Pelargos Asia Alpha Fund

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2016

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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FUND INFORMATION

REGISTERED OFFICE	WTC E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
MANAGER	Pelargos Capital B.V. WTC, E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
TITLE HOLDER	Stichting Pelargos Asia Alpha Fund c/o: SGG Custody B.V. Amerika Building Hoogoorddreef 15 1101 BA Amsterdam The Netherlands
ADMINISTRATOR	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
PRIME BROKERS	UBS AG 1 Finsbury Avenue London EC2M 2PP United Kingdom Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
EXTERNAL COMPLIANCE OFFICER	CLCS B.V.* Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITOR	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam The Netherlands
FINANCIAL REPORTING TO DNB	Solutional Financial Reporting B.V. Arentsburghlaan 3 2275 TT Voorburg The Netherlands

* CLCS B.V. was the external compliance officer until 28 July 2016.

FUND PROFILE

Pelargos Asia Alpha Fund
The Pelargos Asia Alpha Fund (the "Fund") is an open-ended investment fund. Issue and redemption of units of participation is possible as per instruction of the participant as described in the Prospectus. Date of commencement of Net Asset Value ("NAV") calculation was 20 June 2008.

Key Features Document ("Essentiële Beleggersinformatie") and Prospectus
The Fund's Key Features Document contains information related to its costs and risks. The Key Features Document and Prospectus are available on www.pelargoscapital.com.

Investment objective
The Fund's objective is to achieve capital appreciation through investing in long and short positions in equities related to enterprises located in the Asia-Pacific region. The Fund seeks to limit the downward risk and aims for returns that have a low correlation with the returns of the market index. To achieve the Fund's objective, the Manager may use leverage. Potentially increasing the return of the Fund through derivative positions and securities borrowing as well as increasing the exposure of the Fund by borrowing cash are regarded as leveraging techniques.

Dividend
In principle the Fund does not pay dividends. The Manager is, however, authorised to decide to pay part of the profit available for distribution to the participants.

Manager
Pelargos Capital B.V. (the "Manager") is the Manager of the Fund and as such is responsible for determining and implementing the investment policy. Pelargos Capital B.V. is registered at The Netherlands Authority of the Financial Markets (AFM). The Pelargos Asia Alpha Fund does not employ any personnel, as all services are provided by the Manager.

The Manager was incorporated on 4 March, 2008 and has its registered office in The Hague. The directors of the Manager are Orange Dragon Company B.V. (represented by R.A. (Richard) Dingemans and P.P.J. (Patrick) van de Laar).

Depositary
The Manager has appointed The Bank of New York Mellon in Amsterdam, trading as The Bank of New York Mellon SA/NV, Amsterdam Branch, as Depositary of the Fund.

Stichting Pelargos Asia Alpha Fund ("Stichting") is the legal owner of the assets of the Fund. The Manager of the "Stichting" is SGG Custody B.V.

Administrator
The Bank of New York Mellon SA/NV, Amsterdam Branch, is the administrator of the Fund, certain administration services are being outsourced to BNY Mellon Fund Services (Ireland) Designated Activity Company (DAC) in Dublin, Ireland. The Administrator was incorporated under Irish law on 31 May 1994 and is registered under number 218007 with the Companies Registration Office in Ireland. Furthermore, certain services in relation to transfer agency are being outsourced to The Bank of New York Mellon (Luxembourg) S.A.

Prime Brokers
The Prime Brokers (the "Prime Brokers") of the Fund are UBS AG, London, United Kingdom and Goldman Sachs International, London, United Kingdom.

SUMMARY OF FINANCIAL POSITION

	2016	2015	2014	2013	2012
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Class A (€)	11	(3)	11	17	(3)
Class B (€)	5,557	6,091	7,557	12,083	(1,692)
Income/(Loss)	**5,568**	**6,088**	**7,568**	**12,100**	**(1,695)**
Class A (€)	(11)	(10)	(7)	(8)	(7)
Class B (€)	(5,193)	(5,074)	(5,121)	(5,625)	(3,986)
Expenses and withholding taxes	**(5,204)**	**(5,084)**	**(5,128)**	**(5,633)**	**(3,993)**
Class A (€)	-	(13)	4	9	(10)
Class B (€)	364	1,017	2,436	6,458	(5,678)
Increase/(decrease)	**364**	**1,004**	**2,440**	**6,467**	**(5,688)**
Net assets	**125,758**	**122,039**	**172,257**	**169,986**	**154,067**
Number of units of participation					
Class A	242.63	242.63	242.63	242.63	242.63
Class B	128,306.82	125,002.07	177,810.46	177,987.92	167,916.20
Net asset value per unit of participation					
Class A (in €)	987.90	988.90	987.25	978.18	944.42
Class B (in €)	978.27	974.37	967.42	953.71	916.16
Performance (in %)					
Class A (in %)	(0.10)	0.17	0.93	3.57	(4.37)
Class B (in %)	0.40	0.72	1.44	4.10	(3.88)
Ongoing Charges Figure (in %)					
Class A (in %)	1.70	1.73	1.66	1.61	1.61
Class B (in %)	1.20	1.23	1.16	1.11	1.11

MANAGER'S REPORT

For the year ended 31 December 2016

Performance

2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A	-0.65	1.33	-1.87	-0.29	-0.82	1.76	2.50	-0.77	0.67	0.25	-1.04	-1.08	**-0.10**
Class B	-0.61	1.37	-1.83	-0.25	-0.77	1.81	2.54	-0.72	0.72	0.28	-0.99	-1.04	**0.40**

Source: BNY Mellon

Over 2016, the Pelargos Asia Alpha Fund returned -0.1% for Class A EUR shares, while the Class B EUR was up 0.4%. The inception-to-date performance of the fund is -1.21% and -2.17% for the respective Classes. Annualised this translates into a loss of 0.15% for the Class A EUR and 0.26% for the Class B EUR. During 2016, The MSCI Asia Pacific Index gained 1.37% in local currency terms (2.34% in U.S. dollar terms). Since inception of the fund the MSCI Asia Pacific Index is up 4.45% in local currency terms and down 3.58% in U.S. dollar terms.

The assets under management (AUM) of the Fund at the 31st of December 2016 were €125,758,346, up from €122,038,554. This increase in AUM was primarily driven by a small subscription from our cornerstone investor, Aegon, due to rebalancing of their asset exposures.

Market review

The year started off with an aggressive sell-off in global equity markets. A combination of disappointing economic growth, U.S. federal reserve monetary tightening and currency outflows from China spooked the financial markets. In turn, this led to further upward pressure on the U.S. dollar, exacerbating credit stress in the commodity complex. Consequently, Asian equity markets sold off to a low of -12.9% in January, in U.S. dollar terms. Moreover, oil continued its downward path, falling another 28% to reach multi-year lows during the start of the year. Global equity markets started to stabilize through February and March after policy makers intervened either explicitly by easing monetary conditions or through implicit 'forward guidance'. These interventions resulted in the market pricing out further rate hikes in the U.S. during 2016. Subsequently, this eased pressure on the U.S. dollar which started to weaken versus a broad range of currencies from February. In turn, a weaker U.S. dollar, reduced stress in most of the commodity markets, which rallied strongly from the lows. Moreover, the pressure on the Chinese currency weakened, alleviating financial stability concerns, which in turn supported the Asian equity markets. The combination of accommodative monetary conditions and a re-assessment of the probability of global financial instability also led to a revival in the gold price which rallied 23.9% in the first half of 2016.

Whereas the first half of the year was dominated by fears of deflation and recessions, market sentiment improved in the second half of the year, especially in the last quarter. This regime shift started when economic growth indicators started to improve incrementally, especially in China during the third quarter. However, the reflationary environment only really started to take off when Donald Trump was elected President of the United States. Consequently, global government bond yields rose from historically depressed levels. In line with yields, industrial metals started to outperform precious metals as stronger economic growth was being priced in, with cyclically exposed stocks outperforming their defensive peers. The reflationary environment also pushed the U.S. dollar higher reaching a 15-year high versus its trade weighted peers. The increased economic growth expectations led the Federal Reserve to hike their policy rate by an additional 0.25% in December. Moreover, they provided a more hawkish outlook for 2017 which was subsequently priced in by financial markets. Tighter monetary conditions, in combination with money market reforms in the U.S., caused financing costs to increase, especially for overseas borrowers of U.S. dollars, exacerbating U.S. dollar strength towards the end of the year.

The strongest Asian equity market during the year was Thailand, which moved up over 25% during the year in local currency terms. This, in spite of domestic turmoil as it was plagued by terrorism, the death of their king and severe floods. The Philippines also had a strong start to the year, but ended the year on a weak note. In part this was driven by the election of their new outspoken president Duterte, which scared away some foreign investors with controversial policy statements. The weakest performing equity market in the first half of 2016, China, staged a comeback during the third quarter of the year, driven by increasing PPI and economic growth. However, in Q4 the index gave back a large part of the performance as investors continued to worry about financial stability risks, particularly relating to the Chinese currency. On a sector level, Materials and Energy continued their strong first half performance. Energy stocks were driven up by continued rumors of an OPEC production cut, which eventually was announced in late November. Notably, from a style perspective, during the second half of the year small cap stocks started to strongly underperform large caps. Cyclical stocks outperformed defensives and value stocks outperformed growth stocks.

Investment policy

During 2016 the B EUR class returned 0.4%, underperforming the general market (MSCI Asia Pacific Index) which moved up 2.3% in U.S. dollar terms. We entered the year with a subdued risk profile in the fund. In early January we aggressively lowered our net exposure to a low of -15% given the volatility in the markets. This helped to preserve capital and stabilize performance during the sharp down-move in Asian equity markets in the first few months of the year. From mid-February into the end of the second quarter we gradually increased the net exposure to 15%. At first, between the end of February and the start of March, we increased our exposure by adding positions in the long book. We took a cautious approach and primarily added gold mining stocks to benefit from the combination of a stable/weaker U.S. dollar and increased uncertainty in financial markets. Also, we introduced some incremental cyclical exposure to the fund in relatively stable and/or high quality companies that became attractively priced during the sell-off. During the second quarter of the year we mainly added net exposure by covering short positions, reducing the short book from around -55% exposure in late May to -23% in August. This was in part, to manage the short-squeeze risk in some of our cyclical shorts which had been bouncing sharply from the lows. Due to our increased net exposure and in particular by adding gold exposure, the portfolio moved up with Asian equity markets to a 3% gain by August. In the second quarter we decided to add exposure to Japan via the Pelargos Japan Long Short Value Fund.

MANAGER'S REPORT (CONTINUED)

For the year ended 31 December 2016

Investment policy (continued)

Adding Japan exposure to an Asian equity portfolio has a positive impact on portfolio construction as it has a negative correlation with, and lower volatility than, Asia ex-Japan. Additionally, Japanese equities were attractively valued after the sell-off in the first quarter and Pelargos has a proven, 8-year track record of generating alpha in Japan. Throughout the remainder of the year the portfolio performance remained relatively stable between 1 – 3%. It wasn't until the last weeks of the year that we gave back most of our gains. These losses during November and December were triggered by the election of Donald Trump as U.S. President. After the election global bond yields rose in anticipation of higher inflation and economic growth. With interest rates up, banks globally started to outperform which hurt our short position in some Asian financials. Moreover, the exposure to gold miners took a hit. Consequently, during the last two months of the year we gave back some 2% performance of the fund.

Despite the sell-off in gold during the second half of the year, our top 10 contributors remain dominated by gold miners. Newcrest Mining, Evolution Mining and Zijin Mining were all in the top 5 gainers, contributing 4.5% to the fund's performance. In part this is due to position sizing. We took significant profits in all three names half way through the year. The top five contributors are completed by China Communications Services and SK Hynix. The former, a Chinese telecommunications services company, started 2016 on a multi-year valuation low. In our opinion the market was overly bearish on the prospect for capex cuts by Chinese telecom operators. Moreover, the company was supported by a healthy balance sheet and strong free cash flow generation. The stock moved up 70% during the year, adding 1.23% to the fund's performance. SK Hynix, the Korean semiconductor producer, was also trading at historical low valuations. In our view investors underestimated the supply/demand tightness in the DRAM market. Boosted by supply cuts by Samsung, SK Hynix benefitted from improved DRAM pricing, leading the stock to rally 57%, adding 1.01% to performance. On the short side, our biggest contributor was CJ CGV, a Korean cinema operator.

