Pelargos Japan Alpha Fund

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013

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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
TRUSTEE	Stichting Bewaarder Pelargos Japan Alpha Fund c/o: SGG Netherlands N.V. Claude Debussylaan 24 1082 MD Amsterdam The Netherlands
FUND ADMINISTRATOR	Citibank Europe plc 1 North Wall Quay Dublin 1 Ireland
PRIME BROKER	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 AUDITORS	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands

FUND PROFILE

Pelargos Japan Alpha Fund
The Fund is an open-ended investment fund. Issue and redemption of units of participation is possible at the instigation 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
For this financial product a Key Features Document applies containing Fund 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), Emphi B.V. (represented by P.P.J. van de Laar) and Limare B.V. (represented by P.C. Rigter).

Trustee
The Trustee is Stichting Bewaarder Pelargos Japan Alpha Fund. The management of the "Stichting" is SGG Netherlands N.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

	2013	2012	2011	2010	2009
Class A (€ '000)	71	36	(24)	255	33
Class B (€ '000)	26,109	13,077	(1,615)	15,215	3,315
Class A (¥ '000)	15	-	-	-	-
Class A ($ '000)	16	-	-	-	-
Income	**26,211**	**13,113**	**(1,639)**	**15,470**	**3,348**
Class A (€ '000)	(17)	(14)	(59)	(85)	(25)
Class B (€ '000)	(6,140)	(3,516)	(3,230)	(5,058)	(2,566)
Class A (¥ '000)	(4)	-	-	-	-
Class A ($ '000)	(4)	-	-	-	-
Expenses and withholding taxes	**(6,165)**	**(3,530)**	**(3,289)**	**(5,143)**	**(2,591)**
Class A (€ '000)	54	22	(83)	170	8
Class B (€ '000)	19,969	9,561	(4,845)	10,157	749
Class A (¥ '000)	11	-	-	-	-
Class A ($ '000)	12	-	-	-	-
Increase/(decrease)	**20,046**	**9,583**	**(4,928)**	**10,327**	**757**
Net assets (€ '000)	117,795	97,530	86,713	117,342	109,290
Number of units of participation					
Class A (€)	236.27	236.02	1,221.32	1,775.74	1,082.61
Class B (€)	76,533.77	76,492.23	74,562.01	96,192.86	98,911.13
Class A (¥)	100.00	-	-	-	-
Class A ($)	100.00	-	-	-	-
Net asset value per unit of participation					
Class A (€)	1,358.08	1,142.61	1,036.49	1,090.54	1,003.63
Class B (€)	1,533.07	1,271.51	1,145.98	1,199.73	1,093.95
Class A (¥)	100,346.19	-	-	-	-
Class A ($)	1,004.33	-	-	-	-
Performance					
Class A (€) (in %)	18.86	10.24	(4.96)	8.66	0.36
Class B (€) (in %)	20.57	10.95	(4.48)	9.67	2.75
Class A (¥) (in %)	0.35	-	-	-	-
Class A ($) (in %)	0.43	-	-	-	-
Ongoing Charges Figure (in %)*					
Class A (EUR) (in %)	1.62	1.63	1.55	1.76	1.46
Class A (JPY) (in %)	1.62	-	-	-	-
Class A (USD) (in %)	1.62	-	-	-	-
Ongoing Charges Figure (in %)*					
Class B (in %)	1.12	1.13	1.05	1.22	1.38

*Figures for 2009 and 2010 are based on Total Expense Ratios

INVESTMENT MANAGER'S REPORT

For the year ended 31 December 2013

Performance

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A €	4.99	-0.58	6.55	6.10	-1.05	-0.78	0.26	-0.91	1.08	-0.79	1.35	1.61	**18.86**
Class A ¥							-1.82	-1.26	1.23	-1.06	1.59	1.73	**0.35**
Class A $							-1.92	-1.15	1.29	-1.04	1.58	1.74	**0.43**
Class B	5.35	-0.58	6.98	6.48	-1.07	-0.78	0.31	-0.92	1.18	-0.80	1.46	1.73	**20.57**

Source: Citibank Europe plc.

In 2013 the Pelargos Japan Alpha Fund delivered a positive return of 20.57% for Class B. This is our highest annual performance since the Fund was launched in July 2008. The realized volatility was 8.7%, the beta was 0.25 and the correlation with the MSCI Japan Index was 0.69, all based on daily return data.

