Pelargos Japan Alpha Fund

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2014

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TABLE OF CONTENTS PAGE

FUND INFORMATION

REGISTERED OFFICE	WTC Tower E 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
INVESTMENT MANAGER	Pelargos Capital B.V. WTC Tower E, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	Citibank International Ltd Netherlands branch Schiphol Boulevard 257 1118 BH Schiphol The Netherlands
TITLE HOLDER	Stichting Pelargos Japan Alpha Fund c/o: SGG Custody B.V. Claude Debussylaan 24 1082 MD Amsterdam The Netherlands
FUND ADMINISTRATOR	Citibank Europe plc 1 North Wall Quay Dublin 1 Ireland
PRIME BROKERS	Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom UBS AG 1 Finsbury Avenue London EC2M 2PP United Kingdom Nomura International plc 1 Angel Lane London EC4R 3AB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
COMPLIANCE	CLCS B.V. Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITOR	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam PO Box 8800 The Netherlands

FUND PROFILE

Pelargos Japan Alpha Fund
Pelargos Japan 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 NAV calculation was 10 July 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 absolute returns in the long term. Funds that aim for absolute returns in the long term are characterised by a modest volatility and a low correlation with share indices in the region. Assets can be invested in a wide range of financial instruments. The Fund makes use of combinations of long and short positions in equities, as well as derivative positions. The Fund may also use leverage to achieve the return targets or for liquidity reasons in case units of participation are redeemed. Assets will predominantly be invested in Japanese securities. Pelargos Capital B.V. has defined a Socially Responsible Investing policy with reference to the investments held by the Funds, implying that some specific companies can be excluded from the investment universe.

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

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

Pelargos Capital B.V. was incorporated on 4 March, 2008 and has its registered office in The Hague. The directors of Pelargos Capital B.V. are Orange Dragon Company B.V. (represented by R.A. Dingemans) and Emphi B.V. (represented by P.P.J. van de Laar). Limare B.V. (represented by P.C. Rigter) was until 22 July 2014 director of Pelargos Capital B.V., due to the retirement of P.C. Rigter as of 1 August 2014. After the approval of AFM as of 2 September 2014, M. Kretschmer has joint the management team of Pelargos Capital B.V.

Depositary
Under the Alternative Investment Fund Manager Directive (AIFMD), effective as of 22 July 2014, the Fund appointed Citibank International Ltd Netherlands branch as Depositary of the Fund.

Effective 22 July 2014 the Stichting Bewaarder Pelargos Japan Alpha Fund has been renamed into Stichting Pelargos Japan Alpha Fund, reflecting its changing role into being a legal owner of the assets of the Fund.

The manager of the "Stichting" is SGG Custody B.V.

Administrator and Prime Broker
The Fund is administered by Citibank Europe plc. The Prime Brokers of the Fund are Goldman Sachs International, London, United Kingdom, UBS AG, London, United Kingdom and Nomura International, London, United Kingdom.

SUMMARY FINANCIAL INFORMATION

	2014	2013	2012	2011	2010
Class A (€ '000)	(12)	71	36	(24)	255
Class B (€ '000)	(4,241)	26,109	13,077	(1,615)	15,215
Class A (¥ '000)	(2)	15	-	-	-
Class A ($ '000)	(3)	16	-	-	-
(Loss)/Income	**(4,258)**	**26,211**	**13,113**	**(1,639)**	**15,470**
Class A (€ '000)	(9)	(17)	(14)	(59)	(85)
Class B (€ '000)	(3,407)	(6,140)	(3,516)	(3,230)	(5,058)
Class A (¥ '000)	(2)	(4)	-	-	-
Class A ($ '000)	(2)	(4)	-	-	-
Expenses and withholding taxes	**(3,421)**	**(6,165)**	**(3,530)**	**(3,289)**	**(5,143)**
Class A (€ '000)	(21)	54	22	(83)	170
Class B (€ '000)	(7,649)	19,969	9,561	(4,845)	10,157
Class A (¥ '000)	(4)	11	-	-	-
Class A ($ '000)	(5)	12	-	-	-
Increase/(decrease)	**(7,679)**	**20,046**	**9,583**	**(4,928)**	**10,327**
Net assets (€ '000)	110,123	117,795	97,530	86,713	117,342
Number of units of participation					
Class A (€)	236.27	236.27	236.02	1,221.32	1,775.74
Class B (€)	76,538.46	76,533.77	76,492.23	74,562.01	96,192.86
Class A (¥)	100.00	100.00	-	-	-
Class A ($)	100.00	100.00	-	-	-
Net asset value per unit of participation					
Class A (€)	1,263.10	1,358.08	1,142.61	1,036.49	1,090.54
Class B (€)	1,433.06	1,533.07	1,271.51	1,145.98	1,199.73
Class A (¥)	92,258.68	100,346.19	-	-	-
Class A ($)	930.26	1,004.33	-	-	-
Performance					
Class A (€) (in %)	(6.99)	18.86	10.24	(4.96)	8.66
Class B (€) (in %)	(6.52)	20.57	10.95	(4.48)	9.67
Class A (¥) (in %)	(8.06)	0.35	-	-	-
Class A ($) (in %)	(7.38)	0.43	-	-	-
Ongoing Charges Figure (in %)*					
Class A (EUR) (in %)	1.69	1.62	1.63	1.55	1.76
Class A (JPY) (in %)	1.69	1.62	-	-	-
Class A (USD) (in %)	1.69	1.62	-	-	-
Ongoing Charges Figure (in %)*					
Class B (in %)	1.19	1.12	1.13	1.05	1.22

*Figures for 2010 are based on Total Expense Ratios

INVESTMENT MANAGER'S REPORT

For the year ended 31 December 2014

Performance

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A €	-3.21	-0.64	-0.59	-1.03	-2.28	1.40	0.19	-0.64	2.01	-1.94	-1.28	0.92	**-6.99**
Class A ¥	-3.24	-0.80	-0.71	-1.19	-2.27	1.26	0.19	-0.65	1.86	-1.97	-1.60	0.87	**-8.06**
Class A $	-3.16	-0.74	-0.68	-1.11	-2.26	1.30	0.21	-0.63	1.88	-1.89	-1.36	0.92	**-7.38**
Class B	-3.16	-0.60	-0.56	-0.99	-2.24	1.44	0.23	-0.60	2.06	-1.89	-1.24	0.96	**-6.52**

Source: Citibank Europe plc.

In 2014 the Pelargos Japan Alpha Fund gave back some of its strong performance in 2013 and returned -6.5% for Class B. The realized volatility was 5.9%, the Beta was 0.21 and the correlation with the MSCI Japan Index was 0.68, all based on daily return data.

Since inception the Fund has gained 43.3%, whilst the MSCI Japan Index gained 6.1% in local currency and is up 23.4% in euro over the same period. Based on daily returns, the Fund had since inception a realized volatility of 6.9% compared to 25.1% for the MSCI Japan Index; the correlation with this index was 0.49, an ex-post Beta of 0.14.

Class A shares, which have a different fee load, lost 7.0 % in Euro in 2014. The currency subclasses for share class A returned -7.4% for Class A USD and -8.1% for Class A JPY.

The assets under management of the Fund (Class A and B combined) have declined to €110.1 million, mainly due to the Funds' performance. A few small subscriptions were received.

Market review

Following the strong performance over 2013, a correction in the Japanese stock market was overdue. In the first quarter of 2014, profit-taking by investors led to a sharp 13% market correction, mainly in large cap reflation beneficiaries. Trigger for this correction was increasing concern about the negative impact on consumption of the VAT hike, which was scheduled to be implemented in April 2014. Additionally, rising geopolitical tensions in the Middle East, Ukraine and Russia as well as weak economic growth in Asia and the United States weighed on market sentiment.

By June, most of the economic uncertainty surrounding the VAT increase had ebbed away, as companies reported better than expected earnings, despite lower sales. At the same time skepticism about the reform policies of Prime Minister Abe subsided. These factors, combined with a renewed depreciation of the Japanese yen against the US dollar, and falling oil and commodity prices supported the up-move in Japanese equities in the third quarter.

In early October, global equity markets corrected sharply as fears over the Fed's tapering and forward guidance on the upcoming interest rate cycle resurfaced, whilst in the rest of the world macro-economic growth rates were slowing down due to European-Russian trade sanctions, the ebola epidemic in West Africa and anti-corruption measures in China. On Friday 31 October, Bank of Japan (BoJ) governor Kuroda, surprised the markets with a step-up in it's monetary easing scheme. The BoJ expanded its buy-back program of government bonds, equities and real estate. At the same day, Japan's government pension fund "GPIF" announced major changes to its strategic asset allocation: Japanese government bonds exposure would be reduced from 60% to 35% and equity allocations were increased from 25% to 50%. Japanese equities rallied sharply on the back of this news and Japanese yen accelerated its depreciation against other currencies.