The company was expensive, and earnings growth had been slowing in its domestic market. Moreover, their overseas revenues and profits (in particular for Chinese movie theatres) were facing strong headwinds as the year-over-year comps were very tough for the second half of 2016. We entered a short position in July, which added 0.84% to the fund's performance.

Our weakest performers were dominated by Australian stocks which made up four out of the top five losing positions. Our biggest losing position was in Commonwealth Bank of Australia. Despite, regulatory pressure to raise capital, expensive valuation and in our view a rolling over housing cycle, the stock remained range bound for most of the year and started to rally into year end. The position reduced performance of the fund by 0.59%. Our second largest losing position was in Amcor, an Australian packaging company. The stock was priced for perfection, but the stock rallied sharply after it posted a strong set of results, beating the market's (already high) expectations. As the shares hit our stop loss levels we closed out our short position at a loss of 0.55%.

Table 1 shows the main statistics relating to our exposure management. 2016 can be split into two halves. After starting the year with a low in the net exposure during the first quarter of -16%, net exposure was relatively high in the second half, peaking at 38% in July. On average the portfolio net exposure was 13%. Our market risk exposure as measured by the ex-ante beta was on average quite unidirectional at -0.05, but did swing between 0.1 and -0.2.

	High	Low	Average	12/31/2016
Net exposure	38%	-16%	13%	27%
Gross Exposure	120%	74%	96%	89.3%
Ex-Ante Beta*	0.1	-0.2	-0.05	0.08

*Source: Nomura Tradespex

Graph1. Pelargos Asia Alpha Fund exposure on a daily basis in 2016

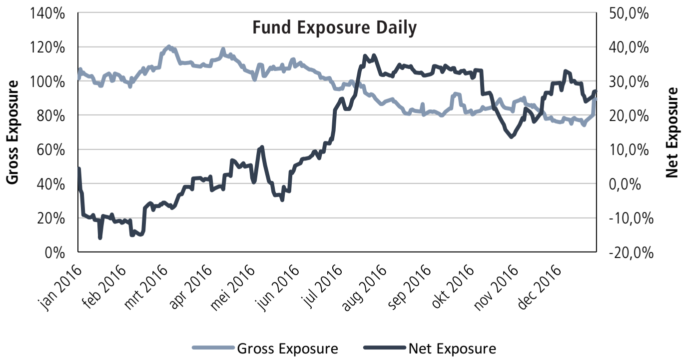


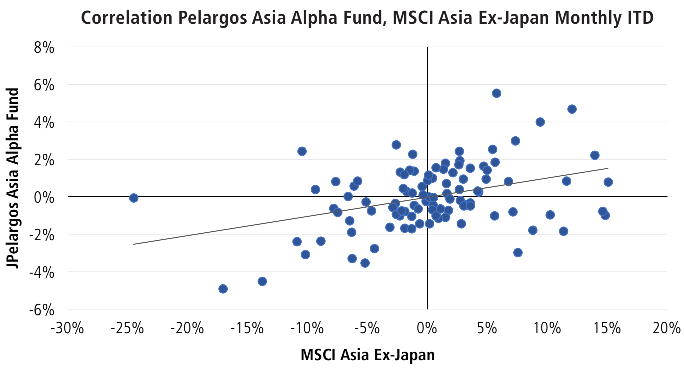
Table 2 and Graph 2 show the correlation of the Fund's monthly return to the MSCI Asia Pacific ex Japan index. The realised correlation of the Fund with the MSCI Asia Pacific ex Japan for 2016 was 0.05 and 0.38 since inception, both based on daily return data.

Throughout the year the portfolio is exposed to stocks with a value bias with strong earnings and price momentum. Moreover, the fund remained highly liquid throughout the year. More than 50% of the portfolio can be closed within one day based on the average trading volume of the last 3 months of 2016.

Table 2. Realised volatility, beta and correlation of Fund and MSCI Asia Pacific ex Japan (daily return data)

Year	Volatility Fund	Volatility Index	Ex-post Beta Fund	Correlation Fund, Index
ITD	6%	22.2%	0.05%	0.17
2016	5.9%	15.8%	-0.05%	-0.13

Graph 2. Correlation of the Fund and MSCI Asia Pacific ex Japan since inception.



MANAGER'S REPORT (CONTINUED)

For the year ended 31 December 2016

Outlook

Expectations of a Trump-induced revamp of U.S. economic growth are high, while the uncertainty surrounding his policies remains elevated. Financial markets have been quick to price in these expectations of stronger economic growth. However reality might be slower to catch-up, as the impact from President Trump's policies will only kick in towards the end of 2017. However, the effect of a stronger U.S. dollar and higher U.S. rates are being felt now, while the economic growth to back this up might arrive much later. Consequently, higher rates and a stronger U.S. dollar have the risk of impairing global economic growth as global liquidity conditions tighten. The liquidity impact works through two channels. On the one hand, a stronger U.S. dollar puts pressure on local currencies. This pressure can lead to a tightening of local credit conditions if local central banks try to defend the currency. On the other hand, countries and companies dependent on U.S. dollar funding are faced with higher funding costs. Neither is a positive development for Asian economies, which have been relying on strong credit growth since the global financial crisis in 2008. However, at the moment there is one offsetting positive factor that is strongly supporting market liquidity. Since bottoming in the first and second quarter of 2016, commodity prices have rallied strongly, which has helped many emerging market economies that rely on commodity exports. Most of the recent tightening in liquidity conditions as a result of a stronger U.S. dollar has been offset by significantly higher commodity prices. As long as commodity prices remain stable or move higher, risks to financial markets as a result of tighter global liquidity will remain fairly subdued. Once commodity prices start moving down in combination with tighter global liquidity, we will be on high-alert and significantly reduce the risk profile of the fund.

Given the late cycle stage of economic expansion in the U.S. and the relative tightness of the U.S. labor market, any pick-up in fiscal spending by the U.S. government has the potential to significantly push up inflation. In turn, this would exacerbate U.S. dollar strength and consequently put more pressure on Asian economies and equity markets. And, we have not even started discussing risks associated with the geopolitical consequences of the political regime shift taking place in Washington.

Hence, plenty of uncertainty going into 2017. Reading the above, one would expect turbulent financial markets. However, markets have remained calm and have largely ignored recent potential risk-events (Brexit, Trump, Italian referendum). U.S. equity markets are near all-time highs, Asian local bond yield spreads versus the U.S. yields are stable and the MSCI Asia ex Japan is trading at historically average valuations. Consequently, we retain a slightly reduced overall risk profile for the fund, with most risk allocated towards high-conviction IT companies and Chinese infrastructure plays in the long book and expensive defensives and selective financials in the short book.

Risk management

We have devised a prudent risk management framework that is appropriate to the nature, scope and complexity of the activities deployed. Where relevant and possible the proportionality principle is applied when implementing applicable laws and regulations with regards to hierarchical and functional separation between risk management and other functions within Pelargos Capital B.V., establishing and managing risk limits as well as regards risk measurement and risk management.

In Compliance, Directors and Portfolio Management meetings, risks are reviewed, identified and previously identified risks are monitored.

Risk management is considered an integral part of the investment and the operational process. Risk management supports decision making in order to minimize unexpected losses and achieve the absolute return objective. Financial risk management encompasses all elements of our investment process from idea generation, implementation of trades, performance measurement, reporting and attribution analysis. A number of risk management systems allow us to notice any deviations to intended positioning and targets. The portfolio managers are continuously monitoring financial risks. In addition, the investment guidelines as described in the prospectus are monitored by the risk manager at least twice a month.

Operational risk management recognizes the four areas of potential losses; processes, systems, people and external events. With these sources of risk in mind, processes and controls are developed, documented and monitored by the risk manager.

Exposures to markets, currencies or countries are described in Note 11 of the financial statement. The most important risks are described below; a more extensive list of risks is described in the Prospectus.

Risks

Volatility of securities held

Many factors can affect the market value of the securities invested by the Fund. Not only can factors inherent to the pertinent issuing company or the sector in which it operates influence that value; geopolitical, national developments and macro-economic factors may have an effect.

The performance of the Fund largely depends on the decisions that the Manager takes as part of the investment process, leading from identification to the implementation of investment opportunities. Investments may be geared towards an expected upswing or downswing in the value of a security; if the security moves adversely, the value of the Fund may be negatively affected.

Market risk is mitigated by the allocation of appropriate capital resources, which are determined on the basis of stress testing, sensitivity testing and modelling. Concentration risk is mitigated by diversification and an adequate number of holdings in the portfolio. The liquidity policy is aimed at maintaining assets in such proportion that it will at all times enable the manager to meet its liabilities as they arise.

Short selling

The Fund may sell equities with the purpose of buying them back later. These are borrowed, as the Fund does not hold those equities. The cost for borrowing varies and influences the return realised on the pertinent position. Conceivably, borrowed equities may need to be returned to the lender at an earlier than expected date. The value of the borrowed amount is limited to a maximum of 175% of the Net Asset Value of all (Sub) Classes of Participations.

Loans

Loans provided by the prime brokers enable the fund to enhance its gross exposure. This increases the Fund's risk profile in terms of price volatility and interest rate volatility. Theoretically, holdings purchased with borrowed funds could drop to a value that is less than the amount borrowed. The value of the loan amount is limited to a maximum of 250% of the Net Asset Value of all (Sub) Classes of Participations.

MANAGER'S REPORT (CONTINUED)

For the year ended 31 December 2016

Risk management (continued)

Counterparty risk

The Fund is susceptible to the risk of counterparties of the Fund defaulting on their obligations as a result of inter alia a moratorium of payment or involuntarily liquidation.

Such counterparties include the Prime Brokers. A Prime Broker is entitled to pledge assets of the Fund to third parties to secure financing to the Fund (rehypothecation). In case of involuntary liquidation of the Prime Broker, the Fund ranks as a general creditor in respect to the value of the rehypothecated assets, with the risk that this value may not be reclaimed. The amount of rehypothecation of long assets is limited to 140% of the net indebtness of the Fund.

The risk manager is monitoring periodically this limit independently from the portfolio managers.

Derivatives

The Fund may utilise investment instruments such as exchange-traded futures, OTC options and other derivative contracts. Depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss that is high in proportion to the amounts of the funds actually placed as initial margin or premium paid. Because OTC transactions are not executed via an exchange, pricing may be less transparent. Additionally, OTC transactions may involve counterparty risk with respect to the unrealised profit value within the contract. Liabilities or receivables following from the OTC CFD contracts are taken into account in the overall margin requirement calculation which takes the total exposure into account. Thus, when positive unrealised results under the CFD contract leads to a receivable, no specific collateral for that purpose is to be received but it will increase the equity part in the margin calculation.

Other information

Risk control

We have assessed several aspects of operational management throughout the past financial year. We have noticed nothing in our assessments that would lead us to conclude that the description of the structural aspects of operational management within the meaning of article 121 of the Bgfo failed to meet the requirements as specified in the Wft and related regulations. Based on these findings we, as Manager of the Fund, declare that Pelargos has established a governance framework that meets the requirements of the Dutch Financial Supervision Act [Wet op het financieel toezicht, 'Wft'] and the Dutch Market Conduct Supervision of Financial Enterprises Decree [Besluit gedragstoezicht financiële ondernemingen, 'Bgfo']. We therefore declare with reasonable assurance that operational management has been effective and has functioned as described throughout the reporting year. The framework includes the separation of managerial, execution and oversight functions, and relates to the firms' strategy, conduct of business standards, investment portfolio risks, financial risks and operational risks. Risk management is considered an integral part of the investment and the operational process. Systems and procedures are in place for risk inventory and evaluation, to define risk mitigating measures and to monitor the working of those measures.

Personnel

The Fund does not employ any personnel and will not employ any personnel for the foreseeable future.

Investment

The Fund aims to achieve capital appreciation through investing in long and short positions in equities related to enterprises located in the Asia-Pacific region. The Fund seeks to limit the downward risk while keeping correlation with the returns of relevant market indices low. Please note that the value of the investments may fluctuate. Past performance is not necessarily a guide to future performance. The value of the product is (among others) subordinated to the developments on financial markets and, if applicable, other markets.