Since inception the Fund has gained 53.31%, whilst the MSCI Japan Index lost 1.41% in local currency and is up 14.82% in Euro over the same period. Based on daily returns, the Fund had a realized volatility of 7.1% compared to 26.1% for the MSCI Japan Index. Since inception, the correlation with this index was 0.47 and the Fund had an ex-post beta of 0.13, based on daily returns.

Class A shares, which have a different fee load, increased 18.86 % in Euro in 2013. On 24 July, we introduced two currency subclasses for share class A: Class A USD and Class A JPY. As these subclasses were launched just after the very strong performance of the Fund in the first half of 2013, the gains for the year were relatively small at 0.43% and 0.35% respectively.

The assets under management of the Fund (Class A and B combined) have increased in 2013 to €117.8 million, mainly due to the Funds' performance.

Market review

During the first few months of 2013, the MSCI Japan maintained the strong price momentum it had gained post the general elections in December 2012. Shinzo Abe's LDP had won the elections with a landslide victory on a pledge to end the decade-long deflationary economic environment with a combination of bold monetary policy, fiscal stimulus and a structural reform agenda. This "Three Arrows" policy is popularly known as "Abenomics" and has had a significant positive impact on economic sentiment in Japan.

Both consumer and business confidence have seen strong improvements in 2013 and ended the year at or near the highest levels since the 2008/2009 recession. Not only sentiment improved, the real economy has recovered as well. Real GDP in the first half of 2013 grew by an annualized rate of 4%, which was the highest of any G7 country. This strong growth had been driven by both solid consumer spending and a recovery of Industrial Production due to increased export demand. Export growth was boosted by the automobile sector which benefitted from Yen weakness, against both the US Dollar and the Korean Won as well as a strong new product cycle. In the second half of the year, growth came down to a more sustainable 1% level as global growth slowed down over the summer period. Policy action in China and better economic conditions in Europe helped growth stabilize towards year end.

Kuroda's appointment as the new Bank of Japan (BOJ) Governor added further credibility to Abe's monetary stimulus plans, as Kuroda had been a strong advocate of inflation targeting for over 10 years. The statement post his first BOJ meeting in which he outlined the plans to reach 2% inflation by 2015, exceeded the already high expectations. This ignited a strong rally in Japanese equities, whilst the Yen weakened sharply as the BOJ stepped up monetary easing by committing to double its monetary base in 2 year.

Strong equity market gains continued until the middle of May, when the Japanese equity market started to develop a parabolic up-move. This was driven by investors who had remained skeptical about the sustainability of the rally in Japanese equities and were now forced to reduce their underweight positions. Parabolic moves are never sustainable and the Nikkei Index saw a strong intraday reversal on May 23rd, when Bernanke started talking about tapering Fed's Treasury purchases and the Chinese PMI came in below 50, missing consensus expectations.

What initially started off as a Japanese equity correction soon spread out to other countries as Chinese hard landing fears resurfaced and Bernanke's tapering talk resulted in a bond market mini-crash. In a few week's time, 10-year Treasury yields rose from 1.7% to 2.7%, but fear of tapering also impacted dollar funding of many emerging markets such as Indonesia, Thailand and Turkey. By early June, global equity markets had started a correction phase, which lasted over the summer. In early September Japanese market sentiment was boosted as Tokyo was chosen to host the 2020 Olympic Games. Especially Construction and Real Estate related stocks rallied strongly as infrastructure upgrades and redevelopment projects will likely boost earnings in these sectors.

The best performing sector was Telecom which started the year at a discount to the market but rallied as earnings growth was strong and sentiment improved due to Softbank's expansion in the US and its holdings of internet related stocks such as Alibaba and GungHo. Other strong performing sectors were Consumer Discretionary and Financials. The former benefitted from a rebound in automobile sales and a pick-up in retail spending, especially high-end department stores. Financials were the obvious reflation beneficiary, especially property developers and brokers. Weakest performing sectors were Energy, Materials and Utilities as the first two sectors faced headwinds due to sluggish commodity and energy demand following slow economic growth in China and other emerging markets. Utilities lagged as nuclear restarts have been postponed and therefore fuel cost pressures remained for longer.

Investment policy

At the start of the year the Fund was positioned to benefit strongly 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.

Therefore we maintained a barbell strategy in which we kept a strong value bias in our core value book with a relatively low price momentum, but also held on to positions in domestic demand related stocks that had developed strong price momentum and moved close to or exceeded our fair value targets on a short term basis. Many investors were chasing "reflation" beneficiaries such as real estate, brokers and banks and especially Japanese retail investors do not care much about valuations. This has enabled us to sell some of these positions with over 200% gains from the level we bought them as we gradually scaled out of these trades.