For the full year, Japanese equities posted modest price gains of 7.6% (for MSCI Japan index), of which 6.5% was achieved in the fourth quarter. There was a significant dispersion in sector performance, which was predominantly the result of the sharp yen depreciation against the US dollar.

Investment policy

2014 was a difficult year. The VAT hike increased real economic volatility and distorted underlying fundamentals. The Japanese equity market was very directional; large cap, weak Yen beneficiaries and REITs performed very well, whilst valuations did not really matter. 2014 was all about price momentum in combination with earnings revisions. This one dimensional behavior was exacerbated by the BOJ's aggressive intervention, as it increased its stake in the global competition for monetary activism. The BOJ, and for that matter the Fed and ECB, continue to distort market prices and price signals in general. That has created a very tough environment to run a fundamental value strategy.

At the start of the year the Fund was still positioned to benefit from a continuation of the "Abenomics rally". In our opinion there were still many disbelievers in the Japanese recovery, and according to market data, the rally had predominantly been driven by Nikkei futures and ETF buying. It was very difficult to add value with fundamental, relative value strategies such as ours as indiscriminant futures and ETF buying favored large cap high Beta stocks. However, fundamental value strategies in combination with reversal deliver the best risk-adjusted returns in the long run and it is our job to limit drawdowns in period when these value strategies struggle.

Therefore we maintained our relatively large exposure to mid and small cap domestic demand related stocks, with a strong value bias. These stocks had been lagging the market rally and we expected rotation out of the large cap winners into small cap laggards. This was further supported by macro economic data, which showed economic acceleration, both for consumption and capex, into the VAT hike of April 1st. Such macro economic environment is typically supportive for smaller cap stocks. However, despite solid fundamentals in Japan, weak macro economic data from China and increasing geopolitical tensions in the Ukraine and in the Middle-East triggered a bout of profit taking in global equity markets. And as usual, the correction in Japan was one of the most severe, dropping over 10% from it's mid-January peak.

In this sharp correction, the Fund lost over 3% and we took immediate action by reducing the net exposure of the Fund from 55% to 15%. Especially reflation beneficiaries such as housing related stocks and financials were sold. As we strongly believed in the success of "Abenomics", we decided to switch part of our reflation beneficiaries into Real Estate Investment Trusts (REITs). Especially Ichigo REIT and Kenedix Realty benefitted strongly from a recovery in asking rents for smaller sized office buildings and were supported by attractive dividend yields.

We maintained this relatively subdued risk profile into the annual result season in May as it was unclear how companies would guide for FY14 earnings post the VAT-hike induced macro economic uncertainty. It turned out that export related companies were much more constructive on their earnings outlook that domestic consumption related stocks. This triggered a further switch out of domestic sectors into exporters as their relative earnings momentum turned positive.

As the Japanese yen started to weaken against most other currencies, export related companies maintained their momentum. We had some portfolio exposure in Terumo, Tokyo Ohka, JSR and Honda, but not enough to compensate for our large exposure to domestic demand related stocks. In contrast to the 2013 QE-announcement, the move by BOJ Governor Kuroda in late October could only spark a very short term rally in financials. But given their cheap valuations and improving fundaments we feel it is worth holding on to them.

The top-10 main winning positions were all longs, but one: Aeon Mall, a shopping mall operator that saw weak earnings growth. Our best selection was in REIT's, with three positions in the top 5. These asset reflation beneficiaries such as Ichigo REIT, Kenedix Realty and Invincible REIT all benefitted from initial signs of a recovery in the rental income, could do accretive equity offerings to fund new property acquisitions and were supported by some 4% dividend yield. Another noteworthy winner was Ryosan, an extremely inexpensive semiconductor distributor at 0.5x price-to-book ratio which starts to benefit from a recovery of its largest customer, Renesas. Pola Orbis, a domestic cosmetics company, Takara Leben, Terumo, Gulliver and Dai-ichi Life completed the top 10 winners.

As in 2013, the short book did not contribute to performance as the value spread continued to widen, which was predominantly driven by price momentum of "expensive" stocks. As our short book had been reduced materially, there was only single stock short that could be highlighted on the positive side: the aforementioned Aeon Mall. The main losing positions in the Fund were a mix of longs and shorts. On the short side, expensive defensives such as Kikkoman, Shiseido and Yamato Transport were the main drags. Losing longs were contrarian positions in undervalued companies with suffered from weak short term (earnings) momentum such as Iida Home Group, NEC Capital Solutions, Ibiden and Fuji Media. Takata Corp declined over 50% as their faulty airbags had caused some deaths and recall-costs spiraled out of control, putting the company's future into doubt.

As the balance of top 10 winners and losers was a positive 3%, it can be concluded that the Fund's core value strategy had positive performance. The negative performance over 2014 can be attributed to a lot of small losses, which occurred in other strategies like smart hedge and the systematic reversal baskets. The latter delivered a 2% negative performance contribution.

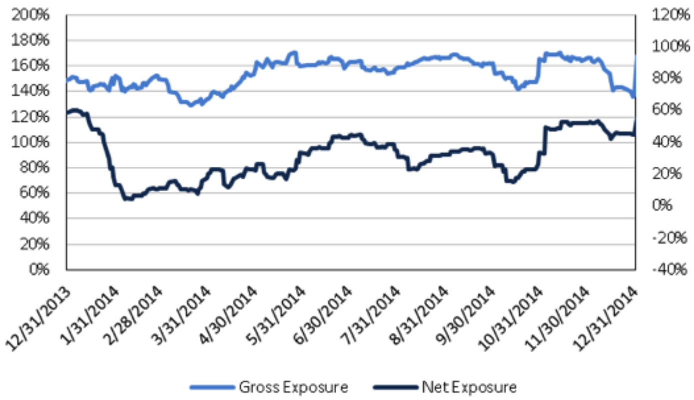
The Fund's net and gross exposures (excluding derivatives) by the end of December were 45% and 137%, respectively. Table 1 and Graph 1 below present key statistics with respect to exposure management. Over 2014, the net exposure in the Fund was in the range of 5% - 60%, with an average net exposure of 31%. Over the same period, the gross exposure in the Fund was in the range of 129% - 171%, with an average gross exposure of 155%. Graph 1 shows how the net and gross exposure evolved throughout 2013. Table 1 and 2 showed that the Fund is well within the limits described in the Prospectus.

Table 1. Net- and gross exposure and ex-ante Beta of the Fund in 2014

	High	Low	Average
Net exposure	60%	5%	31%
Gross exposure	171%	129%	155%
Ex-Ante Beta *	0.31	0.06	0.17

* ex-ante Beta from TradeSpex

Graph1. Pelargos Japan Alpha Fund exposure on a daily basis in 2014



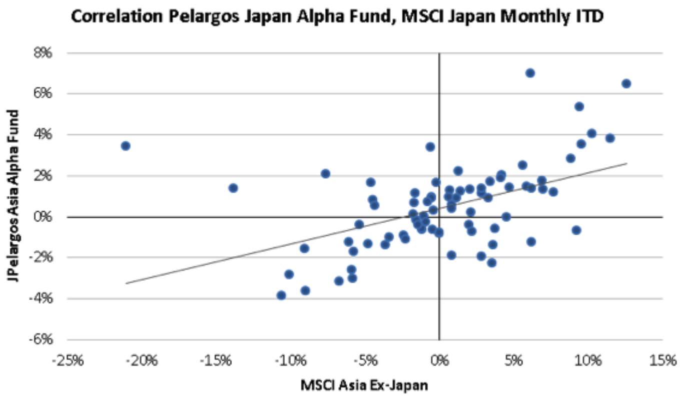
The ex-ante Beta of the Fund remained in a range of 0.06 to 0.31, averaging 0.17 for the year. The Fund maintained its embedded value bias and the Fund´s liquidity remained very high: 76% of the Fund could be liquidated in 2 days and 92% within 10 days, using 25% of average daily volume. The correlation of the fund with the MSCI Japan Index for 2014 was 0.68 and 0.49 since inception, both based on daily return data.

Table 2. Realized volatility, Beta and correlation of Fund and MSCI Japan Index (daily return data)

Year	Volatility Fund	Volatility Benchmark	Ex-post Beta Fund	Correlation Fund, Benchmark
ITD	6.9%	25.1%	0.14	0.49
2014	5.9%	18.7%	0.21	0.68

Graph 2 shows the correlation of the Fund's monthly returns with the MSCI Japan Index since inception. The Fund's correlation with the market has increased over the past few years, because the valuation of the long book became very attractive and it offered an asymmetric pay-off structure that was heavily tilted towards the upside. Therefore we implemented a barbell approach: high net market exposure, protected by a tail-risk hedge in the case of extreme external shocks.