The Hague, 25 April 2017

R.A. Dingemans, on behalf of Orange Dragon Company B.V. Director Pelargos Capital B.V.	P.P.J. van de Laar, Director Pelargos Capital B.V.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016	2015
		€	€
Assets			
Financial assets at fair value through profit or loss	3,11	58,541,498	53,320,457
Amounts due from brokers	6	4,002,914	-
Dividends receivable		93,753	127,316
Margin account	5	23,182,895	30,590,854
Cash and cash equivalents	4	63,437,383	72,083,793
Total current assets		**149,258,443**	**156,122,420**
Liabilities			
Financial liabilities at fair value through profit or loss	3,11	18,219,229	33,647,068
Amounts due to brokers	6	4,855,745	-
Dividends payable		58,410	73,042
Management fee payable	7	106,709	103,839
Interest payable		117,628	144,327
Accrued expenses	8	142,376	115,590
Total current liabilities (excluding net assets attributable to holders of redeemable units of participation)		**23,500,097**	**34,083,866**
Net assets attributable to holders of redeemable units of participation		**125,758,346**	**122,038,554**

Class A	**2016**	**2015**	**2014**
Number of units of participation (Note 13)	242.63	242.63	242.63
Net asset value per unit of participation	€ 987.90	€ 988.90	€ 987.25
Class B			
Number of units of participation (Note 13)	128,306.82	125,002.07	177,810.46
Net asset value per unit of participation	€ 978.27	€ 974.37	€ 967.42
Total Net Asset Value	**€ 125,758,346**	**€ 122,038,554**	**€ 172,256,924**

The accompanying notes form an integral part of these condensed financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016	2015
		€	€
Income			
Interest income	9	251,919	131,752
Gross dividend income	10	1,748,509	2,492,714
Net gain on financial assets and liabilities at fair value through profit or loss	3	3,977,687	6,474,244
Net loss on cash and cash equivalents	3	(590,527)	(3,132,549)
Other income	7	180,374	122,190
Total income		**5,567,962**	**6,088,351**
Expenses			
Dividend expense on securities sold short	10	(1,538,268)	(1,695,786)
Management fee	7	(1,223,446)	(1,408,414)
Interest expense and borrowing fee	9	(1,980,192)	(1,370,800)
Audit fee	7	(41,300)	(72,955)
Administration fee	7	(122,406)	(129,677)
Depositary fee	7	(44,334)	(61,162)
Legal fee	7	(10,000)	(41,250)
Other expenses	7	(16,053)	(51,773)
Costs of supervision	7	(19,742)	(15,000)
Trustee's fee	7	(11,150)	(13,550)
Total operating expenses		**(5,006,891)**	**(4,860,367)**
Profit before tax		**561,071**	**1,227,984**
Withholding taxes		(197,618)	(223,766)
Profit after tax		**363,453**	**1,004,218**
Other comprehensive income		-	-
Increase attributable to holders of redeemable units of participation		**363,453**	**1,004,218**

The accompanying notes form an integral part of these condensed financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016	2015
Cash flows from operating activities	**€**	**€**
Increase attributable to holders of redeemable units of participation	363,453	1,004,218
Adjustment for net foreign exchange gain - cash and cash equivalent	590,527	3,132,549
Adjustment for interest income	(251,919)	(131,752)
Adjustment for dividend income	(1,748,509)	(2,492,714)
Adjustment for interest expenses	1,980,192	1,370,800
Adjustment for dividend expenses	1,538,268	1,695,786
Adjustments to reconcile increase attributable to holders of redeemable units of participation to net cash generated from/(used in) operating activities:		
(Increase)/decrease in financial assets at fair value through profit or loss	(5,221,041)	26,901,346
Decrease in financial liabilities at fair value though profit or loss	(15,427,839)	(29,088,236)
Decrease/(increase) in margin cash	7,407,959	(6,726,019)
Increase/(decrease) in management fee payable	2,870	(52,150)
(Increase)/decrease in amounts due from brokers	(4,002,914)	1,483,229
Increase/(decrease) in amounts due to brokers	4,855,745	(3,055,083)
Increase in accrued expenses	26,786	14,679
Cash used in operating activities	**(9,886,422)**	**(5,943,347)**
Interest received	251,919	143,687
Dividend received	1,782,072	2,422,092
Interest paid	(2,006,891)	(1,314,803)
Dividend paid	(1,552,900)	(1,622,744)
Net cash used in operating activities	**(11,412,222)**	**(6,315,115)**
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation	7,888,900	80,000
Payments from redemptions of redeemable units of participation	(4,488,370)	(51,224,343)
Cash flow related to equalisation credit/deficit previous year	(44,191)	(78,245)
Net cash flow generated from/(used in) financing activities	**3,356,339**	**(51,222,588)**
Net decrease in cash and cash equivalents	(8,055,883)	(57,537,703)
Net foreign exchange gain - cash and cash equivalents	(590,527)	(3,132,549)
Cash and cash equivalents at the beginning of the year	72,083,793	132,754,045
Cash and cash equivalents at the end of the year	**63,437,383**	**72,083,793**

The accompanying notes form an integral part of these condensed financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS OF PARTICIPATION

For the year ended 31 December 2016

	Note	Number of shares	31 December 2016
			€
Balance at the beginning of the year		**125,245**	**122,038,554**
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	363,453
Issue of redeemable units of participation during the year	13	7,922	7,888,900
Payments for redeemable units of participation during the year	13	(4,572)	(4,488,370)
Redemption related to equalisation deficit previous year	13	(46)	(44,191)
Net assets attributable to holders of redeemable units of participation at the end of the year		**128,549**	**125,758,346**

	Note	Number of shares	31 December 2015
			€
Balance at the beginning of the year		**178,053**	**172,256,924**
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	1,004,218
Issue of redeemable units of participation during the year	13	83	80,000
Payments for redeemable units of participation during the year	13	(52,810)	(51,224,343)
Redemption related to equalisation deficit previous year	13	(81)	(78,245)
Net assets attributable to holders of redeemable units of participation at the end of the year		**125,245**	**122,038,554**

The accompanying notes form an integral part of these condensed financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. FUND INFORMATION

General
Pelargos Asia Alpha Fund (the "Fund") is an open-ended investment fund incorporated on 17 June 2008. The first trade date for Class B units of participation was on 23 June 2008. Initial subscriptions for Class A units of participation were received on dealing date 27 January 2009. The Fund is not listed on any stock exchange. The units of participation are registered per investor.

The Fund will, under certain conditions, be able to issue and purchase units of participation. Issue and redemption of units of participation is possible on a dealing date, which is the first business day of each month. The Manager holds the right to suspend redemptions in case of extreme market circumstances, when effectuating the lock up on Class B units of participation or in case of a significant size of the redeemed amount. The right to suspend redemptions is explained in more detail in the Prospectus of the Fund.

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Manager, the Title Holder and the Participant. The Manager has an Alternative Investment Fund Managers Directive (AIFMD) license and is regulated by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank.

The Bank of New York Mellon SA/NV, Amsterdam branch, provides administration and transfer agency services to the Fund. Certain administration services are being outsourced to BNY Mellon Fund Services (Ireland) DAC in Dublin, Ireland. BNY Mellon Fund Services (Ireland) DAC is a licensed entity, authorised and regulated by the Central Bank of Ireland. Furthermore, certain services in relation to transfer agency are being outsourced to The Bank of New York Mellon (Luxembourg) S.A.

The Fund's objective is to achieve capital appreciation through investing in long and short positions in equities related to enterprises located in the Asia-Pacific region. The Fund seeks to limit the downward risk and aims for returns that have a low correlation with the returns of the market index. To achieve the Fund's objective, the Manager may use leverage. Potentially increasing the return of the Fund through derivative positions and securities borrowing as well as increasing the exposure of the Fund by borrowing cash are regarded as leveraging techniques.

Classes of Participations
The assets of the Fund are divided into several classes of participation, with a specific fee structure, and if applicable lock-up period, for each class of participation. The underlying investments and risk profile of the various classes of participation are identical. Each class of participation may be further segmented in subclasses of participation, each such subclass of participation to be denominated in a different currency.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance
The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and the Dutch Financial Supervision Act and Title 9 book 2 Dutch Civil Code.

(b) Basis of preparation
The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss which have been measured at fair value. All accounting policies adopted by the Fund are consistent with the audited statements for the year ended 31 December 2016.

The financial statements are presented in Euro.

The preparation of financial statements in conformity with IFRS as adopted by the EU, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Manager believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

The Fund's functional and presentation currency is the Euro. As most holders of units of participation, the Manager and the Title Holder are based and operate in Euro markets, the Fund's performance is evaluated and its liquidity is managed in Euros.

There are no standards and amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that have material impact on the Fund.

New standards, amendments and interpretations effective after 1 January 2016 and have not yet been early adopted by the Fund.

The below mentioned standards, amendments to standards and interpretations in issue are not yet effective, and have not been applied in preparing these financial statements. Management is currently assessing the possible impact of these new standards and interpretations.

IFRS 9 Financial Instruments (effective date 1 January 2018)
IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation (continued)
The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.

The Fund will assess the impact on the financial statements prior to the effective date.

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:
(i) identify contracts with customers
(ii) identify the separate performance obligation
(iii) determine the transaction price of the contract
(iv) allocate the transaction price to each of the separate performance obligations, and
(v) recognise the revenue as each performance obligation is satisfied.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Fund will assess the impact on the financial statements prior to the effective date.

(c) Financial instruments
Financial assets and liabilities at fair value through profit or loss
The category of financial assets and liabilities at fair value through profit or loss are categorised as financial assets and liabilities held for trading. These include equities, options, futures, forward contracts, contracts for difference (CFDs) and liabilities from short sales of financial instruments.

These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price. Derivatives are categorised as held for trading, as the Fund does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39.

Initial measurement
Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out ("FIFO") method. Financial instruments categorised at fair value through profit or losses are measured initially at fair value. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss.

Subsequent measurement
After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded in active markets is based on their quoted market prices or sourced from a data vendor, at the Statement of Financial Position date without any deduction for estimated future selling costs. Financial assets are priced at their current bid prices, while financial liabilities are priced at their current offer price.

For all other financial instruments not traded in an active market and if a quoted market price is not available from a data vendor, the fair value of the financial instruments may be estimated by the Manager using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

Where the Fund has assets and liabilities with offsetting market risks it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or offer price to the net position as appropriate.

(d) Recognition
The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(e) Derecognition
The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition.

The Fund derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

(f) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Forward foreign currency contracts
The fair value of open forward foreign currency exchange contracts is calculated as the difference between the contracted rate and the current forward rate that would close out the contract on the Statement of Financial Position date. Gains or losses on open forward foreign currency exchange contracts are included in the net gain/(loss) on financial assets and liabilities in the Statement of Comprehensive Income.

(h) Contract for difference
A CFD is an agreement between two parties to exchange the difference between the opening and closing value of a position in a specific financial instrument, such as quoted securities, index and foreign exchange. The daily changes in contract value are recorded as unrealised gains or losses and the Fund recognises a realised gain or loss when the contract is closed. Unrealised gains and losses on CFDs are recognised through net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

(i) Other derivative contracts
For open futures contracts and options, changes in the value of the contract are recognised as unrealised gains or losses by "marking to market" the value of the contract at the Statement of Financial Position date. When the contract is settled, the difference between the proceeds from (or cost of) the closing transactions and the original transaction is recorded in the net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

(j) Redeemable units of participation
The Fund has issued two classes of redeemable units of participation, Class A units and Class B units, which are redeemable at the participant's option. Class A units differ from Class B units with respect to management fees and performance fees. Redeemable units of participation can be put back to the Fund at any Dealing day for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

Units of participation are redeemable monthly. The participants of Class B units of participation are not entitled to request the Fund to redeem all or part of their redeemable units of participation during the "lock-up" period of one year from the acceptance of subscriptions.

The redeemable units of participation are carried at the redemption amount that is payable at the Statement of Financial Position date if the holder exercised the right to put the unit of participation back to the Fund.

(k) Subscription and redemption fees
A fee could be charged upon each issue, transfer or redemption of a unit of participation of up to 1.0%. The actual fee charged is set by the Manager, is credited to the Fund and is charged to cover transaction related costs.