Especially from April onwards we took profits in many domestic demand related stocks that had overshot our price targets. Those proceeds were invested into some cyclical laggards, especially in chemicals such as Nippon Shokubai, Hitachi Chemical and trading companies such as Mitsui & Co. In May we accelerated the risk reduction process and started to reduce gross and net exposure from initial levels of 140% gross and 40% net. After the first sell off in late May, we further reduced risk in the portfolio. We continued this process of risk reduction into late June as we felt that the market needed more time to consolidate the 80% rally of the November 2012 lows. In such a market environment in which erratic stock volatility and liquidation selling dominates, we prefer to be at the sidelines, preserving capital, looking for new opportunities as they arise. By the end of July the gross exposure had dropped to roughly 100% and the net exposure was close to 25%.

Over the summer period, global equity markets started to bottom out and also in Japan, the market volatility came down. As the initial leaders of the market rally such as Financials started to recover and outperform the market again, we felt that the worst part of the correction was over and we started to add risk to the portfolio, taking the gross exposure to 120%. However the Japanese equity market was not much driven by value factors and especially in our short book we were stopped out regularly. As Topix and Nikkei futures were not the right hedges for our long book as they had very different characteristics, we developed a proprietary market risk hedging tool: the Smarthedge. This is an equal weighted basket of the 100 most expensive stocks in our investment universe and enables us to better capture the alpha in the value spread of our investment universe. From late summer onwards global economic news came in better than expected and Tokyo winning the 2020 Olympic bid further boosted sentiment in Japanese equities. As bottom up earnings and order books were recovering steadily we added more risk in cyclical sectors in order to benefit from improving economic conditions in Japan.

The main winning positions were all longs. Our best selection was in domestic demand related stocks and reflation beneficiaries such as Ichigo Group Holdings, SBI Holdings, Takara Leben, Acom, Hajime Construction, NEC Capital Solutions and LIXIL. Especially Ichigo Group Holdings is worth mentioning as this Real Estate asset manager benefitted strongly from better market conditions and demand for their products. This drove their share price over 300% higher and the stock contributed over 4% to performance in 2013. The other main contributors were reflation beneficiaries: Takara Leben, Hajime and LIXIL are housing and building materials related companies benefitting from a rebound in housing demand. SBI Holdings, an online brokerage and venture capital firm, Acom, consumer finance company and NEC Capital Solutions are Financials benefitting from rebound in economic and financing activity.

The short book did not contribute to performance as the liquidity driven bull market lifted all boats. As our short book had been reduced materially, there were no single stock shorts that could be highlighted on the positive side. The main losing positions in the Fund were short Nikkei and Topix futures positions as well as Daikin, Japan Steel Works, Yakult and Yamato Transport on an individual stock basis. Losing longs were contrarian positions in undervalued companies with weak short term (earnings) momentum such as JVC and NetOne Systems.

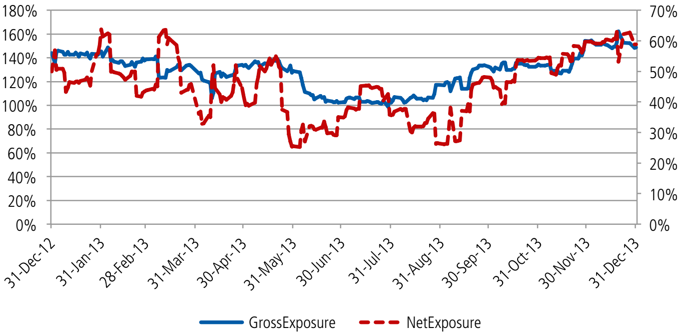
The Fund's net and gross exposures (excluding derivatives) by the end of December were 59% and 149%, respectively. Table 1 and Graph 1 below presents key statistics with respect to exposure management. Over 2013, the net exposure in the Fund was in the range of 25% - 64%, with an average net exposure of 45%. Over the same period, the gross exposure in the Fund was in the range of 99% - 162%, with an average gross exposure of 128%. Graph 1 shows how the net and gross exposure evolved throughout 2013.

