841</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Payable for securities purchased	-	8,800,214
Accruals	1,615,599	981,599
	<u>1,615,599</u>	<u>9,781,813</u>

7. FINANCIAL INSTRUMENTS

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

	<u>2017</u>	<u>2016</u>
	\$	\$
FVTPL, measured at fair value:		
Assets		
Cash (a)	125,255,541	87,646,927
Cash held as collateral on futures and swap contracts (a)	36,997,208	21,438,794
Equity securities (b)	174,969,419	60,316,345
Fixed income securities (b)	121,989,342	265,705,383
Unrealized gain on long futures and forward contracts (a)	14,451,214	5,318,101
Unrealized gain on short futures contracts (a)	918,698	-
Unrealized gain on equity swap contracts (a)	2,613,402	-
Options contracts (a)	115,690,163	26,218,925
Liabilities		
Equity securities sold short (b)	-	5,961,951
Unrealized loss on futures and forward contracts (a)	918,698	5,086,356
Unrealized loss on equity swap contracts (a)	-	2,151,000
Options contracts written (a)	-	8,637,600
Credit default swap contracts (a)	391,353	1,870,928
Net assets attributable to holders of redeemable shares (b)	565,994,784	438,473,452
Loans and receivables, measured at amortized cost:		
Amounts receivable	3,287,339	9,415,841
Financial liabilities, measured at amortized costs		
Accounts payable and accrued liabilities	1,615,599	9,781,813
Redemptions payable	26,059,248	219,344

(a) Held for trading

(b) Designated at FVTPL upon initial recognition

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

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Held for trading	130,491,307	(67,817,421)
Designated at FVTPL	44,724,903	4,002,475
	<u>175,216,210</u>	<u>(63,814,946)</u>

Fair Value Hierarchy of Financial Instruments

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

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets and liabilities classified as Level 1 generally include cash balances at broker, cash held as collateral on futures and swap contracts, equity securities, fixed income securities, unrealized gain (loss) on futures contracts, equity and futures options contracts, equity securities sold short, and equity options and futures 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 unrealized gain (loss) on 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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS	\$	\$	\$	\$
Cash	125,255,541	-	-	125,255,541
Cash held as collateral on futures and swap contracts	36,997,208	-	-	36,997,208
Equity securities	174,969,419	-	-	174,969,419
Fixed income securities	121,989,342	-	-	121,989,342
Unrealized gain on long futures and forward contracts	14,451,214	-	-	14,451,214
Unrealized gain on short futures contracts	918,698	-	-	918,698
Unrealized gain on equity swap contracts	-	2,613,402	-	2,613,402
Options contracts	115,690,163	-	-	115,690,163
	<u>590,271,585</u>	<u>2,613,402</u>	<u>-</u>	<u>592,884,987</u>
LIABILITIES				
Unrealized loss on futures and forward contracts	918,698	-	-	918,698
Credit default swap contracts	-	-	391,353	391,353
Net assets attributable to holders of redeemable shares	-	-	565,994,784	565,994,784
	<u>918,698</u>	<u>-</u>	<u>566,386,137</u>	<u>567,304,835</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS	\$	\$	\$	\$
Cash	87,646,927	-	-	87,646,927
Cash held as collateral on futures and swap contracts	21,438,794	-	-	21,438,794
Equity securities	60,316,345	-	-	60,316,345
Fixed income securities	265,705,383	-	-	265,705,383
Unrealized gain on long futures and forward contracts	4,333,682	984,419	-	5,318,101
Options contracts	26,218,925	-	-	26,218,925
	<u>465,660,056</u>	<u>984,419</u>	<u>-</u>	<u>466,644,475</u>
LIABILITIES				
Equity securities sold short	5,961,951	-	-	5,961,951
Unrealized loss on equity swap contracts	-	2,151,000	-	2,151,000
Unrealized loss on futures and forward contracts	3,417,613	1,668,743	-	5,086,356
Options contracts written	8,637,600	-	-	8,637,600
Credit default swap contracts	-	-	1,870,928	1,870,928
Net assets attributable to holders of redeemable shares	-	-	438,473,452	438,473,452
	<u>18,017,164</u>	<u>3,819,743</u>	<u>440,344,380</u>	<u>462,181,287</u>

8. FINANCIAL INSTRUMENTS RISK

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

	<u>Fair value</u>	<u>% of NAV</u>
	\$	%
Equity securities	174,969,419	30.9
Fixed income securities	121,989,342	21.6
Options contracts	115,690,163	20.44
Commodity futures contracts (total notional contract value)	354,674,220	62.66
Equity swap contracts (total notional contract value)	170,534,232	30.13
Credit default swap contracts (total notional contract value)	47,000,000	8.30