(l) Interest income/expense and borrowing fee
Interest income and interest expense are recognised on an accruals basis in line with the contractual terms. The majority of the interest expense in the Statement of Comprehensive Income includes CFD interest, cash interest and borrowing fee. Borrowing fee is a paid fee related to stock loan activities.

(m) Expenses
Expenses are recognised in the Statement of Comprehensive Income on an accrual basis accounted in the year that the costs are incurred.

(n) Dividend income and expense
Dividends are credited to the Statement of Comprehensive Income on the dates on which the relevant securities are listed as "ex-dividend". Income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income, and net of any tax credits. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

(o) Statement of cash flows
The Statement of Cash Flows is prepared according to the indirect method. For the purposes of the Statement of Cash Flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of units of the Fund.

(p) Foreign currency translation
Functional and presentation currency
The Fund's investors are mainly from the Eurozone, with the subscriptions and redemptions denominated in Euro. The performance of the Fund is measured and reported to the investors in Euro. Therefore the financial statements are presented in Euro, which is the Fund's functional and presentation currency.

Foreign currency transactions
Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the closing rates of exchange at each period end. Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in net foreign exchange gain/(loss) in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Cash and cash equivalents
Cash consists of cash at bank and cash equivalents consist of short-term investments available to the Fund with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash is held with UBS AG.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Taxation
The Fund is organised as a fund for joint account ("Fonds voor gemene rekening") as defined in article 2 paragraph 2, of the Dutch Corporate Income Tax Act ("CITA") ("Wet op de vennootschapsbelasting 1969") and qualifies as a tax exempt investment fund ("Vrijgestelde Beleggingsinstelling") within the meaning of article 6a, CITA. Consequently, the Fund will be fully exempt from corporate income tax in The Netherlands.

All payments by the Fund under the participation can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

The issuance or transfer of participation, and payments under participation, will not be subject to value added tax in the Netherlands.

The subscription, issue, placement, allotment, delivery or transfer of participation, will not be subject to registration tax, stamp duty or any other similar tax or duty payable in the Netherlands.

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income.

The Fund presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income. For the purpose of the Cash Flow Statement, cash inflows from investments are presented net of withholding taxes, when applicable.

(s) Significant accounting estimates and judgment in applying accounting policies
Application of the accounting policies in the preparation of the Fund financial statements may require the Investment Manager to apply judgment involving assumptions and estimates concerning future results and other developments including the likelihood, timing or amount of future transactions or events.

The Fund has no significant accounting estimates that require complex estimates or significant judgment in applying its accounting policies.

(t) Short sales
The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security. Short sales are classified as financial liabilities at fair value through profit or loss.

(u) Amounts due from/(to) brokers
Amounts receivable from and payable to brokers include cash balances with the Fund's Prime Broker and amounts receivable or payable for securities transactions that have not settled at the year end. Certain amounts of this cash results from the proceeds of trading securities sold short and may therefore be subject to withdrawal restrictions until such time as the securities are purchased by the Fund. The Fund has also purchased securities on margin and the related margin balances are secured on certain of the Fund's investments in securities.

(v) Transaction costs
The costs charged by brokers in relation to the purchase or sale of financial instruments form the main component of the cost of a transaction. In addition, transaction-related taxes and duties such as registration tax and stamp duties may apply. Transaction costs incurred with an opening position in equities and CFDs (opening buy in case of a long position or opening sale in case of a short position) are included in the net consideration. Transaction costs incurred with the closing of a position in equities and CFDs (closing sale in case of a long position or closing buy in case of a short position) are included in the net consideration. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss.

(w) Other expenses/income
Other expenses/income are recognised on the Statement of Comprehensive Income on an accruals basis.

(x) Margin accounts
Cash collateral provided by the Fund is identified in the Statement of Financial Position as margin cash and is not included as a component of cash and cash equivalents. Margin accounts represent cash deposits with brokers, transferred as collateral against open futures or other securities.

(y) Other payables and accrued expenses
Expenses payable at year end and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

	€	€
Equity securities	**2016**	**2015**
Beginning market value 1 January	20,281,190	13,841,040
Purchase	173,530,204	158,932,471
Sale	(156,440,430)	(154,918,068)
Revaluation	1,957,730	2,425,747
Ending market value 31 December	**39,328,694**	**20,281,190**

Contracts for difference	**2016**	**2015**
Beginning market value 1 January	(581,969)	3,393,658
Purchase	(609,762)	(2,113,815)
Sale	(1,003,359)	392,331
Revaluation	3,188,665	(2,254,143)
Ending market value 31 December	**993,575**	**(581,969)**

Options	**2016**	**2015**
Beginning market value 1 January	-	320,661
Purchase	657,951	-
Sale	(12,437)	-
Revaluation	(645,514)	(320,661)
Ending market value 31 December	**-**	**-**

Futures	**2016**	**2015**
Beginning market value 1 January	-	-
Settlement futures (purchase and sale)	462,587	(6,358,751)
Revaluation	(462,587)	6,358,751
Ending market value 31 December	**-**	**-**

Forward foreign currency contracts	**2016**	**2015**
Beginning market value 1 January	(25,832)	(68,860)
Settlement forwards (purchase and sale)	86,438	(221,522)
Revaluation	(60,607)	264,550
Ending market value 31 December	**-**	**(25,832)**

Total	**2016**	**2015**
Beginning market value 1 January	19,673,389	17,486,499
Purchase	173,578,394	156,818,656
Sale	(156,907,201)	(161,106,010)
Revaluation	3,977,687	6,474,244
Ending market value 31 December	**40,322,269**	**19,673,389**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Movement schedule investments (continued)

Purchase and sale on CFD, options and future investments reflect only the realised gains and losses of closing transactions. For the years ended 31 December 2016 and 31 December 2015, financial assets and liabilities at fair value through profit and loss were as follows:

	2016	2015
	€	€
Equity securities	56,947,723	52,249,210
Contracts for difference	1,593,775	1,071,247
Financial assets at fair value through profit or loss	**58,541,498**	**53,320,457**

	2016	2015
	€	€
Equity securities	(17,619,029)	(31,968,020)
Contracts for difference	(600,200)	(1,653,216)
Forward foreign currency contracts	-	(25,832)
Financial liabilities at fair value through profit or loss	**(18,219,229)**	**(33,647,068)**
Total	**40,322,269**	**19,673,389**

In Note 11 risks associated with those financial instruments held are described. As at 31 December 2016 and 31 December 2015, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

For the years ended 31 December 2016 and 31 December 2015, the gains and losses breakdown of net gains or losses on financial assets and liabilities at fair value through profit or loss was as follows:

	2016	2015
	€	€
Realised gains	22,773,088	40,663,018
Unrealised gains	10,670,024	38,774,292
Realised losses	(16,284,463)	(24,738,503)
Unrealised losses	(13,180,962)	(48,224,563)
Total	**3,977,687**	**6,474,244**

The financial assets and liabilities at fair value through profit or loss are classified under category 'assets and liabilities at fair value through profit and loss' under IFRS 7 Financial Instruments: Disclosures. The remaining financial instruments are classified under category 'loans and receivables' and 'other financial liabilities' under IFRS 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2016 €	2015 €
Cash at broker	(1,445,827)	72,083,793
Money Market Fund	64,883,210	-
Total	**63,437,383**	**72,083,793**

Cash at broker relates to cash balances with the Fund's Prime Brokers, excluding margin requirements.

The fund held two Mutual Money Market funds (MMF) managed by UBS Fund Services (Luxembourg) S.A. and State Street Fund Services (Ireland) Ltd.

5. MARGIN ACCOUNTS

Margin accounts represent cash deposits with brokers, transferred as collateral against open futures or other securities.

The Prime Brokers calculate the maximum amount to be loaned on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Brokers as at 31 December 2016 and 31 December 2015 was as follows:

	2016 €	2015 €
Margin accounts	23,182,895	30,590,854
Total	**23,182,895**	**30,590,854**

6. AMOUNTS DUE FROM/(TO) BROKERS

Amounts receivable from and payables to brokers include cash balances with the Fund's Prime Brokers and amounts receivable or payable for securities transactions that have not settled at the year end. Certain amounts of this cash results from the proceeds of trading securities sold short and may therefore be subject to withdrawal restrictions until such time as the securities are purchased by the Fund. The Fund has also purchased securities on margin and the related margin balances are secured on certain of the Fund's investments in securities.

As at 31 December 2016 and 31 December 2015 the following were held as amounts due to or from brokers.

	2016 €	2015 €
Balances due from brokers	4,002,914	-
Balances due to brokers	(4,855,745)	-
Net amounts due to brokers	**(852,831)**	**-**

7. FEES AND EXPENSES

Management fee
The management fee is charged to the Fund and is credited to the Manager. The management fee is levied once a month.

The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation and 1.0% of the GAV for Class B units of participation (before deduction of the accrued performance fee). The management fee is accrued on a monthly basis. The fee is payable, in arrears following the completion and finalisation of each month end net asset value. Management fees of €1,223,446 (31 December 2015: €1,408,414) were incurred for the year ended 31 December 2016, of which €106,709 was payable at 31 December 2016 (31 December 2015: €103,839).

Performance fee
The performance fee is charged on a unit by unit basis and is credited to the Manager. The performance fee is calculated and accrued for in each net asset calculation as at each month end.

The performance fee is equal to 20% of the annual increase in the net asset value of the capital of Class A units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class B units of participation. The performance fee will be calculated on the basis of an annual period from calendar year end to calendar year end. In a year of introduction of a new Class in a specific currency, the performance fee will be based on the period from introduction date to calendar year end. A high watermark applies. There was no performance fee incurred or payable at year ended 31 December 2016 or 31 December 2015.

Performance fee – equalisation
The performance fee is calculated according to the "equalisation" method, which means that each participant pays a fee that truly corresponds to the increase in value of the units of participation that he/she holds. Participations are subscribed to against the gross asset value per participation. If the subscription price exceeds the high water mark (HWM) on a dealing day, an equalisation credit is granted to the participant. Following the date of grant, the value of the equalisation credit fluctuates with the increase and decrease of the NAV. The equalisation credit will at no time turn into a negative value, and it will not increase beyond the value at the time of issue. By issuing participations against the value of the participant's equalisation credit at the ultimate valuation day of the financial year of the Fund, the credit will be finally settled. There was no equalisation credit settled at 31 December 2016 and 31 December 2015.

Conversely, a participant that acquires participations at a time that the HWM exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the subscription price. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing participations. The Manager is entitled to the ensuing claim. Redemptions will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 31 December 2016 amounted to €24,757 (31 December 2015: €44,192).

7. FEES AND EXPENSES (continued)

Other income
Other income relates to the rebate received from the Manager, due to the participation of the Fund into the Pelargos Japan Long Short Value Fund.

Other costs charged to the assets of the Fund

	2016 €	2015 €
Administration fee	122,406	129,677
Legal fee	10,000	41,250
Audit fee	41,300	72,955
Costs of supervision	19,742	15,000
Depositary fee	44,334	61,162
Trustee's fee	11,150	13,550
Other expenses	16,053	51,773
Total	**264,985**	**385,367**

Costs of supervision are fees charged by the supervising authorities AFM and the Dutch Central Bank.

The Depositary charges a fee as an annual percentage of 0.03% of the NAV at each month end, subject to a minimum fee of €25,000 per annum.

The Title Holder receives a trustee's fee of €11,000 on an annual basis, excluding VAT and indexation starting in 2015.

Other expenses

	2016 €	2015 €
Miscellaneous expenses	-	739
Brokerage fees (excluded in Ongoing Charges Figure)	16,053	51,034
	16,053	**51,773**

Subscription and redemption fees
The Fund may upon issue and redemption of a unit of participation charge a fee up to 1.0% of the subscription and redemption amount. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During the year ended 31 December 2016, the Fund charged a redemption fee of zero (31 December 2015: € 111,594).

Ongoing Charges Figure
The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets value of the Fund. Ongoing costs include cost of investment management and administration, plus other costs of running the fund, such as fees for custodians, regulators and independent auditor. Transaction costs of investments, interest expenses and performance fee are excluded from the calculation.