Graph 2. Correlation of the Fund and MSCI Japan Index since inception.



Outlook

Since the arrival of Prime Minister Abe in December 2012, stock prices in Japan have rallied by about 70%. Despite these strong gains, equity valuations remain attractive in Japan. On the one hand this is caused by historically low valuations of Japanese equities in 2012, and on the other hand because corporate profitability has greatly improved. Japanese equities trade at a small premium over book value, a significant discount compared to other stock markets. This ensures an attractive risk return profile for Japanese equities, both on an absolute basis as well as relative to other markets.

Prime Minister Abe has strengthened the mandate of his government coalition, as the coalition parties won the absolute majority during the December 2014 elections. This enables him to continue the economic growth and reform policies, known as "Abenomics", into 2018. Furthermore, the emphasis will gradually shift from aggressive monetary and fiscal policy towards the structural reforms. The government's main priority has become the improvement of "corporate governance". Underlying assumption is that companies with good governance, achieve better returns and are thus able to reward staff better and pay higher dividends to investors such as pension funds. This is crucial in order to increase consumption in Japan and to keep pensions affordable.

We expect the Japanese economy will continue to strengthen in the coming years. After more than twenty years of economic malaise, "Abenomics" heralds a new era of economic growth in Japan. In addition to modest domestic demand growth, corporate Japan will increasingly benefit from improved export competitiveness due to recent yen depreciation. As the global economic recovery maintains its gentle pace, Japanese exporters will be able to regain some market share. However, the main short-term risks for Japanese equities are weakening global growth and heightened geopolitical tensions in Russia, Ukraine, the Middle East as well as with major trading partner of China.

Risk Management
Pelargos Capital B.V. has formulated the Pelargos Capital Fund Governance Code, which complies to the Dufas Fund Governance Principles. This code can be downloaded at: www.pelargoscapital.com.

We have devised a prudent risk management framework that is appropriate to the size and scope of the firm and operations. 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. 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.

Exposures to markets, currencies or countries are described in Note 11 of the financial statements. 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 factors inherent to the pertinent issuing company or the sector in which it operates may influence that value; also geopolitical, national developments and macro-economic factors may have that effect. The performance of the Fund largely depends on the decisions that the fund 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 modeling. Concentration risk is mitigated by diversification and holding an adequate number of holdings in the portfolio. The liquidity policy is to maintain 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. As the Fund does not hold those equities, they are borrowed. The costs of borrowing varies and influences the return realized on the pertinent position. Conceivably, borrowed equities may need to be returned to the lender at an earlier date than expected. The value of the borrow amount is limited to a maximum of 250% of the Net Asset Value of all (Sub)Classes of Participations. The risk manager is monitoring this limit independently from the portfolio managers and periodically.

The prime broker calculates the maximum amount to be lent 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.

Loans
Loans provided by the prime brokers enable the Fund to increase 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.

Counterparty risk
The Fund is susceptible to the risk that counterparties of the Fund will default 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 indebtedness of the Fund.

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. ISDA rules apply for pledging and potentially receiving collateral for OTC contracts such as options and futures.

Other information
Statement related to administrative organization and internal control

The Investment Manager has a statement of operational management, which meets the requirements of the Dutch Financial Supervision Act (Wet op het financieel toezicht, or 'Wft') and the Dutch Market Conduct Supervision of Financial Enterprises Decree (Besluit gedragstoezicht financiële ondernemingen, or 'Bgfo').

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 Investment Manager of the Fund, declare that we possess a statement of operational management as defined by article 121 of the Bgfo, which meets the requirements of the Bgfo.

We have noticed nothing that would lead us to conclude that operational management does not function as described in this statement.
We therefore declare with reasonable assurance that operational management has been effective and has functioned as described throughout the reporting year.

AIFMD
The primary stated aim of the Alternative Investment Fund Managers Directive (AIFMD) is to increase investor protection. The Fund appointed Citibank International Limited Netherlands branch as Depository.

Pelargos Capital B.V. has been granted the license to manage investment funds (as meant in Article 2:65, first paragraph, sub a, Wet op het Financieel Toezicht (WFT)). The license has automatically been converted into an AIFMD license as of 22 July 2014.
Pelargos Capital B.V. reviewed the existing documentations and has formalised the independent risk function. Pelargos Capital B.V. complies with AIFMD, including the solvability and liquidity requirements.

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

Pelargos Capital B.V. has defined a remuneration policy, which among other things includes provisions on the deferral of at least 40% of the variable pay to key risk takers. The directors of Pelargos Capital B.V. discuss the proposed budgeted amount for variable pay with the shareholders of Pelargos Capital B.V.; 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 director, key risk taker or other employee is dependent on 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.

As of 2015, Pelargos Capital B.V. will apply the AIFMD remuneration rules in relation to the publication of variable remuneration. This is in line with the ESMA Guidelines for AIFMD compliant remuneration policy (ESMA/2013/232) and the related Questions & Answers (ESMA/2014/163). According to the ESMA guidance, the AIFMD rules on variable remuneration should be applied to the first full performance period after the AIFM becomes authorized. Pelargos Capital B.V. is authorized as an AIFM as of 22 July 2014. Therefore the AIFMD rules on variable remuneration will be applied for the 2015 accounting period. Other AIFMD rules apply as of 22 July 2014.

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, 24 April 2015

R.A. Dingemans,
on behalf of Orange Dragon Company B.V.
Director Pelargos Capital B.V.

P.P.J. van de Laar,
on behalf of Emphi B.V.
Director Pelargos Capital B.V.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014	2013
		€	€
Assets			
Financial assets at fair value through profit or loss	3	82,163,025	110,921,979
Amounts due from brokers	6	2,042,979	5,546,452
Dividends receivable		284,026	192,980
Interest receivable		98	832
Margin accounts	5	29,609,861	37,819,581
Cash and cash equivalents	4	31,119,326	10,588,343
Total assets		**145,219,315**	**165,070,167**
Liabilities			
Financial liabilities at fair value through profit or loss	3	33,821,961	41,037,285
Amounts due to brokers	6	904,427	2,503,803
Dividends payable		199,748	45,085
Management fee payable	7	99,853	106,683
Performance fee payable	7	0	3,543,379
Interest payable		10,474	4,661
Equalisation credit payable		0	2,133
Accrued expenses	8	59,750	32,464
Total liabilities (excluding net assets attributable to holders of redeemable units of participation)		**35,096,213**	**47,275,493**
Net assets attributable to holders of redeemable units of participation		**110,123,102**	**117,794,674**

Net asset value per unit of participation

Class A - Euro	**2014**	**2013**	**2012**
Number of units of participation (Note 13)	236.27	236.27	236.02
Net asset value per unit of participation	€1,263.10	€1,358.08	€1,142.61
Class B - Euro			
Number of units of participation (Note 13)	76,538.46	76,533.77	76,492.23
Net asset value per unit of participation	€1,433.06	€1,533.07	€1,271.51
Class A – Japanese Yen			
Number of units of participation (Note 13)	100.00	100.00	-
Net asset value per unit of participation	¥92,258.68	¥100,346.19	-
Class A – US Dollar			
Number of units of participation (Note 13)	100.00	100.00	-
Net asset value per unit of participation	$930.26	$1,004.33	-
Total Net Asset Value	**€ 110,123,102**	**€117,794,674**	**€97,530,308**

See notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014	2013
		€	€
Income			
Interest income	9	63,406	29,573
Gross dividend income	10	2,136,001	2,126,571
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	3	(5,117,976)	12,708,519
Net foreign exchange (loss)/gain - cash and cash equivalent	3	(1,202,485)	11,346,996
Total (loss)/ income		**(4,121,054)**	**26,211,659**
Expenses			
Performance fees	7	-	(3,543,379)
Management fees	7	(1,116,083)	(1,156,616)
Interest expense	9	(960,728)	(648,700)
Dividend expense on securities sold short	10	(1,057,832)	(477,719)
Administration fee	7	(66,295)	(70,293)
Other expenses	7	(21,442)	(42,328)
Trustee's fee	7	(25,000)	(20,000)
Audit fees	7	(31,000)	(18,000)
Depositary fee	7	(29,889)	-
Costs of supervision	7	(12,000)	(12,000)
Legal fee	7	(45,999)	(11,000)
Total operating expenses		**(3,366,268)**	**(6,000,035)**
(Loss)/Profit before tax		**(7,487,322)**	**20,211,624**
Withholding taxes		(192,023)	(163,853)
(Decrease)/increase attributable to holders of redeemable units of participation		**(7,679,345)**	**20,047,771**

See notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 €	2013 €
Cash flows from operating activities			
(Decrease)/increase attributable to holders of redeemable units of participation		(7,679,345)	20,047,771
Adjust for: Net foreign exchange (loss)/gain - cash and cash equivalent		1,202,485	(11,346,996)
Adjustment for interest income		(63,406)	(29,573)
Adjustment for dividend income		(2,136,001)	(2,126,571)
Adjustment for interest expenses		960,728	648,700
Adjustment for dividend expenses		1,057,832	477,719
Adjustments to reconcile increase attributable to holders of redeemable units of participation to net cash provided by operating activities:			
Decrease/(increase) in financial assets at fair value through profit or loss		28,758,954	(16,250,864)
(Decrease)/increase in financial liabilities at fair value though profit or loss		(7,215,324)	2,388,575
Decrease/(increase) in margin cash		8,209,720	(37,819,581)
Decrease/(increase) in amounts due from brokers		3,503,473	(3,959,432)
(Decrease)/increase in amounts due to brokers		(1,599,376)	1,569,503
(Decrease)/increase in performance fees payable		(3,543,379)	2,571,683
(Decrease)/increase in management fees payable		(6,830)	23,065
Increase/(decrease) in accrued expenses		27,286	(18,591)
(Decrease)/increase in equalisation credit payable		(2,133)	1,791
Cash provided by/(used in) operating activities		**21,474,684**	**(43,822,801)**
Interest received		64,140	28,844
Dividend received		2,044,955	2,077,705
Interest paid		(954,915)	(645,280)
Dividend paid		(903,169)	(497,749)
Net Cash provided by/(used in) operating activities		**21,725,695**	**(42,859,281)**
Cash flows from financing activities			
Proceeds from issue of redeemable units of participation,		75,000	244,606
Payment from redemption of redeemable units of participation		(69,360)	-
Subscription/(redemption) related to equalisation credit / deficit previous year		2,133	(28,011)
Net cash flow provided by financing activities		**7,773**	**216,595**
Net increase/(decrease) in cash and cash equivalents		21,733,468	(42,642,686)
Net foreign exchange (loss)/gain - cash and cash equivalent		(1,202,485)	11,346,996
Cash and cash equivalents at the beginning of the year		10,588,343	41,884,033
Cash and cash equivalents at the end of the year	**4**	**31,119,326**	**10,588,343**

See notes to the financial statements

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

For the year ended 31 December 2014

31 December 2014	Note	Number of shares	2014 €
Balance at the beginning of the year		**76,970**	**117,794,674**
Decrease attributable to holders of redeemable units of participation resulting from operations for the year		-	(7,679,345)
Issue of redeemable units of participation during the year	13	52	75,000
Proceeds from redeemable units of participation during the period	13	(48)	(69,360)
Movement related to equalisation credit	13	1	2,133
Net assets attributable to holders of redeemable units of participation at the end of the year		**76,975**	**110,123,102**

31 December 2013	Note	Number of shares	2013 €
Balance at the beginning of the year		**76,728**	**97,530,308**
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	20,047,771
Issue of redeemable units of participation during the year	13	264	244,606
Redemption related to equalisation deficit previous year	13	(22)	(28,011)
Net assets attributable to holders of redeemable units of participation at the end of the year		**76,970**	**117,794,674**

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. FUND INFORMATION

Pelargos Japan Alpha Fund (the "Fund") is an open-ended investment fund incorporated on 19 June 2008. The first trade date for Class B (Euro) units of participation was on trade date 11 July 2008. Initial subscriptions for Class A (Euro) units of participation were received on trade date 27 January 2009. Initial subscriptions for Class A (Japanese Yen) units of participation were received on trade date 25 July 2013. Initial subscriptions for Class A (US Dollar) units of participation were received on trade date 25 July 2013. 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 Investment 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 Investment Manager, the Title Holder and the Participant. The Investment Manager was granted the license to manage investment funds under the Financial Supervision Act (Wft) as of 9 December 2010. As of 29 July 2011, the Fund has been registered under this license at The Netherlands Authority for the Financial Markets (AFM). Granted licenses (non-UCITS) to managers, was automatically transferred into an AIFM license as of 22 July 2014. Under AIFMD the Fund appointed Citibank International Ltd Netherlands branch as Depositary to be an independent custodian responsible for safekeeping of the Fund's assets. Due to the appointment of the Depositary, the role of Stichting Pelargos Japan Alpha Fund has been limited into only being a legal owner of the assets of the Fund. As of 22 July 2014 the name of Stichting Bewaarder Pelargos Japan Alpha Fund has been changed into Stichting Pelargos Japan Alpha Fund.

The Fund's objective is to achieve absolute returns in the long term. Funds that aim for absolute returns in the long term are characterised by a modest volatility and a low correlation with share indices in the region. Assets can be invested in a wide range of financial instruments. The Fund makes use of combinations of long and short positions in equities, as well as derivative positions. The Fund may use leverage to achieve the return targets or for liquidity reasons in case units of participation are redeemed. Assets will predominantly be invested in Japanese securities.

Since its incorporation and until year end 31 December 2014, the Fund appointed Citibank Europe plc as Administrator. The Administrator provides fund administration and transfer agency services to the Fund. Citibank Europe plc is based in Ireland and adheres to Irish AML rules and regulations.

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), 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.

The financial statements are presented in Euro.

The preparation of financial statements in accordance 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. Management 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 Investment 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.

New standards, amendments and interpretations to existing standards which are relevant to the Fund and not yet effective

IFRS 9 Financial Instruments: Classification and Measurement
The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. IFRS 9 is applicable for periods beginning on or after 1 January 2018 with earlier

application permitted. The Fund will assess the impact on the financial statements by then.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

New standards, amendments and interpretations to existing standards effective after 1 January 2014

Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment has no material impact on the Fund.

Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives
This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. This amendment will not have a material impact on the Fund.

IFRIC 21, 'Levies'
This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. This amendment will not have a material impact on the Fund.

(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, contracts for difference (CFDs), forward foreign currency contracts 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 market 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 markets 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 Investment 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 realised the asset and settle the liability simultaneously.

(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 unrealised gain/(loss) foreign exchange on the Statement of Comprehensive Income.

(h) Futures Contracts
For open futures contracts, 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 closed, the difference between the proceeds from (or cost of) the closing transactions and the original transaction is recorded in the net (loss)/gain on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

(i) Contract for Difference
A contract for difference (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 (loss)/gain 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 four classes of redeemable units of participation, Class A (Euro) units, Class B (Euro) units, Class A (Japanese Yen) units and Class A (US Dollar) 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 Investment 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 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 shares of the Fund.

(p) Foreign currency translation
Functional and presentation currency
Items included in the Fund's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Euro, which reflects the Fund's domicile. The currencies of subscription into and redemption out of the Fund are Euro, US Dollar and Japanese Yen.

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 year 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 Goldman Sachs, UBS AG and Nomura International plc.

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'.

(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 participations 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 a participation, and payments under a participation, will not be subject to value added tax in the Netherlands.

The subscription, issue, placement, allotment, delivery or transfer of a 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) 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.

(v) Other expenses
Other expenses are recognised on the statement of comprehensive income on an accruals basis.

(w) Collateral
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 represents cash deposits with brokers, transferred as collateral against open futures or other securities.

(x) Amounts due from/(to) brokers
Amounts receivable from and payable 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.

(y) Comparatives
Where this is necessary, comparative figures have been adjusted to conform to changes in presentation in the current year and from improvements of disclosures. The adjustments made have neither an impact on the total result for the year nor on the net assets attributable to holders of redeemable units of participation. These changes include the presentation and disclosure of Net foreign currency gains or losses on cash and cash equivalents and margin cash on the Statement of Financial Position.

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

Equity securities	2014	2013
	€	€
Beginning market value 1 January	69,568,508	55,587,337
Purchase	281,819,162	411,445,425
Sale	(299,955,288)	(415,854,719)
Revaluation	(2,554,681)	18,390,465
Ending market value 31 December	**48,877,701**	**69,568,508**

FX Forward	2014	2013
	€	€
Beginning market value 1 January	170	-
Settlement forwards (sale)	(5,705)	16,029
Revaluation	8,901	(15,859)
Ending market value 31 December	**3,366**	**170**

Futures	2014	2013
	€	€
Beginning market value 1 January	-	(4,540)
Purchase	-	4,057,117
Sale	-	-
Revaluation	-	(4,052,577)
Ending market value 31 December	**-**	**-**

Options	2014	2013
	€	€
Beginning market value 1 January	521,895	439,608
Purchase	442,163	3,762,725
Sale	-	(2,204,055)
Revaluation	(964,058)	(1,476,383)
Ending market value 31 December	**-**	**521,895**

Contracts for Difference	2014	2013
	€	€
Beginning market value 1 January	(205,879)	-
Purchase	3,946,600	(108,121)
Sale	(2,672,649)	39,369
Revaluation	(1,608,076)	(137,127)
Ending market value 31 December	**(540,003)**	**(205,879)**

Total	2014	2013
	€	€
Beginning market value 1 January	69,884,694	56,022,405
Purchase	286,207,926	419,157,146
Sale	(302,633,642)	(418,003,376)
Revaluation	(5,117,976)	12,708,519
Ending market value 31 December	**48,341,064**	**69,884,694**

Purchase and sale on CFD, options and futures investments reflect only the realised gain and loss of closing transactions.