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, 2017 had the prices of the investments held in the Fund, excluding financial futures, increased or decreased by 5% with all other variables held constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased or (decreased) by \$49,242,869. 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) as at December 31, 2017:

<u>Currency</u>	<u>Cash</u>	<u>Equities</u>	<u>Fixed income securities</u>	<u>Options</u>	<u>Amounts receivable</u>	<u>Accounts payable and accrued liabilities</u>	<u>Total</u>	<u>% of NAV</u>
	\$	\$	\$	\$	\$	\$	\$	%
Brazilian real	-	78,087,100	62,014,242	-	2,762,378	(1,192,642)	141,671,078	25.03
Euro	44,333	96,880,579	-	-	-	-	96,924,912	17.12
Yen	-	-	-	45,523	524,961	-	570,484	0.10
	<u>44,333</u>	<u>174,967,679</u>	<u>62,014,242</u>	<u>45,523</u>	<u>3,287,339</u>	<u>(1,192,642)</u>	<u>239,166,474</u>	<u>42.25</u>

Currency Sensitivity

As at December 31, 2017, had the United States dollar strengthened or weakened by 1% in relation to all currencies, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased or decreased by \$2,391,665. 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.

Interest sensitivity

As at December 31, 2017, had interest rates strengthened or weakened by 25 basis points, with all other variables remaining constant, increase (decrease) in net assets attributable to holders of redeemable shares would have increased by \$710,208 or decreased by \$917,201, respectively. 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. The Fund's cash balances at brokers and certain investments are pledged as margin to its brokers. Credit risk is managed by dealing only with counterparties the Fund believes to be creditworthy, setting transaction limits with specific counterparties and by daily monitoring of credit exposure.

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

<u>Counterparty</u>	Cash held as collateral on futures and swap contracts		Amounts receivable	Equity securities	Fixed income securities	Futures, forward and swap contracts	Option contracts	Total
	Cash	swap contracts						
	%	%	%	%	%	%	%	%
Barclays Bank PLC	-	0.43	-	-	-	(0.07)	-	0.36
BMO Harris Bank	6.63	-	-	-	-	-	-	6.63
Cayman National Bank	4.61	-	-	-	-	-	-	4.61
CIBC Mellon	8.10	-	0.58	17.11	21.55	-	-	47.34
JP Morgan Chase Bank	2.71	-	-	13.80	-	2.55	17.26	36.32
Morgan Stanley	0.08	-	-	-	-	-	-	0.08
UBS AG	-	6.11	-	-	-	0.46	3.18	9.75
	<u>22.13</u>	<u>6.54</u>	<u>0.58</u>	<u>30.91</u>	<u>21.55</u>	<u>2.94</u>	<u>20.44</u>	<u>105.09</u>

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

<u>Counterparty</u>	Cash held as collateral on futures and swap contracts		Amounts receivable	Equity securities	Fixed income securities	Futures, forward and swap contracts	Option contracts	Total
	Cash	swap contracts						
	%	%	%	%	%	%	%	%
Barclays Bank PLC	-	1.87	-	-	-	-	-	1.87
BMO Harris Bank	2.57	-	-	-	-	-	-	2.57
CIBC Mellon	1.93	-	2.15	2.22	60.60	-	-	66.90
JP Morgan Chase Bank	14.96	0.84	-	10.17	-	0.05	3.23	29.25
Morgan Stanley	-	2.18	-	-	-	-	-	2.18
UBS AG	0.53	-	-	-	-	-	0.78	1.31
	<u>19.99</u>	<u>4.89</u>	<u>2.15</u>	<u>12.39</u>	<u>60.60</u>	<u>0.05</u>	<u>4.01</u>	<u>104.08</u>

(i) **Analysis of credit quality**

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

	<u>2017</u>	<u>2016</u>
	%	%
AAA/Aaa	10.60	19.18
BBB/Bbb	10.95	41.42
	<u>21.55</u>	<u>60.60</u>

(ii) **Concentration of credit risk**

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

<u>Country</u>	<u>2017</u>	<u>2016</u>
	%	%
Brazil	25.12	49.20
Canada	8.10	1.93
Greece	17.12	7.50
Switzerland	9.74	0.53
United Kingdom	0.36	1.87
United States	33.85	40.90
	<u>94.29</u>	<u>101.93</u>