The OCF will be calculated once a year, the figure as of end of 2016 and 2015 is as follow:

Ongoing Charges Figure

	Share Class A	Share Class B
2016	1.70%	1.20%
2015	1.73%	1.23%

Performance fee ratio
Performance fee ratio is a ratio of the total performance fee (including equalisation deficit) to the average net assets value of the Fund. This ratio will be calculated once a year, as of end of 2016 and 2015 the ratio is as follows:

Performance Fee Ratio

	Share Class A	Share Class B
2016	-	0.02%
2015	-	-

Transaction costs
Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss. The transaction costs amounted to €1,283,026 in 2016 (2015: €1,291,132).

Soft dollar arrangement
The Manager may choose to allocate transactions to brokers with whom the Manager has concluded a commission sharing agreement (CSA). A CSA is concluded with a view allowing the Manager to provide a better level of service to the Fund, with the aim of improving the results. Pursuant to a CSA, the broker receives a commission for executing a transaction that is split ('unbundled') into: 1) execution and 2) research. The sum of money received by the broker that is related to research is entered into a separate account and may be used by the Manager in order to pay for certain services rendered by either the broker or by a third party. The Manager will, however, at all times aim for best execution.

The Fund has entered into a CSA with Merrill Lynch and Instinet in order to facilitate the purchase of generic, macro-economic, technical and company specific research services from, for example: TIS Group, Marc Faber, GMI, QAS, Elliot Wave and Starmine.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

7. FEES AND EXPENSES (continued)

Comparison realised costs versus costs included in Prospectus
Article 123 paragraph 1 sub j of the Decree on the Supervision Conduct of Financial Enterprises (Bgfo) requires a comparison between the actual costs for the reporting year and the costs as mentioned in the Prospectus.

31 December 2016	Actual Costs	Estimated costs Prospectus
Management fee	€ 1,223,446	% of GAV: Class A=1.5% and Class B=1.0%
Administration fee	€ 122,406	+/- of 0.095% of NAV
Trustee's fee	€ 11,150	Annual Fee €11,000
Depositary fee	€ 44,334	0.03% of NAV
Independent auditor's and advisor fee*	€ 71,042	Not Specified
Other costs**	-	Not Specified

31 December 2015	Actual Costs	Estimated costs Prospectus
Management fee	€ 1,408,414	% of GAV: Class A=1.5% and Class B=1.0%
Administration fee	€ 129,677	+/- of 0.08% of NAV
Trustee's fee	€ 13,550	Annual Fee €11,000
Depositary fee	€ 61,162	0.03% of NAV
Independent auditor's and advisor fee*	€ 129,205	Not Specified
Other costs**	€ 739	Not Specified

* Independent auditor's and advisors' costs include audit fee, legal fee and cost of supervision. Audit fee refers to services provided by the independent auditor and relate to the audit of the Financial Statements. The independent auditor is also involved in the examination of the Prospectus of the Fund. This is recorded under the legal fee.

** Other costs include miscellaneous expenses.

Portfolio Turnover Rate
The Portfolio Turnover Rate indicates the turnover ratio of the Fund's portfolio. This rate is an indicator of how actively the investment portfolio is being altered as a consequence of investment decisions and is therefore a function of the investment policy and specifically gross exposure.

The Turnover Rate is calculated as follows:
[(Total 1 – Total 2) / X] *100
Total 1: the total amount of investment transactions (purchase and sale of all equity, options and CFD investments)
Total 2: the total amount of subscriptions and redemptions by participants
X: average net asset value of the Fund.

Portfolio Turnover Rate	2016	2015
	€	€
Securities purchase	254,072,390	195,166,442
Securities sale	241,891,319	215,680,169
Total securities transactions	**495,963,709**	**410,846,611**
Subscriptions participants	7,888,900	80,000
Redemptions participants	4,488,370	51,224,343
Total movement in participations	**12,377,270**	**51,304,343**
Average net asset value	121,848,915	144,775,412
Turnover Rate	**397%**	**248%**

8. ACCRUED EXPENSES

	2016	2015
	€	€
Administration fee	75,793	35,109
Legal fee and tax advice fee	6,434	7,427
Depositary fee	24,418	13,023
Costs of supervision	-	15,255
Audit fee	31,006	31,257
Trustee's fee	4,725	7,089
Other accrued expenses	-	6,430
Total	**142,376**	**115,590**

9. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2016	2015
	€	€
Interest income	251,919	131,752
Interest expense	(1,758,637)	(1,005,426)
Borrowing fee	(221,555)	(365,374)
Total	**(1,728,273)**	**(1,239,048)**

Borrowing fees incurred during the year resulted from borrowing securities in relation to short positions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

10. DIVIDEND INCOME/EXPENSE

	2016	2015
Gross dividend income	1,748,509	2,492,714
Dividend expense on securities sold short	(1,538,268)	(1,695,786)
Total	**210,241**	**796,928**

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow us to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk measurement is an independent function, which is functionally separated from the operational department and portfolio management.

The Fund's investment objective is to preserve capital and then achieve absolute returns for participants by investing in securities of Asian Companies. The Fund aims to achieve strong risk adjusted returns without large exposure to the overall stock market and without taking high volatility single factor risks.

Financial instruments and associated risks
The Fund will primarily invest in a diversified portfolio consisting of long and short positions in listed equities. The Fund may utilise derivative financial instruments for the purpose of risk management and for potentially improving returns.

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Fund are discussed below.

The Fund is exposed to several risks. The Prospectus of the Fund describes an extensive list. The following risks are described below: equity risk, currency risk, interest rate risk, credit risk and liquidity risk. Each type of risk is arising from the financial instruments it holds and is discussed in turn below. Qualitative and quantitative analyses are provided where relevant to give the reader an understanding of the risk management methods used by the Manager.

Fair value estimation
IFRS 13 Fair Value Measurement, states that when measuring fair value, the objective is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. to estimate an exit price).

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Fair value estimation (continued)

The following tables analyse the fair value hierarchy of the Fund's financial assets and liabilities measured at fair value as at 31 December 2016 and as at 31 December 2015:

Financial assets at fair value through profit or loss	31 December 2016 €	Level 1 €	Level 2 €	Level 3 €
Equity securities	56,947,723	46,585,051	10,362,672	-
Derivatives	1,593,775	-	1,593,775	-
Total	**58,541,498**	**46,585,051**	**11,956,447**	**-**

Financial liabilities at fair value through profit or loss	31 December 2016 €	Level 1 €	Level 2 €	Level 3 €
Equity securities sold short	(17,619,029)	(17,619,029)	-	-
Derivatives	(600,200)	-	(600,200)	-
Total	**(18,219,229)**	**(17,619,029)**	**(600,200)**	**-**

Financial assets at fair value through profit or loss	31 December 2015 €	Level 1 €	Level 2 €	Level 3 €
Equity securities	52,249,210	52,249,210	-	-
Derivatives	1,071,247	-	1,071,247	-
Total	**53,320,457**	**52,249,210**	**1,071,247**	**-**

Financial liabilities at fair value through profit or loss	31 December 2015 €	Level 1 €	Level 2 €	Level 3 €
Equity securities sold short	(31,968,020)	(31,968,020)	-	-
Derivatives	(1,679,048)	-	(1,679,048)	-
Total	**(33,647,068)**	**(31,968,020)**	**(1,679,048)**	**-**

For the year ended 31 December 2016 and 31 December 2015, there were no transfers between levels.

For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

Equity risk

Equity risk is the risk that the Fund is exposed to the volatility of the fair value of the equity securities it holds. The fair value of individual securities may fluctuate as a result of e.g. company specific news, broad market movements, interest rate risk or foreign currency movements. The Manager continuously monitors the (potential) determinants of the value of the securities held and the total portfolio value. As such, risk management is an integral part of investment management which comprises security selection and portfolio construction. Frequently various stock, sector and country exposures are measured and managed against the norms which have been defined for those exposures. Further the overall portfolio is monitored using various (external) portfolio risk (optimising) systems to monitor and manage market or style exposures.

The value of the securities the Fund holds is partly driven by general market movements. As the Fund has long and short positions in securities, the Fund aims to control its exposure to these general market movements. The following table represents management's best estimate of the effect on the Fund's total net assets due to a 25% change in the market equity price, with all other variables held constant.

The Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. The Beta of a portfolio can be measured by a regression of the portfolio return with the market return, i.e. the ex-post Beta. The Beta of a portfolio can also be measured as the weighted average of the Beta's of the underlying securities, i.e. the ex-ante Beta. Please note that the calculation of a Beta is based upon historical data. It therefore gives an insight in the co-movement of the portfolio with the market as a whole; such calculated Beta can be used as an estimate for the co-movement going forward; significant differences may occur between the estimate and the co-movement that occurs next period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Equity risk (continued)
The ex-post Beta for the Fund was -0.05 (2015: 0.12), calculated from a regression of the daily return of the Fund on the MSCI Asia Pacific Index, from 1 January to 31 December 2016. The ex-ante Beta measured at year-end 2016 is 0.05 (2015: -0.02). Source: Nomura TradeSpex.

31 December 2016

Market Index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Asia Pacific	0.05	25	13,452	(25)	(13,452)

31 December 2015

Market Index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Asia Pacific	-0.02	25	(641,530)	(25)	641,530

If an investment portfolio of a fund is relatively concentrated, it is considerably dependent on volatility in specific equities (idiosyncratic risk). The Manager has defined several guidelines to adhere to, with respect to maximum percentages held on a security and sector level. The Fund's investments are all well within the guidelines as described in the Prospectus. The portfolio of the Fund is fairly diversified as is illustrated by the percentages held as disclosed in the country and sector allocation. The long and short positions are showed separately as a percentage of the net asset value. The net exposure per country and per sector is also stated as a percentage of the net asset value.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency (Euro).

Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Euro.

IFRS 7 Financial Instruments: Disclosures considers the foreign exchange exposure related to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Fund however monitors the exposure on all foreign currency denominated assets and liabilities.

The following table demonstrates management's best estimate of the sensitivity to a reasonable change in the foreign exchange rates, with all other variables being constant, of the most representative Fund's foreign currency exposures. The currency sensitivity below is based upon a movement of exchange rates and the direct currency exposures as a result of Fund holdings which are denominated in currencies other than Euro, the functional currency of the Fund. Please note that the table below is based upon the holdings as at the end of December 2016 and 2015; currency exposures continuously change.

The Fund has the possibility to hold and to manage currency exposures, but in principle will hedge significant exposures.

The sensitivity analysis for the economic currency exposures held by the Fund is based on the assumption of a 10% movement in the foreign exchange rates against the Fund's functional currency (Euro). The table below is based upon the breakdown of the assets and liabilities in the different currencies, CFDs are taken into account with nominal exposure.

The Fund's currency risk is managed on a daily basis by the Manager in accordance with policies and procedures which are in place.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

The total economic exposure to different currencies at 31 December 2016 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due (to)/from brokers	Other assets/ (liabilities)	Net currency exposure	in % of total net assets	+10% movement	-10% movement
	€	€	€	€	%	€	€
AUD	(4,564,773)	918,181	999,641	(2,646,951)	-2.10%	(264,695)	264,695
HKD	21,088,126	(17,142,298)	(2,058,834)	1,886,994	1.50%	188,699	(188,699)
IDR	1,995,057	-	(579,966)	1,415,091	1.13%	141,509	(141,509)
JPY	10,362,672	(10,582,331)	-	(219,659)	-0.17%	(21,966)	21,966
KRW	(868,526)	-	18,125	(850,401)	-0.68%	(85,040)	85,040
MYR	(2,790,012)	-	-	(2,790,012)	-2.22%	(279,001)	279,001
PHP	1,930,171	-	-	1,930,171	1.53%	193,017	(193,017)
SGD	(1,736,451)	1,118,047	803,544	185,140	0.15%	18,514	(18,514)
THB	1,575,807	44,361	-	1,620,168	1.29%	162,017	(162,017)
TWD	(1,666,191)	1,277,964	-	(388,227)	-0.31%	(38,823)	38,823
USD	8,678,085	(5,620,996)	-	3,057,089	2.43%	305,709	(305,709)
	34,003,965	**(29,987,072)**	**(817,490)**	**3,199,403**	**2.55%**	**319,940**	**(319,940)**

Amounts in the table are based on the financial assets and financial liabilities.