As at 31 December 2014 and 2013, financial assets and liabilities at fair value through profit or loss were as follows:

	2014	2013
Equity securities	82,031,813	109,865,765
Contracts for Difference	127,846	323,262
Options	-	732,782
FX Forwards	3,366	170
Financial assets at fair value through profit or loss	**82,163,025**	**110,921,979**

	2014	2013
Equity securities	(33,154,111)	(40,297,256)
Contracts for Difference	(667,850)	(529,141)
Options		(210,888)
Financial liabilities at fair value through profit or loss	**(33,821,961)**	**(41,037,285)**

Total financial assets and liabilities at fair value through profit or loss	**48,341,064**	**69,884,694**

In note 11 risk associated with those financial instruments held are described.

As at 31 December 2014 and 2013, listed equity securities at fair value through profit or loss per asset class are recorded at fair value based on quoted market prices in active markets.

As at 31 December 204 and 2013, the net gain and loss breakdown of net gain or loss on financial assets and liabilities at fair value through profit or loss was as follows:

	Net gain or loss on financial assets and liabilities at fair value through profit or loss	
	2014	2013
Realised Gain	24,424,192	52,454,455
Unrealised Gain	26,996,734	21,635,346
Realised Loss	(28,968,528)	(39,959,766)
Unrealised Loss	(27,570,374)	(21,421,516)
Total	**(5,117,976)**	**12,708,519**

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. The remaining financial instruments are classified under category ‘loans and receivables’ and ‘other financial liabilities’ under IFRS 7.

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2014	2013
	€	€
Cash at broker	31,119,326	10,588,343
	31,119,326	**10,588,343**

CasCash at broker balances relates to cash balances with the Fund's Prime Broker subtracted from the margin requirements.

5. MARGIN ACCOUNTS

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

The prime broker calculates the maximum amount to be lent 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 were €26,649,211 (31 December 2013: €35,599,554) with Goldman Sachs, €275,332 (31 December 2013: €312,678) with UBS AG and €2,685,318 (31 December 2013: €1,907,349) with Nomura International plc at 31 December 2014.

	2014	2013
	€	€
Margin accounts	29,609,861	37,819,581
	29,609,861	**37,819,581**

6. 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.

As at 31 December 2014 and 31 December 2013, the following were held as amounts due to or from brokers.

	2014	2013
	€	€
Amounts due from brokers	2,042,979	5,546,452
Amounts due to brokers	(904,427)	(2,503,803)
	(1,138,552)	**(3,042.649)**

7. FEES AND EXPENSES

Management fee
The management fee is charged to the Fund and is credited to the Investment 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 calculated each month as one twelfth (1/12) part of the annual management fee on the GAV of the Class in question on the last business day of each month. The fee is payable, in arrears following the completion and finalisation of each month end net asset value. Management fees of 31 December 2014 €1,116,083 (2013: €1,156,616) were incurred for the year ended 31 December 2014, of which €99,853 (2013: €106,683) was payable at 31 December 2014.

Performance fee
The performance fee is charged on a unit by unit basis and is credited to the Investment 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. The introduction date of new Class A in US Dollar and in Japanese Yen was 25 July 2013.

Performance fee of 31 December 2014 €Nil (2013: €3,543,379) were incurred for the year ended 31 December 2014, of which €Nil (2013: €3,543,379) was payable at 31 December 2014.

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 unit of participation. If the subscription price exceeds the high water mark (HW) 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.

The equalisation credit as of 31 December 2014 amounted €Nil (31 December 2013: €2,133)

Conversely, a participant that acquires participations at a time that the HW 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 Investment Manager is entitled to the ensuing claim. Redemption 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 2014 amounted €7 (31 December 2013: €Nil)

Other costs charged to the assets of the Fund

	2014	2013
	€	€
Administration fees	66,295	70,293
Legal fees	45,999	11,000
Audit fees	31,000	18,000
Cost of supervision	12,000	12,000
Depositary fee	29,889	-
Trustee's fees	25,000	20,000
Other expenses	21,442	42,328
	231,625	**173,621**

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

Since 22 July 2014 the Depositary charges a fee as an annual percentage of 0.05% of the GAV at each month end. Due to the appointment of the Depositary, the role of SGG Custody B.V. has been changed and also the fee charged. The trustee fee is changed into a fix fee of 11,000 euro on an annual basis, effective on 22 July 2014.

Other expenses

	2014	2013
	€	€
Miscellaneous expenses	3,206	3,000
Brokerage fees (excluded in Ongoing Charges Figure)	18,236	39,328
Other expenses	**21,442**	**42,328**

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 2014 and 2013 the Fund did not charge any subscription and redemption fee.

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 auditors. 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 2014 and 2013 is as follow:

	Ongoing Charges %	
	2014	2013
Class A (EUR)	1.69%	1.62%
Class B (EUR)	1.19%	1.12%
Class A (JPY)	1.69%	1.62%
Class A (USD)	1.69%	1.62%

Performance fee ratio is a ratio of the total performance fee (including equalization deficit) to the average net assets value of the Fund. This ratio will be calculated once a year, as of end of 2014 and 2013 the ratio is as follow:

Performance fee ratio

	Class A (EUR)	Class B (EUR)	Class A (JPY)	Class A (USD)
2014	0.0%	0.0%	0.0%	0.0%
2013	4.2%	3.2%	0.1%	0.1%

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 €916,251 in 2014 (2013: €818,880).

Soft dollar arrangement
The Investment Manager may choose to allocate transactions to brokers with whom the Investment Manager has concluded a commission sharing agreement (CSA). A CSA is concluded with a view to allowing the Investment 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 Investment Manager in order to pay for certain services rendered by either the broker or by a third party. The Investment Manager will, however, at all times aim for best execution. CSAs may be concluded with more than one broker.

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

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 2014

	Actual Costs	Estimated costs Prospectus
Management fee	€1,116,083	% of GAV: Class A=1.5% and Class B=1.0%
Performance fee	-	% of annual increase GAV: Class A=20% and Class B=15%
Administrator fee	€66,295	Max 0.08% of NAV
Trustee's fee*	€25,000	Annual fee €11,000
Independent auditor's and advisor**	€88,999	17,500
Depositary fee	€29,889	0.05% of the GAV
Other costs***	€3,207	Not Specified

31 December 2013

	Actual Costs	Estimated costs Prospectus
Management fee	€1,156,616	% of GAV: Class A=1.5% and Class B=1.0%
Performance fee	€3,543,379	% of annual increase GAV: Class A=20% and Class B=15%
Administrator fee	€70,293	Max 0.08% of NAV
Trustee's fee*	€20,000	Maximum fee €32,500
Independent auditor's and advisor**	€41,000	Not Specified
Other costs***	€3,000	Not Specified

* Until 21 July 2014: maximum charge amounts to €32,500 excluding VAT and indexation starting as of 2008. From 22 July 2014 on, a fixed fee of €11,000 will apply.

** Auditor's and advisor's costs include audit fee, legal fee and cost of supervision. Audit fee refers to services provided by the auditor and relate to the audit of the Financial Statements. No other services were provided by the auditor or its member firms. PricewaterhouseCoopers Accountants N.V. ("PwC") became independent auditor of the Fund effective 1 January 2014 (prior to this EY were the auditor).

*** 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 cash equity, CFD, options and futures investments)
Total 2: the total amount of subscriptions and redemptions by Participants
X: average net asset value of the Fund

Portfolio Turnover Rate	**2014**	**2013**
	€	**€**
Securities purchase	465,718,850	540,353,017
Securities sale	480,714,688	537,469,114
Total securities transactions	**946,433,538**	**1,077,822,131**
Subscriptions participants	75,000	236,616
Redemptions participants	69,360	-
Total movement in participations	**144,360**	**236,616**
Average net asset value	112,804,499	110,776,573
Turnover Rate	**839%**	**973%**

8. ACCRUED EXPENSES

Accrued expenses	**2014**	**2013**
	€	**€**
Administration fee	8,044	10,873
Legal and tax advice fees	106	289
Audit fees	9,474	12,621
Cost of Supervision	12,726	726
Trustee's fees	7,109	4,082
Depositary fee	16,784	-
Other accrued expenses	5,507	3,873
	59,750	**32,464**

9. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2014	2013
	€	€
Interest income	63,406	29,573
	63,406	**29,573**

	2014	2013
	€	€
Interest expense	638,662	459,975
Borrowing fee	322,066	188,725
	960,728	**648,700**

Borrowing fee in 2014 and 2013 is a paid fee related to stock loan activities.