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

	<u>2017</u>	<u>2016</u>
	%	%
iShares U.S. Home Construction ETF	16.10	-
ITAU Unibanco Holding SA ADR	13.80	-
Government of Brazil	10.96	50.46
U.S. Treasury	10.60	11.40
Nobel Energy, Inc.	-	6.26

(e) Liquidity risk

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

9. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

	Amounts offset			Amounts not offset		
	Gross	Gross assets/liabilities offset	Net	Master netting arrangements	Financial collateral	Net
As at December 31, 2017						
ASSETS						
Amounts receivable	\$ 3,287,339	\$ -	\$ 3,287,339	\$ -	\$ -	\$ 3,287,339
Unrealized gain on futures contracts	14,451,214	-	14,451,214	-	(14,451,214)	-
Unrealized gain on short futures contracts	918,698	-	918,698	(918,698)	-	-
Unrealized gain on equity swap contracts	2,613,402	-	2,613,402	-	(2,613,402)	-
	<u>21,270,653</u>	<u>-</u>	<u>21,270,653</u>	<u>(918,698)</u>	<u>(17,064,616)</u>	<u>3,287,339</u>
LIABILITIES						
Accounts payable and accrued liabilities	1,615,599	-	1,615,599	-	-	1,615,599
Unrealized loss on long futures and forward contracts	918,698	-	918,698	(918,698)	-	-
Credit default swap contracts	391,353	-	391,353	-	(391,353)	-
	<u>2,925,650</u>	<u>-</u>	<u>2,925,650</u>	<u>(918,698)</u>	<u>(391,353)</u>	<u>1,615,599</u>
As at December 31, 2016						
ASSETS						
Amounts receivable	9,415,841	-	9,415,841	-	-	9,415,841
Unrealized gain on forward contracts	984,419	-	984,419	(984,419)	-	-
Unrealized gain on futures contracts	4,372,294	(38,612)	4,333,682	(3,417,611)	-	916,071
Options contracts	6,445,400	-	6,445,400	(6,445,400)	-	-
	<u>21,217,954</u>	<u>(38,612)</u>	<u>21,179,342</u>	<u>(10,847,430)</u>	<u>-</u>	<u>10,331,912</u>
LIABILITIES						
Accounts payable and accrued liabilities	9,781,813	-	9,781,813	-	-	9,781,813
Unrealized loss on forward contracts	1,668,743	-	1,668,743	(984,419)	(684,324)	-
Unrealized loss on futures contracts	3,456,223	(38,612)	3,417,611	(3,417,611)	-	-
Options contracts written	8,637,600	-	8,637,600	(6,445,400)	(2,192,200)	-
Unrealized loss on equity swap contracts	2,151,000	-	2,151,000	-	(2,151,000)	-
Credit default swap contracts	1,870,928	-	1,870,928	-	(1,870,928)	-
	<u>27,566,307</u>	<u>(38,612)</u>	<u>27,527,695</u>	<u>(10,847,430)</u>	<u>(6,898,452)</u>	<u>9,781,813</u>

10. 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.

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

11. 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 ordinary 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.

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

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, 2017:

	<u>Series A</u>	<u>Series M</u>
Number of units outstanding, December 31, 2015	144,262	7,132
Redeemed during the year	(4,493)	-
Number of units outstanding, December 31, 2016	139,769	7,132
Subscribed during the year	44,890	-
Redeemed during the year	(49,584)	(3,180)
Number of units outstanding, December 31, 2017	<u>135,075</u>	<u>3,952</u>
Weighted average number of shares outstanding, December 31, 2016	<u>143,500</u>	<u>7,132</u>
Weighted average number of shares outstanding, December 31, 2017	<u>135,745</u>	<u>6,378</u>

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

The Fund made no distributions to shareholders during the two years ended December 31, 2017.

12. RELATED PARTY TRANSACTIONS

The Fund pays 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, 2017 and 2016.

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, 2017 was \$8,732,980 (\$10,026,211 for the year ended December 31, 2016). An amount of \$915,677 (\$694,720 as at December 31, 2016), due to the Investment Advisor for management fees, is included in accounts payable at December 31, 2017.

Companies subject to common control subscribed for 44,890 Series A shares (nil Series A shares in 2016) of the Fund in the amount of \$160,000,000 (\$nil in 2016) and redeemed nil Series A shares for the two years ended December 31, 2017.

13. 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.

14. SUBSEQUENT EVENT

On March 12, 2018, the Fund paid \$15,875,437 on the redemption of 3,952 Class M shares.