The currency rates as of 31 December 2016 are as follows:

	AUD	HKD	IDR	JPY	KRW	MYR	PHP	SGD	THB	TWD	USD
FX/EUR	1.4566	8.1776	14285.7143	123.016361	1273.88535	4.7316	52.4329	1.5238	37.77	33.9939	1.0547

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

The total economic exposure to different currencies at 31 December 2015 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due (to)/from brokers	Other assets/ (liabilities)	Net currency exposure	in % of total net assets	+10% movement	-10% movement
	€	€	€	€	%	€	€
AUD	(3,656,503)	2,253,698	(18,887)	(1,421,692)	-1.16%	(142,169)	142,169
HKD	21,049,984	(19,347,299)	-	1,702,685	1.40%	170,269	(170,269)
IDR	(3,564,400)	-	-	(3,564,400)	-2.92%	(356,440)	356,440
KRW	(196,198)	-	106,903	(89,295)	-0.07%	(8,930)	8,930
MYR	(3,902,107)	-	-	(3,902,107)	-3.20%	(390,211)	390,211
PHP	1,261,448	-	-	1,261,448	1.03%	126,145	(126,145)
SGD	(3,516,042)	3,299,556	(33,743)	(250,229)	-0.21%	(25,023)	25,023
THB	-	42,864	-	42,864	0.04%	4,286	(4,286)
TWD	(5,532,634)	1,217,502	-	(4,315,132)	-3.54%	(431,513)	431,513
USD	5,142,302	995,023	-	6,137,325	5.03%	613,732	(613,732)
	7,085,850	**(11,538,656)**	**54,273**	**(4,398,533)**	**-3.60%**	**(439,854)**	**439,854**

Amounts in the table are based on the financial assets and financial liabilities.

The currency rates as of 31 December 2015 are as follows:

	AUD	HKD	IDR	KRW	MYR	PHP	SGD	THB	TWD	USD
FX/EUR	1.4931	8.419	14925.3731	1273.8854	4.664	51.1169	1.5411	39.09	35.6812	1.0863

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

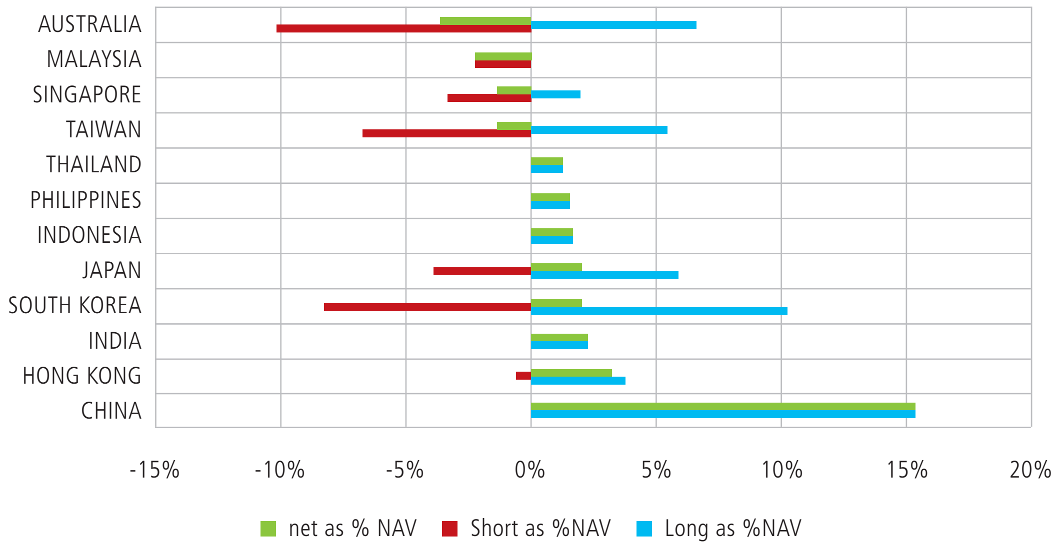
For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk

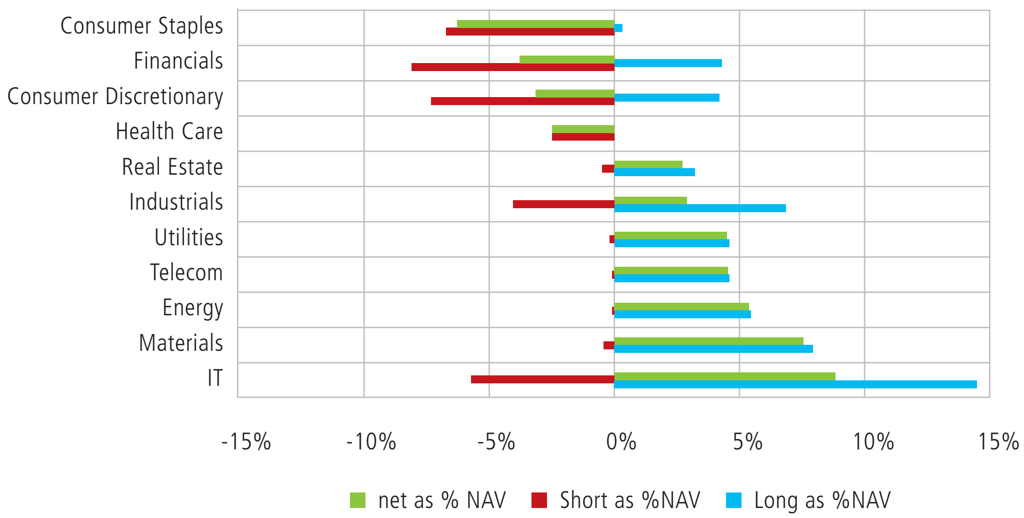
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 31 December 2016 was as follows:

COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2016 was as follows:

SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND

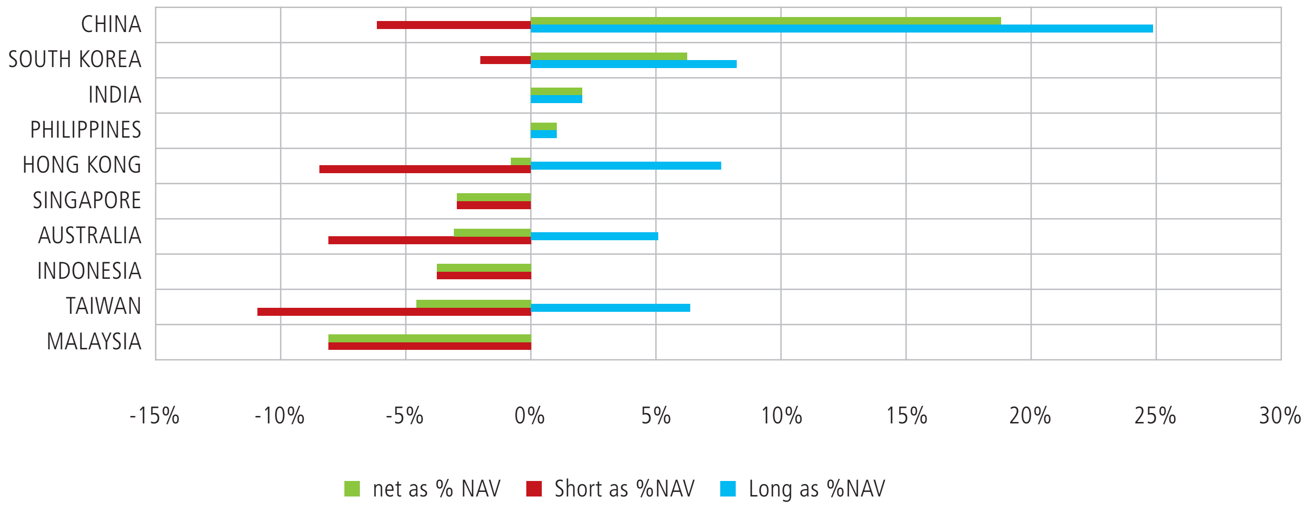


NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

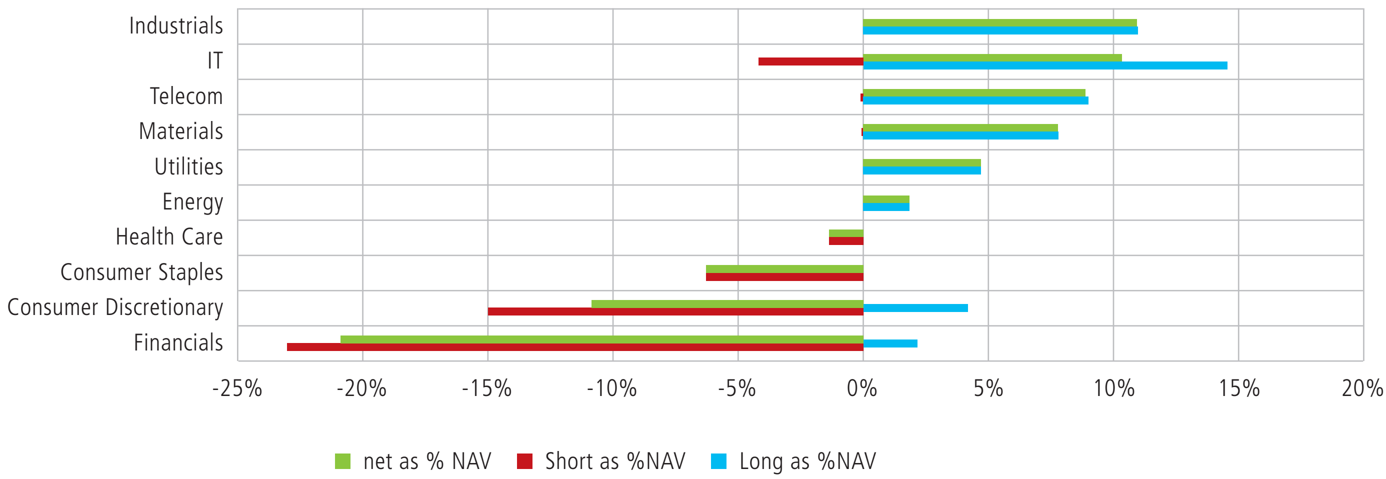
Concentration risk (continued)
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 31 December 2015 was as follows:

COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2015 was as follows:

SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

The top long and top short exposures as a percentage of the NAV at the end of 2016 were as follows:

TOP LONG EXPOSURES 2016	As % NAV
SK Telecom ADR	2.7%
Brilliance China Automotive Holdings	2.6%
LG Display	2.4%
Evolution Mining	2.3%
ICICI Bank ADR	2.3%
Newcrest Mining	2.2%
China Petroleum & Chemical Corp	2.1%
Pegatron Corp	2.0%
Parkway Life Real Estate Investment Trust	2.0%
SK Hynix	2.0%

TOP SHORT EXPOSURES 2016	As % NAV
ComfortDelGro Corp	3.4%
Mediatek	3.0%
Amorpacific Corp	2.8%
Commonwealth Bank of Australia	2.7%
Westpac Banking Corp	2.2%
Malayan Banking	2.2%
CSL	2.2%
JB Hi-Fi	1.8%
Orion Corp	1.6%
LG Electronics	1.6%

The top long and top short exposures as a percentage of the NAV at the end of 2015 were as follows:

TOP LONG EXPOSURES 2015	As % NAV
Guangdong Investment	3.6%
Newcrest Mining	3.2%
Zijin Mining Group	3.0%
Tencent Holdings	2.7%
Shenzhen Expressway	2.7%
China Railway Construction Corp	2.3%
SK Telecom ADR	2.3%
China Communications Services Corp	2.3%
China Mobile	2.2%
KB Financial Group	2.1%

TOP SHORT EXPOSURES 2015	As % NAV
MALAYAN BANKING	3.4%
BANK CENTRAL ASIA TBK	2.9%
CHENG SHIN RUBBER	2.7%
ADVANTECH	2.4%
Bank of East Asia	2.4%
CHAILEASE HOLDING	2.3%
IOI CORP	2.3%
Hankook Tire	2.0%
Suncorp Group	1.9%
Australia & NZ Banking	1.8%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The majority of the Fund's financial assets are non-interest-bearing. At the Statement of Financial Position date the Fund has not invested in deposits or fixed income securities. The Fund invested in one Mutual Money Markets fund, which invests in papers in interest bearing securities. As a result, the Fund is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Fund is subject to cash flow interest rate risk; however the effect is not considered material due to the short-term nature.