10. DIVIDEND INCOME/EXPENSE

	2014	2013
	€	€
Dividend income	2,136,001	2,126,571
	2,136,001	**2,126,571**

	2014	2013
	€	€
Dividend expense on securities sold short	(1,057,832)	(477,719)
	(1,057,832)	(477,719)

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 Japanese 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 and 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 Investment Manager.

Fair Value Estimation
IFRS 13 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 judgement, considering factors specific to the asset or liability.

The following tables analyse the fair value hierarchy of the Fund's financial assets and liabilities measured at fair value at 31 December 2014:

Financial assets at fair value through profit or loss	**31 December 2014 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	82,031,813	82,031,813	-	-
Derivatives	131,212	-	131,212	-
Total	**82,163,025**	**82,031,813**	**131,212**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2014 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	33,154,111	33,154,111	-	-
Derivatives	667,850	-	667,850	-
Total	**33,821,961**	**33,154,111**	**667,850**	**-**

Financial assets at fair value through profit or loss	**31 December 2013 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	109,865,765	109,865,765	-	-
Derivatives	1,056,214	-	1,056,214	-
Total	**110,921,979**	**109,865,765**	**1,056,214**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2013 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	40,297,256	40,297,256	-	-
Derivatives	740,029	-	740,029	-
Total	**41,037,285**	**40,297,256**	**740,029**	**-**

For the year ended 31 December 2014 and 31 December 2013, 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 Investment 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 (optimizing) systems to monitor and manage market or style exposures.

The value of the securities the Fund holds are 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 year.

The ex-post Beta for the Fund was 0.21 (2013: 0.25), calculated from a regression of the daily returns of the Fund on the MSCI Japan index , from 1 January up to 31 December. The ex-ante Beta measured at year end 2014 is 0.41 (2013: 0.33). (The ex-ante Beta is measured against the MSCI Japan. Source: Goldman Sachs.)

31 December 2014

Market index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Japan Index	0.41	25	15,382,164	25	(15,832,164)

31 December 2013

Market index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Japan Index	0.33	25	15,069,042	(25)	(15,069,042)

If an investment portfolio of a fund is relatively concentrated, it is considerably dependent on volatility in specific equities (idiosyncratic risk). The Investment 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 sector allocation. The long and short positions are showed separately as a percentage of the net asset value. The net exposure 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 affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Euro.

IFRS 7 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 and hence, the table below has been prepared for monetary and non-monetary items combined to meet the requirements of IFRS 7.

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 2014 and 2013; 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 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 Investment Manager in accordance with policies and procedures which are in place.

The total economic exposure to different currencies at 31 December 2014 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liabilities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	%	€	€
JPY	48,338,772	(49,721,511)	80,801	(1,301,938)	(1.18)	(130,194)	130,194
USD	2,292	(1,046,819)	(6,912)	(1,051,439)	(0.95)	(105,144)	105,144
Total	**48,341,064**	**(50,768,330)**	**73,889**	**(2,353,377)**	**-2.13**	**(235,338)**	**235,338**

The amounts in the tables are based on the financial assets and financial liabilities.

The currency rate as of 31 December 2014 is as follows:

	JPY	USD
FX/EUR	145.08	1.21

The total economic exposure to different currencies at 31 December 2013 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liabilities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	%	€	€
JPY	69,884,596	(66,019,303)	146,447	4,011,740	3.41%	401,174	(401,174)
USD	98	(660,544)	(3,136)	(663,582)	(0.56)%	(66,358)	66,358
Total	**69,884,694**	**(66,679,847)**	**143,311**	**3,348,158**	**2.85%**	**334,816**	**(334,816)**

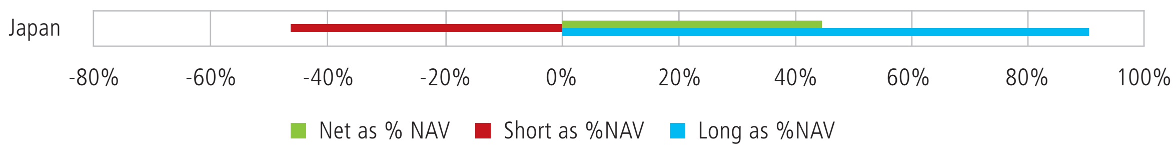
The amounts in the tables are based on the financial assets and financial liabilities.

The currency rate as of 31 December 2013 is as follows:

	JPY	USD
FX/EUR	144.83	1.38

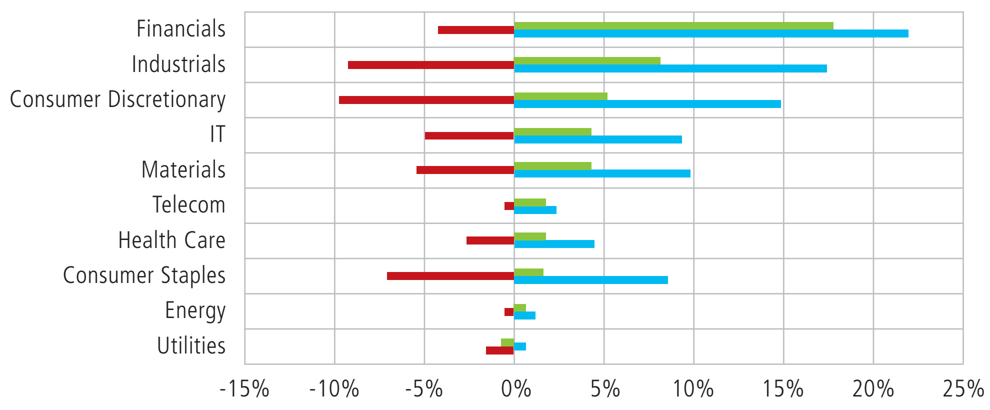
Concentration risk
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 31 December 2014 was as follows:

COUNTRY ALLOCATION PELARGOS JAPAN ALPHA FUND



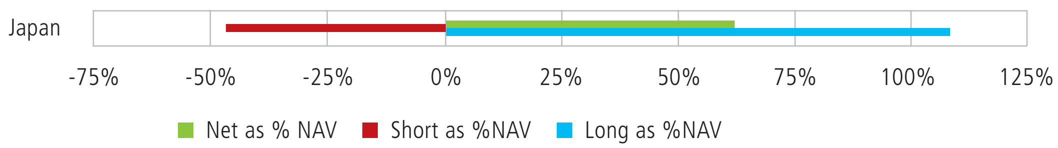
The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 31 December 2014 was as follows:

SECTOR ALLOCATION PELARGOS JAPAN ALPHA FUND



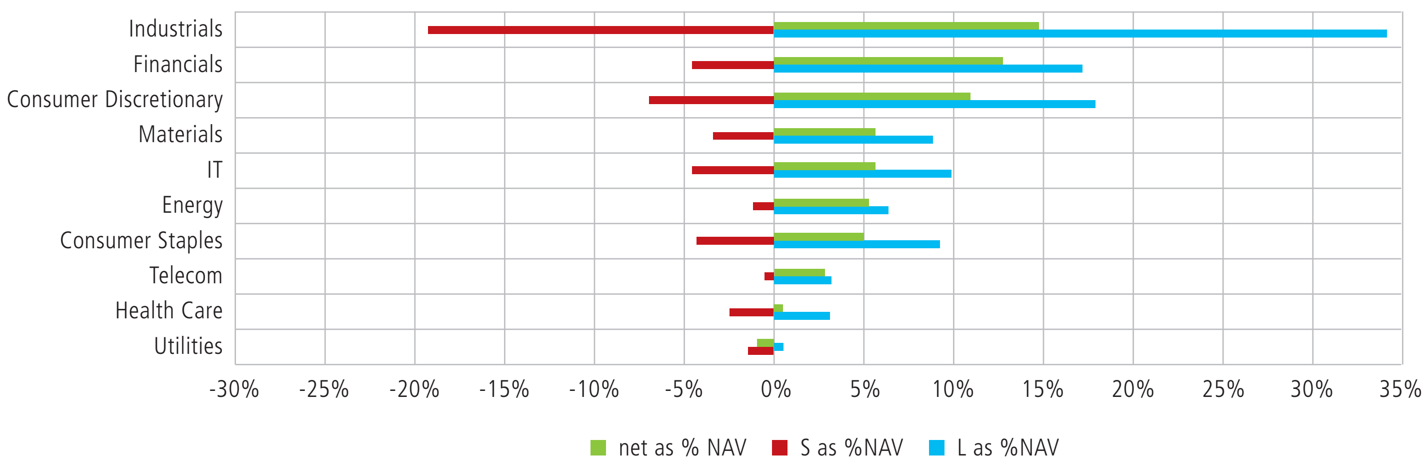
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 31 December 2013 was as follows:

COUNTRY ALLOCATION PELARGOS JAPAN ALPHA FUND



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 31 December 2013 was as follows:

SECTOR ALLOCATION PELARGOS JAPAN ALPHA FUND



The top long and top short exposures as a percentage of the NAV at the end of 2014 were as follows:

TOP LONG POSITIONS 2014	
	As % NAV
Ryosan	4.2%
Moshi Moshi Hotline	3.6%
Dai-Ichi Life Insurance	3.3%
Ichigo Real Estate Investment	3.3%
Lixil Group	2.6%
Terumo Corp	2.6%
Kenedix Office Investment Corp	2.5%
Ichigo Group Holdings	2.5%
Takara Leben	2.5%
Resona Holdings	2.4%

TOP SHORT POSITIONS 2014	
	As % NAV
Familymart	2.3%
Yamato Holdings	1.5%
Nippon Yusen	1.5%
Oji Holdings Corp	1.4%
Park24	1.2%
Kikkoman Corp	1.2%
Start Today	1.1%
Mcdonald's Holdings	1.1%
Hirose Electric	1.0%
Otsuka Corp	0.8%

The top long and top short exposures as a percentage of the NAV at the end of 2013 were as follows:

TOP LONG POSITIONS 2013	
	As % NAV
Lixil Group	4.9%
Inpex Holdings	3.8%
Ryosan	3.8%
SMFG	3.5%
Dai-Ichi Mutual Life Insurance	3.3%
Pola Orbis Holdings	3.3%
Ushio	3.3%
Sumitomo Corp	3.3%
Asahi Glass	3.1%
Seven & I Holdings	3.0%

TOP SHORT POSITIONS 2013	
	As % NAV
Kajima Corp	2.9%
Obayashi Corp	2.8%
Kikkoman Corp	1.5%
Tobu Railway	1.2%
Odakyu Electric Railway	1.0%
Maeda Corp	1.0%
Aeon Mall	1.0%
Itochu Corp	1.0%
Central Japan Railway	0.7%
Uni-Charm Corp	0.7%

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. As a result, the Fund is subject to limited direct exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Note that changing levels of interest rates may influence the value of equity securities held. 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 2014 was:

2014 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	-	-	-	-	82,163,025	82,163,025
Amounts due from brokers	2,042,979	-	-	-	-	2,042,979
Margin accounts	29,609,861	-	-	-	-	29,609,861
Cash and cash equivalents	31,119,326	-	-	-	-	31,119,326
Total	**62,772,166**	**-**	**-**	**-**	**82,163,025**	**144,935,191**

2014 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	-	-	-	-	33,821,961	33,821,961
Amounts due to brokers	904,427	-	-	-	-	904,427
Total	**904,427**	**-**	**-**	**-**	**33,821,961**	**34,726,388**

Fund exposure to direct interest rate risk in Euro at 31 December 2013 was:

2013 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	958	33,388	698,605	-	110,189,028	110,921,979
Amounts due from brokers	5,546,452	-	-	-	-	5,546,452
Margin accounts	37,819,581	-	-	-	-	37,819,581
Cash and cash equivalents	10,588,343	-	-	-	-	10,588,343
Total	**53,955,334**	**33,388**	**698,605**	**-**	**110,189,028**	**164,876,355**

2013 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	300	-	210,587	-	40,826,398	41,037,285
Amounts due to brokers	2,503,803	-	-	-	-	2,503,803
Total	**2,504,103**	**-**	**210,587**	**-**	**40,826,398**	**43,541,088**

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

	2014	2013
	€	€
Derivatives	131,212	1,056,214
Amounts due from brokers	2,042,979	5,546,452
Dividends & Interest receivable	284,124	193,812
Margin Accounts	29,609,861	37,819,581
Cash at broker	31,119,326	10,588,343
Total	**63,187,502**	**55,204,402**

The Fund's derivative contracts are equity CFD's, equity options and future index options. OTC derivative transactions are executed with the Fund's Prime Brokers Goldman Sachs International, UBS AG and Nomura International.

To mitigate credit risk, three prime brokers have been legally appointed. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long term ratings for Goldman Sachs at year end were Baa1 (2013: Baa1 (Moody's)) and A- (2013: A- (S&P)). Long term ratings for UBS AG at year end were A2 (2013: A2 (Moody's)) and A (2013: A (S&P)). Long term ratings for Nomura International at year end were AA- (2013: AA-) at Japan Credit Rating Agency and BBB+ (2013: 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 Broker and has appointed multiple Prime Brokers.

The Fund has entered into master netting agreements with its Prime Brokers. 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 2014 and as of 31 December 2013, are as follows:

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

31 December 2014	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
Investments pledged by Fund (rehypothecated equity long)	9,831,911	-	9,831,911
Derivatives	127,846	-	127,846

	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
Goldman Sachs International	9,831,911	-	9,831,911
Nomura International Plc	127,846	127,846	-

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
Derivatives	667,850	-	667,850

	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
Goldman Sachs International	-	-	-
Nomura International Plc	667,850	127,846	540,004

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

31 December 2013	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
Investments pledged by Fund (rehypothecated equity long)	37,946,720	-	37,946,720
Derivatives	1,056,214	-	1,056,214

	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
Goldman Sachs International	37,980,108	-	37,980,108
UBS AG	200,801	31,996	168,805
Nomura International Plc	822,025	708,033	113,992

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
Derivatives	740,029	-	740,029

	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
UBS AG	31,996	31,996	-
Nomura International Plc	708,033	708,033	-

To enable to short securities, the Fund borrows securities. At 31 December 2014, the Fund borrowed securities for an amount of €48,820,432 (2013: €52,713,139).

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

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 days 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 Japanese 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 is continuously monitored by the Investment Manager.

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

2014 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	-	-	-	-	82,031,813	82,031,813
Derivatives	-	-	-	-	127,846	127,846
Other receivables	284,124					284,124
Amounts due from brokers	2,042,979	-	-	-	-	2,042,979
Margin accounts	29,609,861	-	-	-		29,609,861
Cash and cash equivalents	31,119,326	-	-	-	-	31,119,326
Total	**63,056,290**	**-**	**-**	**-**	**82,159,659**	**145,215,949**

2014 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	-	-	-	-	33,154,111	33,154,111
Derivatives	-	-	-	-	667,850	667,850
Other liabilities and accrued expenses	369,825					369,825
Amounts due to brokers	904,427	-	-	-	-	904,427
Total	**1,274,252**	**-**	**-**	**-**	**33,821,961**	**35,096,213**
Redeemable units of participation	-	110,123,102	-	-	-	110,123,102
Total	**1,274,252**	**110,123,102**		**-**	**33,821,961**	**145,219,315**
Gross settled derivatives						
Forward currency contracts	-	-	-	-	-	-
Gross cash inflow	-	3,366	-	-	-	3,366
	-	-	-	-	-	-
Total undiscounted gross						
Settled derivatives	-	-	-	-	-	-
inflow	-	3,366	-	-	-	3,366
Liquidity gap	**61,782,038**	**(110,119,736)**	**-**	**-**	**48,337,698**	**-**

2013 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	-	-	-	-	109,865,765	109,865,765
Derivatives	958	33,218	698,605	-	323,263	1,056,044
Amounts due from brokers	5,546,452	-	-	-	-	5,546,452
Margin accounts	37,819,581	-	-	-	-	37,819,581
Cash and cash equivalents	10,588,343	-	-	-	-	10,588,343
Total	**53,955,334**	**33,218**	**698,605**	**-**	**110,189,027**	**164,876,185**

2013 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	-	-	-	-	40,297,256	40,297,256
Derivatives	300	-	210,587	-	529,142	740,029
Amounts due to brokers	2,503,803	-	-	-	-	2,503,803
Total	**2,504,103**	**-**	**210,587**	**-**	**40,826,398**	**43,541,088**
Redeemable units of participation	-	117,794,674	-	-	-	117,794,674
Total	**2,504,103**	**117,794,674**	**210,587**	**-**	**40,826,398**	**161,335,762**
Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	170	-	-	-	170
Total undiscounted gross						
Settled derivatives inflow	-	170	-	-	-	170
Liquidity gap	**51,451,231**	**(117,761,286)**	**488,018**	**-**	**69,362,630**	**3,540,593**

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.