Fund exposure to direct interest rate risk in Euro at 31 December 2016 was:

2016 Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial assets at fair value through profit or loss	-	-	-	-	58,541,498	58,541,498
Amounts due from brokers	4,002,914	-	-	-	-	4,002,914
Margin accounts	23,182,895	-	-	-	-	23,182,895
Cash and cash equivalents	63,437,383	-	-	-	-	63,437,383
Total	**90,623,192**	**-**	**-**	**-**	**58,541,498**	**149,164,690**

2016 Liabilities	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial liabilities at fair value through profit or loss	-	-	-	-	18,219,229	18,219,229
Amounts due to brokers	4,855,745	-	-	-	-	4,855,745
Total	**4,855,745**	**-**	**-**	**-**	**18,219,229**	**23,074,974**

Fund exposure to direct interest rate risk in Euro at 31 December 2015 was:

2015 Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial assets at fair value through profit or loss	-	-	-	-	53,320,457	53,320,457
Margin accounts	30,590,854	-	-	-	-	30,590,854
Cash and cash equivalents	72,083,793	-	-	-	-	72,083,793
Total	**102,674,647**	**-**	**-**	**-**	**53,320,457**	**155,995,104**

2015 Liabilities	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial liabilities at fair value through profit or loss	-	-	-	-	33,647,068	33,647,068
Total	**-**	**-**	**-**	**-**	**33,647,068**	**33,647,068**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk refers to the potential loss arising if a counterparty is unable to fulfill its financial obligations when due. The Fund is exposed to credit risk in terms of cash deposited at banks or prime brokers, (rehypothecated) securities held at prime brokers and derivatives with other financial institutions as counterparties.

The Fund held two Mutual Money Market funds, managed by UBS Fund Services (Luxembourg) S.A. and State Street Fund Services (Ireland) Ltd.

The Fund's exposure in relation to financial derivative instruments and other debtors is as follows at year end:

	2016	**2015**
	€	**€**
Derivatives	1,593,775	1,071,247
Dividends & Interest receivable	93,753	127,316
Amounts due from brokers	4,002,914	-
Margin accounts	23,182,895	30,590,854
Cash and cash equivalents	63,437,383	72,083,793
Total	**92,310,720**	**103,873,210**

The Fund's derivative contracts held were equity CFD's, forward foreign currency contracts, futures and equity options. In 2015 and in 2016 OTC derivative transactions were only executed with the Fund's Prime Broker UBS AG.

To mitigate credit risk, two prime brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long term ratings for UBS AG at 31 December 2016 were Aa3 (31 December 2015: A1) at Moody's and A+ (31 December 2015: A) at S&P. Long term ratings for Goldman Sachs International at 31 December 2016 were A3 (31 December 2015: A3) at Moody's and BBB+ (31 December 2015: BBB+) at S&P.

The Prime Brokers may acquire legal title to the Fund's assets up to an amount of more than 100% (max 140%) of the value of the (i) liabilities or (ii) net indebtedness, as the case may be, of the Fund towards the relevant Prime Brokers (rehypothecation). The Fund will have a right to the redelivery of equivalent assets from the Prime Brokers. In the event of an insolvency of either party, the obligation to redeliver will be given a cash value and will form part of a set off calculation against the amount the Fund owes the Prime Brokers. To the extent that the Prime Brokers have rehypothecated assets in excess of the amount that the Fund owes, the Fund ranks as a general creditor for the excess following the operation of set-off, with the risk that such excess may not be reclaimed. The Fund continuously monitors the creditworthiness of its Prime Brokers and has appointed multiple Prime Brokers. Goldman Sachs International prime broker account is not yet active.

To enable to short securities, the Fund borrows securities. At 31 December 2016, the Fund borrowed securities for an amount of €39,166,762 (31 December 2015: €61,097,161).

The maximum exposure in relation to financial instruments and other debtors is the carrying value of the financial assets.

The Fund has entered into master netting agreements with its Prime Broker. Under these agreements all assets and liabilities with the Prime Broker can be offset with each other. The financial assets and liabilities which are subject to offsetting as of 31 December 2016 and 31 December 2015 are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Financial assets subject to offsetting, enforceable master netting agreements and similar agreements

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instrument	Net amount
2016	**€**	**€**	**€**	**€**	**€**
Investments pledged* UBS AG	18,240,215	-	18,240,215	-	18,240,215
Derivative assets UBS AG	1,593,775	-	1,593,775	600,200	993,576
2015					
Investments pledged* UBS AG	-	-	-		-
Derivative assets UBS AG	1,071,247	-	1,071,247	1,071,247	-

Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instrument	Net amount
2016	**€**	**€**	**€**	**€**	**€**
Derivative liabilities UBS AG	600,200	-	600,200	600,199.57	-
2015					
Derivative liabilities UBS AG	1,679,048	-	1,679,048	1,071,247	607,801

* rehypothecated equity long

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund is exposed to cash redemptions of redeemable units of participation for a monthly valuation day, with 15 business day's previous notice. With regard to Class B units of participation this relates to redemption requests received after the one year lock up period. The Fund invests the majority of its assets in investments that are listed and traded in active markets and can be readily realisable as they are all listed on major Asian stock exchanges.

The Fund may invest in derivative contracts traded over the counter, which are not traded on a regulated exchange and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at their fair value to meet its liquidity requirements. If OTC derivative contracts are used, the counterparties will be rigorously selected and monitored. The liquidity of all securities will be continuously monitored by the Manager.

The liquidity profile of the Fund's financial assets and liabilities based on undiscounted contractual maturities is illustrated as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

2016	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
Assets	**€**	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	56,947,723	56,947,723
Derivatives	-	-	-	-	1,593,775	1,593,775
Amount due from broker	4,002,914	-	-	-	-	4,002,914
Other receivables	93,753	-	-	-	-	93,753
Margin accounts	23,182,895	-	-	-	-	23,182,895
Cash and cash equivalents	63,437,383	-	-	-	-	63,437,383
Total	**90,716,945**	**-**	**-**	**-**	**58,541,498**	**149,258,443**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	17,619,029	17,619,029
Derivatives	-	-	-	-	600,200	600,200
Other liabilities and accrued expenses	425,123	-	-	-	-	425,123
Amount due to broker	4,855,745	-	-	-	-	4,855,745
Total	**5,280,868**	**-**	**-**	**-**	**18,219,229**	**23,500,097**
Redeemable units of participation	-	125,758,346	-	-	-	125,758,346
Total	**5,280,868**	**125,758,346**	**-**	**-**	**18,219,229**	**149,258,443**
Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	-	-	-	-	-
Gross cash outflow	-	-	-	-	-	-
Total undiscounted gross						
Settled derivatives outflow	-	-	-	-	-	-
Liquidity gap	**85,436,077**	**(125,758,346)**	**-**	**-**	**40,322,269**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

2015	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
Assets	**€**	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	52,249,210	52,249,210
Derivatives	-	-	-	-	1,071,247	1,071,247
Other receivables	127,316	-	-	-	-	127,316
Margin accounts	30,590,854	-	-	-	-	30,590,854
Cash and cash equivalents	72,083,793	-	-	-	-	72,083,793
Total	**102,801,963**	**-**	**-**	**-**	**53,320,457**	**156,122,420**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	31,968,020	31,968,020
Derivatives	-	-	-	-	1,653,216	1,653,216
Other liabilities and accrued expenses	436,798	-	-	-	-	436,798
Total	**436,798**	**-**	**-**	**-**	**33,621,236**	**34,058,034**
Redeemable units of participation	-	122,038,554	-	-	-	122,038,554
Total	**436,798**	**122,038,554**	**-**	**-**	**33,621,236**	**156,096,588**
Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	974,168	-	-	-	974,168
Gross cash outflow	-	(1,000,000)	-	-	-	(1,000,000)
Total undiscounted gross						
Settled derivatives outflow	-	(25,832)	-	-	-	(25,832)
Liquidity gap	**102,365,165**	**(122,064,386)**	**-**	**-**	**19,699,221**	**-**

There is no contractual maturity for all equity investments held, those investments are classified under no stated maturity. The below liquidity analysis provides more details related to the liquidity of those investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity analysis
The liquidity of the securities is continuously monitored as liquidity risk is a risk factor that we believe is important to manage. Closing illiquid positions can be costly as prices can move significantly in a few days, especially if headline driven traders are involved. That is a risk we are not prepared to take and therefore we want to be able to exit 50% of the assets in the Fund within one week and 95% in one month time. We are well within limits.

The following tables relate all equity and CFD positions of the Fund to the average daily trading volumes (ADV). It shows average and maximum daily volumes based on the average daily trading volume over the last 3 months of 2016. The max ADV was the value of the most illiquid position as a percentage of 3-months average ADV. The most illiquid position of the Fund can be closed within 35 days.

Those tables stated the percentage of the assets held in five different classes of market liquidity. For example: 58% of the Fund's long positions can be sold within a day, under the assumption that we trade maximum 25% of daily volume.

Table 3: Liquidity profile of the Long book

Percentage of 3-months ADV	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV				
			0%-25%	25%-50%	50%-100%	100%-200%	>200%
31-Dec-16	36%	876%	58%	9%	5%	6%	23%
31-Dec-15	46%	283%	57%	7%	18%	15%	3%

Table 4: Liquidity profile of the Short book

Percentage of 3-months ADV	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV				
			0%-25%	25%-50%	50%-100%	100%-200%	>200%
31-Dec-16	12%	42%	79%	21%	-	-	-
31-Dec-15	33%	255%	49%	28%	20%	-	3%

12. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Fund's investment strategies and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Fund. The derivative contracts that the Fund held or issued, were equity contract for difference ("CFDs"), index futures contracts, equity option and forward foreign currency contracts.

The Fund records its derivative activities on a mark-to-market basis. The Fund uses widely recognised valuation models for determining fair values of over-the-counter CFD derivatives.

For CFD financial instruments, inputs into models are based on the price of the underlying financial instruments and are therefore market observable. CFDs represent agreements that obligate two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise determined notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Therefore, amounts required for the future satisfaction of the CFD may be greater or less than the amount recorded. The realised gain or loss depends upon the prices at which the underlying financial instruments of the CFD is valued at the CFD settlement date and is included in the Statement of Comprehensive Income.

The Fund purchases or sells put and call options through listed exchanges and the OTC markets. Options purchased by the Fund provide the Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

A futures contract is an agreement between two parties to buy and sell a security, index or currency at a specific price or rate at a future date. Upon entering into a futures contract, the Fund is required to deposit with a broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as 'initial cash margin'. Subsequent payments ('variation margin') are made or received by the Funds each day, depending upon the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealised gains or losses and the Funds recognise a realised gain or loss when the contract is closed. Unrealised gains and losses on futures contracts are recognised in the Statement of Comprehensive Income.

Forward foreign currency contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

12. DERIVATIVE CONTRACTS (continued)

Forward foreign currency contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/year-end date and are included in the Statement of Comprehensive Income.

As of 31 December 2016 and 31 December 2015, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

31 December 2016	**Fair value assets**	**Fair value liabilities**
	€	**€**
Contracts for difference	1,593,775	(600,200)
Total derivative contracts	**1,593,775**	**(600,200)**

31 December 2015	**Fair value assets**	**Fair value liabilities**
	€	**€**
Forward foreign currency contracts	-	(25,832)
Contracts for difference	1,071,247	(1,653,216)
Total derivative contracts	**1,071,247**	**(1,679,048)**

The table below details the total exposure at 31 December 2016 and 31 December 2015. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At 31 December 2016 the Fund held long and short positions in CFD's.

The leverage of the Fund is a ratio between the total gross exposure and the net asset value of the Fund. The maximum leverage the Fund may have is 250%. At 31 December 2016 the leverage was 90.8% (31 December 2015: 105%).

December 31, 2016	**Net Exposure**	**Gross Exposure**	**Gross as % of NAV**
	€	**€**	
Equities	31,522,869	76,468,966	60.8%
Contracts for difference	(5,324,742)	37,770,724	30.0%
Total exposure	**26,198,127**	**114,239,691**	
Total as % of NAV	**20.8%**	**90.8%**	**90.8%**

December 31, 2015	**Net Exposure**	**Gross Exposure**	**Gross as % of NAV**
	€	**€**	
Equities	20,281,138	84,217,164	69.0%
Contracts for difference	(14,169,508)	44,088,774	36.1%
Total Exposure	**6,111,630**	**128,305,938**	
Total as % of NAV	**5%**	**105%**	**105%**

13. REDEEMABLE UNITS OF PARTICIPATION

Since inception of the Fund Class A and Class B units of participation were issued, both only in Euro. The (initial) investment required of a participant in Class A is Euro 10,000. Subsequent subscriptions and redemptions have a minimum size of Euro 1,000.

Class B has a "lock up" of one year. For the minimum (initial) investment for the 'seeding' investor, employees and employees of directors is Euro 1,000 and for other participants Euro 10,000. Subscriptions and redemptions have a minimum size of Euro 1,000.

Each participant is entitled to cast one vote for each unit of participation. One or more participants who jointly hold at least 10% of the total number of participations can request the Manager to hold a meeting and can add topics to the agenda.

Transactions in units of participation for Class A for the year ended 31 December 2016 and 31 December 2015 were as follows:

Class A (EUR)	Number of units 31 December 2016	Number of units 31 December 2015
Units of participation balance at the beginning of the year	242.63	242.63
Issue of redeemable units of participation	-	-
Redemption of redeemable units of participation	-	-
Redemption related to equalisation deficit	-	-
Units of participation at the end of the year	**242.63**	**242.63**

Transactions in units of participation for Class B for the year ended 31 December 2016 and 31 December 2015 were as follows:

Class B (EUR)	Number of units 31 December 2016	Number of units 31 December 2015
Units of participation balance at the beginning of the year	125,002.07	177,810.46
Issue of redeemable units of participation	7,922.33	82.69
Redemption of redeemable units of participation	(4,572.22)	(52,810.20)
Redemption related to equalisation deficit	(45.36)	(80.88)
Units of participation at the end of the year	**128,306.82**	**125,002.07**

Capital management
As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable shares beyond those included in the Fund's constitution.

The Fund's objectives for managing capital are:

1. To achieve long-term capital appreciation;
The Fund aims for returns which have a low correlation with the returns of the market index. To achieve this objective the Fund uses investment instruments and applies an investment and risk management policy as described in the prospectus.

2. To maintain sufficient liquidity to meet redemption requests as they arise.

Note 11 'Risk associated with financial instruments' explains equity risk, currency risk, interest rate risk, credit risk and liquidity risk in more detail.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

14. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 106.93 (31 December 2015: 106.99) units of participation Class B in the Fund. Pelargos Capital B.V. held 143.13 (31 December 2015: 143.13) units of participation Class A in the Fund.

Two investment funds managed by Aegon Investment Management B.V. (AIM B.V.) held 128,199.89 (31 December 2015: 124,869.23) units of participation Class B and 99.5 (31 December 2015: 99.50) units of participation Class A.

AIM B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V. Aegon Asset Management Holding B.V. holds 73.34 % (31 December 2015: 73.34%) of the shares in Pelargos Capital B.V.

The Fund held 130,000 unit of participation in the Pelargos Japan Long Short Value Fund Class A in Japanese Yen.

15. PERSONAL INTERESTS OF DIRECTORS

In accordance with article 122 paragraph 2 Bgfo the Fund is required to list the total holdings in securities by the employees of directors in investments, which are also held by the Fund as of 31 December 2016.

As of 31 December 2016 and 31 December 2015 there are no personal interests of the employees of directors in investments, which were also held by the Fund.

As of 31 December 2016 and 31 December 2015, the personal interests of the employees of directors in the Fund are as follows:

	Market Value 31 December 2016 €	**Market Value 31 December 2015 €**
Pelargos Asia Alpha Fund	104,569	104,250
	104,569	**104,250**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

16. REMUNERATION

Pelargos Capital B.V. has defined a remuneration policy. This includes among other things provisions on the deferral of at least 40% of the bonus over 2016. The directors discuss the proposed budgeted amount for variable pay with the shareholders. The directors decide on the assessment of performances of members of personnel and the amount of variable pay allocated to each member of personnel. The amount of variable pay for each employee is dependent on several weighted criteria, a.o. the performance of the relevant fund, the contribution to the (improvement) of the investment process, the contribution to (the improvement of) other company processes among which risk management, the contribution to marketing and sales, as well as the quality of activities in the execution of existing company processes.

Senior management relates to the two statutory directors and other key risk taker. Other personnel include portfolio managers and all other (non-investment) staff. All employees are eligible to receive variable pay, and for all employees deferral of at least 40% of variable applies. On average the company had 10.2 FTE employed in 2016 (2015: 9.7).

Though the portfolio managers and analysts have specific areas to focus at, Pelargos Capital B.V. works as one team with two consistent policies for the two funds managed. Therefore, the presentation of the allocation of FTE, Positions and remuneration to the funds is based on a pro rata division of the assets under management in 2016.

2016	**Positions**	**FTE**	**Variable remuneration**	**Salary**
			€	**€**
Pelargos Japan Alpha Fund	1.2	1.2	€ 67,414	€ 167,408
Pelargos Asia Alpha Fund	1.6	1.6	€ 90,590	€ 224,961
Pelargos Japan Long Short Value Fund (non AIF)	0.1	0.1	€ 7,797	€ 19,363
Senior management	3.0	3.0	€ 165,801	€ 411,732
Pelargos Japan Alpha Fund	4.5	2.5	€ 52,694	€ 243,279
Pelargos Asia Alpha Fund	6.0	3.4	€ 70,810	€ 326,917
Pelargos Japan Long Short Value Fund (non AIF)	0.5	0.3	€ 6,095	€ 28,138
Other personnel	11.0	6.2	€ 129,599	€ 598,334
Pelargos Japan Alpha Fund	5.7	3.7	€ 120,108	€ 410,688
Pelargos Asia Alpha Fund	7.6	5.0	€ 161,400	€ 551,878
Pelargos Japan Long Short Value Fund (non AIF)	0.7	0.4	€ 13,892	€ 47,500
Total all personnel	**14.0**	**9.2**	**€ 295,400**	**€ 1,010,066**

2015	**Positions**	**FTE**	**Variable remuneration**	**Salary**
			€	**€**
Pelargos Asia Alpha Fund	1.7	1.7	€ 123,879	€ 245,522
Pelargos Japan Alpha Fund	1.3	1.3	€ 91,989	€ 182,318
Senior management	3.0	3.0	€ 215,868	€ 427,840
Pelargos Asia Alpha Fund	6.3	3.6	€ 108,076	€ 272,970
Pelargos Japan Alpha Fund	4.7	2.6	€ 80,255	€ 202,701
Other personnel	11.0	6.2	€ 188,331	€ 475,671
Total Pelargos Asia Alpha Fund	8.0	5.3	€ 231,955	€ 518,492
Total Pelargos Japan Alpha Fund	6.0	3.9	€ 172,244	€ 385,019
Total all personnel	**14.0**	**9.2**	**€ 404,199**	**€ 903,511**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

17. DIVIDEND AND ALLOCATION OF RESULT

During the year ended 31 December 2016, the Fund did not pay dividends. The result is included in the Net assets attributable to holders of redeemable units of participation.

18. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 31 December 2016 up to the date of approval of these financial statements.

19. APPROVAL OF THE FINANCIAL STATEMENTS

Approved on behalf of the Manager:

Director Pelargos Capital B.V.
Date: 25 April 2017

OTHER NOTES

For the year ended 31 December 2016

1. VOTING POLICY

The Fund does not pursue an active voting policy.

2. APPROVAL OF THE FINANCIAL STATEMENTS

The Manager approved the financial statements on 25 April 2017.

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Independent auditor's report

To: the board of directors of Pelargos Capital B.V., the investment manager of Pelargos Asia Alpha Fund

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Pelargos Asia Alpha Fund as at 31 December 2016, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Pelargos Asia Alpha Fund, The Hague ('the Fund').

The financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the following statements for 2016: the statements of comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units of participation;
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS, the Dutch Financial Supervision Act and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Pelargos Asia Alpha Fund in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

Ref.: e0400679

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Fund information.
- Fund profile.
- Summary of financial information.
- Manager's report.
- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.
- Supplementary information (unaudited) appendix 1 – EU Securities Financing Transactions Regulations 2016.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The investment manager is responsible for the preparation of the other information, including the manager's report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the investment manager

The investment manager is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS, the Dutch Financial Supervision Act and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the manager's report in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the investment manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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As part of the preparation of the financial statements, the investment manager is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the investment manager should prepare the financial statements using the going-concern basis of accounting unless the investment manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. The investment manager should disclose events and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 25 April 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by D.J.P. van Veen RA

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Appendix to our auditor's report on the financial statements 2016 of Pelargos Asia Alpha Fund

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the investment manager.
- Concluding on the appropriateness of the investment manager's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the investment manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SUPPLEMENTARY INFORMATION (UNAUDITED) APPENDIX 1

EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 (“SFTR”)

Securities Financing Transactions Asia Alpha Fund

During the year ended 31 December 2016, additional SFTR disclosures are required for repurchase/reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions. For the year ended 31 December 2016, the Fund has not entered into any stock lending transactions and repurchase/reverse repurchase transactions.

The following table details the Fund’s exposure (calculated on a net basis) to repurchase/reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions as at 31 December 2016.

31-Dec-16	Counterparty country of incorporation	Reverse repurchase transactions	Total return swap (including CFD)	Securities borrowing	Margin lending transactions
Counterparty		**€**	**€**	**€**	**€**
UBS	United Kingdom	-	(5,324,742)	17,619,029	23,182,895
Total as % of NAV			**(4.2%)**	**14.0%**	**18.4%**

*the value of total TRS’s is based on the aggregate gross notional value of all open positions.

The following table provides an analysis of the maturity tenor of reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions outstanding as at 31 December 2016:

31-Dec-16	Reverse repurchase transactions	Total return swap (including CFD)	Securities borrowing	Margin lending transactions
Maturity tenor	**€**	**€**	**€**	**€**
1 day	-	-	-	-
2 to 7 days	-	-	-	-
8 to 30 days	-	-	-	-
31 to 90 days	-	-	-	-
91 to 365 days	-	-	-	-
more than 365 days	-	-	-	-
open transactions	-	(5,324,742)	17,619,029	23,182,895

The above maturity tenor analysis has been based on the respective transaction contractual maturity date. Open transactions are those transactions that are recallable or terminable on a daily basis and include securities borrowing, margin lending transactions and contracts for difference.

The Fund did not have cash and non-cash collateral received or posted by way of a title transfer collateral arrangement in respect of reverse repurchase transactions and derivative transactions in 2016.

SUPPLEMENTARY INFORMATION (UNAUDITED) APPENDIX 1 (continued)

EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 (“SFTR”) (continued)

Security borrowing, total return swaps, margin lending transactions and re-use of Fund’s assets

Securities borrowing, total return swaps and margin lending transactions are normally governed by a prime brokerage agreement with the Prime Broker(s). Under these arrangements, the Fund is required to post margin in respect of all its obligations to the Prime Broker(s) under that agreement. Each Prime Broker has a security interest over all non-cash assets held with it in the pooled custody accounts. Any of these assets can be used by the Prime Broker to cover their margin requirement for the Fund. Each Prime Broker also has the right to re-hypothecate a certain amount of the Fund’s assets to use for their own proprietary purposes.

The amount that each Prime Broker is permitted to re-hypothecate will be set out in its prime brokerage agreement and further details are disclosed in the Fund’s prospectus. The maximum percentage of rehypothecation is 140%.

All returns and costs from stock borrowing and total return swap transactions will accrue to the Fund and are not subject to any returns or cost sharing arrangements with the Fund’s Manager.

There is no profit sharing arrangement in place with the Fund to share any return earned by the Prime Broker(s) though their re-use of the Fund’s assets.

The following table details the percentage of rehypothecation of the Fund as at 31 December 2016:

Re-use of Fund’s asset		Rehypothecation %
Counterparty	**Country**	**31-Dec-16**
UBS	United Kingdom	127%

All returns and costs from margin lending transactions will accrue to the Fund and are not subject to any returns or cost sharing arrangements with the Fund’s Manager.

Repurchase/ reverse repurchase transactions

The Fund did not have a Global Master Repurchase Agreements (“GMRA”) or Master Repurchase Agreements (“MRA”) with its Prime Broker. There were no reverse repurchase transactions in 2016. There were no return sharing agreements with the Fund’s Manager.