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). The average and maximum ADVs are based on the average daily trading volume over the last 3 months of 2014. The average long position of the Fund was 59% of the

ADV. Liquidity of the Fund remains high as can be seen from below table: within 3 days, 79% of our long book can be closed. The whole short book can be closed within 1 day. The max ADV was the value of the most illiquid position as a percentage of 3-months average ADV.

Those tables stated the percentage of the assets held in five different classes of market liquidity. For example: 57% 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-14	59%	400%	57%	16%	6%	14%	7%
31-Dec-13	21%	330%	65%	12%	11%	8%	4%

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-14	5%	23%	100%	0%	0%	0%	0%
31-Dec-13	4%	44%	99%	1%	0%	0%	0%

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 holds or issues were Equity CFDs, FX forward contracts, options and futures.

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

Forward 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. Forward 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.

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 Company 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.

Unrealised gains or losses are valued in accordance with the accounting policy stated in Note 2 and the resulting movement in the unrealised gain or loss is recorded in the Statement of Comprehensive Income.

As of 31 December 2014 and 2013, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets 2014	**Fair value liabilities 2014**
	€	**€**
Forward foreign currency contracts	3,366	(667,850)
CFD	127,846	(667,850)
Total derivative contracts	**131,212**	**(594,800)**

	Fair value assets 2013	**Fair value liabilities 2013**
	€	**€**
Options	732,782	(210,888)
Forward foreign currency contracts	170	-
CFD	323,262	(529,141)
Total derivative contracts	**1,056,214**	**(740,029)**

The table below details the total derivatives exposure at 31 December 2014 and 2013. 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 year end 2014 the Fund held long and short positions in equity CFDs.

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 2014 the leverage is 136% (2013: 155%).

31-Dec-14	**Net exposure**	**Gross exposure**	**Gross as % of NAV**
Equity	48,877,720	115,185,924	105%
Contract for Difference	523,175	34,883,981	31%
Total exposure	**49,400,895**	**150,069,905**	
Total as % of NAV	**45%**	**136%**	**136%**

31-Dec-13	**Net exposure**	**Gross exposure**	**Gross as % NAV**
Equity	69,568,292	150,162,499	127%
Contract for Difference	(724,282)	24,107,789	21%
Options	3,887,997	8,384,765	7%
Total exposure	**72,732,007**	**182,655,053**	
Total as % of NAV	**62%**	**155%**	**155%**

13. REDEEMABLE UNITS OF PARTICIPATION

At inception of the Fund Class A and Class B units of participation were issued, Class B is only nominated in Euro. Class A is nominated in euro, US Dollar and Japanese Yen. The (initial) investment required for a Participant in Class A is Euro 10,000, JPY 10,000,000 and USD 100,000. Subsequent subscriptions and redemptions have a minimum size of Euro 1,000, JPY 100,000 and USD 1,000.

Class B has a "lock up" of one year. The minimum (initial) investment for the 'seeding' investor', employees and employees of the 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 Investment Manager to hold a meeting and can add topics to the agenda.

Transactions in units of participation for Class A and Class B for the year ended 31 December 2014 and year ended 31 December 2013 were as follows:

	Number of units of participation 31 December 2013	Number of units of participation 31 December 2012
Class A (EUR)		
Units of participation balance at the beginning of the year	236.27	236.02
Issue of redeemable units of participation	-	-
Redemption of redeemable units of participation	-	-
Equalisation credit		0.25
Units of participation at the end of the year	**236.27**	**236.27**

	Number of units of participation 31 December 2013	Number of units of participation 31 December 2012
Class B (EUR)		
Units of participation balance at the beginning of the year	76,533.77	76,492.23
Issue of redeemable units of participation	51.61	63.53
Redemption of redeemable units of participation	(48.31)	-
Issue/Redemption related to equalisation credit/(deficit)	1.39	(21.99)
Units of participation at the end of the year	**76,538.46**	**76,533.77**

	Number of units of participation 31 December 2014	Number of units of participation 31 December 2013
Class A (JPY)		
Units of participation balance at the beginning of the year	100.00	-
Issue of redeemable units of participation	-	100.00
Units of participation at the end of the year	**100.00**	**100.00**

	Number of units of participation 31 December 2014	Number of units of participation 31 December 2013
Class A (USD)		
Units of participation balance at the beginning of the year	100.00	-
Issue of redeemable units of participation	-	100.00
Units of participation at the end of the year	**100.00**	**100.00**

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.

14. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 283.23 (31 December 2013: 300.76) Units of Participation Class B in the Fund. Pelargos Capital B.V. held 136.47 (31 December 2013: 136.47) Units of Participation Class A Euro, 100 (31 December 2013: 100) Units of Participation Class A USD and 100 (31 December 2013: 100) Units of Participation Class A JPY in the Fund. Aegon Levensverzekering N.V. is participant in the Fund with 9,950 (31 December 2013: 9,950) Units of Participation. Aegon Levensverzekering N.V. is a 100% subsidiary of Aegon Nederland N.V., which is a 100% subsidiary of Aegon N.V.

Two investment funds managed by Aegon Investment Management B.V. (AIM B.V.) held 66,252.01 (31 December 2013: 66,252.01) Units of Participation Class B and 99.80 (31 December 2013: 99.80) 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 B.V. holds 73.34% (31 December 2013: 73.34%) of the shares in Pelargos Capital B.V.

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 1 January up to 31 December.

As of 31 December 2014 and 31 December 2013 there are no personal interests of the employees of directors in investments, which were also held by the Fund.
As of 31 December 2014 and 31 December 2013 the personal interests of the employees of directors in the Fund are as follows:

		Market Value
		€
Pelargos Japan Alpha Fund	2013	€303,701
	2014	€405,880

16. REMUNERATION

Pelargos Capital B.V. has defined a remuneration policy, which among other things includes provisions on the deferral of at least 40% of the variable pay to key risk takers. The directors of Pelargos Capital B.V. discuss the proposed budgeted amount for variable pay with the shareholders of Pelargos Capital B.V.; 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 director, key risk taker or other employee is dependent on 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.

As of 2015, Pelargos Capital B.V. will apply the AIFMD remuneration rules in relation to the publication of variable remuneration. This is in line with the ESMA Guidelines for AIFMD compliant remuneration policy (ESMA/2013/232) and the related Questions & Answers (ESMA/2014/163). According to the ESMA guidance, the AIFMD rules on variable remuneration should be applied to the first full performance period after the AIFM becomes authorized. Pelargos Capital B.V. is authorized as an AIFM as of 22 July 2014. Therefore the AIFMD rules on variable remuneration will be applied for the 2015 accounting period. Other AIFMD rules apply as of 22 July 2014.

Total gross wages for all personnel amounted €913,680. Variable pay for all personnel amounted €273,968. In 2014 the company had on average 10.6 FTE employed (2013: 9.5). All personnel are eligible to receive variable pay. Information about an allocation of fixed and variable pay to directors, key risk takers and other personnel is not available yet. In line with ESMA Guidelines Pelargos Capital B.V. will publish next year a split of the variable remuneration into the key risk takers and other personnel.

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 variable pay to the funds is based on a pro rata division of the average assets under management in 2014.

	2014
	€
Pelargos Asia Alpha Fund	164,590
Pelargos Japan Alpha Fund	109,378
Total variable pay	**273,968**

17. SUBSEQUENT EVENTS

The Fund appointed the Bank of New York Mellon SA/NV, Amsterdam Branch, as new Administrator and as new Depositary. These change was effective on 13th April 2015.
There are no other events impacting the Fund subsequent to 31 December 2014.

18. APPROVAL OF THE FINANCIAL STATEMENTS

Approved on behalf of the Investment Manager:

Director Pelargos Capital B.V.

Date: 24 April 2015

OTHER NOTES

For the year ended 31 December 2014

1. DIVIDEND AND ALLOCATION OF RESULT

The Fund did not pay dividends in 2014. The result is included in the Net assets attributable to holders of redeemable units of participation.

2. VOTING POLICY

The Fund does not pursue an active voting policy.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The Investment Manager approved the financial statements on 24 April 2015.

INDEPENDENT AUDITOR'S REPORT

To: the board of directors of Pelargos Capital B.V. as investment manager of Pelargos Japan Alpha Fund

Report on the financial statements

We have audited the accompanying financial statements 2014 of Pelargos Japan Alpha Fund, The Hague, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to holders of redeemable units of participation for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Investment manager's responsibility

The investment manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the investment manager's report in accordance with the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the investment manager is responsible 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pelargos Japan Alpha Fund as at 31 December 2014, 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, the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the investment manager's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the investment manager's report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 24 April 2015

PricewaterhouseCoopers Accountants N.V.

Original has been signed by: M.D. Jansen RA