Table 1. Net- and gross exposure and ex-ante beta of the Fund in 2013

	High	Low	Average
Net exposure	64%	25%	45%
Gross exposure	162%	99%	128%
Ex-Ante Beta *	0.34	0.09	0.27

* ex-ante beta from TradeSpex

Graph1. Pelargos Japan Alpha Fund exposure on a daily basis in 2013



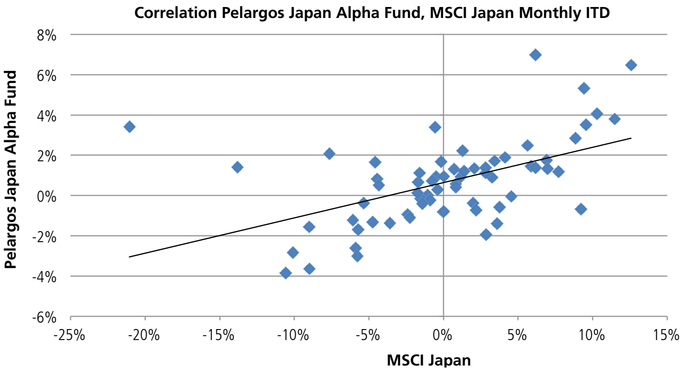
The ex-ante beta of the Fund remained in a range of 0.09 to 0.34, averaging 0.27 for the year. The Fund maintained its embedded value bias and the Fund´s liquidity remained very high: 84% of the Fund could be liquidated in 2 days and 97% within 5 days. The correlation of the fund with the MSCI Japan Index for 2013 was 0.69 and 0.47 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	7.1%	26.1%	0.13	0.47
2013	8.7%	23.7%	0.25	0.69

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

The re-pricing of Japanese risk assets has occurred at an astonishing speed. From multi-decade, deeply depressed valuation levels, the completely ignored and hated Japanese equity market rallied sharply, supported by monetary and fiscal intervention. The transition from deflation to inflation is non-linear as holders of equity carry a capital stock at historical costs and will be able to generate higher nominal earnings in the future. Ironically, risk assets such as equities rallied up to the point at which the volatility in perceived risk free JGBs exploded.

The JGB market remains the barometer of sustainability of this bull market. The leadership at the BOJ changed and the engineered shift in sentiment started to impact the real economy but the number of skeptics is still plentiful. The bears remain convinced that the Keynesian endpoint will culminate in a monumental blow up of the bond market as policy makers loose control of the currency and fixed income market. The bears would argue this paves the way towards hyper inflation. Although we agree that the probability of such a scenario is bigger than 0%, this is currently not being priced in by the Japanese bond market. However, the odds of an outright default are very small and will remain low in the near future as Japanese tax income is rising sharply and the domestic private sector still runs a large savings surplus. As the bond market remains under control, we will hold on to our base scenario that we are in the early stage of a multi-year bull market for Japanese equities.

Even though we expect this structural bull market to run for many years, the easy money has been made. In 2013, the obvious trade was to short the Yen and buy Nikkei futures, which many large Macro Hedge Funds did. However, 2014 will be much more about selectivity as we do not expect another year of significant Yen weakness to drive Japanese equities higher as the Yen is already undervalued against other currencies on a purchasing power parity (PPP) basis. Additionally, futures buying has driven the outperformance of large cap Growth stocks versus Value small and mid caps to extended levels and we expect this to reverse. This will provide sufficient single stock opportunities but these will be more stock specific and fundamental valuation driven than in 2013. Initially we expect the market to remain in the wide range trading environment which we saw between the May highs and June low. Later into 2014 we expect a resumption of the bull move in Japanese equities driven by strong earnings revisions and continued strength in the economy.

Major risk factors to our bullish scenario have remained fairly similar over past 12 months, but it seems that the market has become more complacent as these risk-scenarios did not play out last year. However, we keep worrying about rising political tensions globally and weakening growth in many emerging markets such as Turkey, Thailand, Argentina and Indonesia and its impact on global growth. Additionally, recessionary slowdowns in China and the US and increasing geopolitical tensions in the Pacific region, in particular between China and Japan, could dent our bullish views.

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 10 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 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.

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) was to increase investor protection. One important requirement is to appoint a Depository, who needs to act honestly, fairly professionally and independently, to act in the interests of the Fund and their investors and to avoid conflicts of interest.

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 will automatically be transferred into an AIFMD license as of 22 July 2014.

Pelargos Capital B.V. started the AIFMD project in 2013 to have the Fund to meet all requirements before the end of June 2014. The appointment of the Depositary has been started. Important at this stage is the finalisation of legal negotiations between the Depositary and the prime brokers of the Fund. Implementation also started on building required AIFMD reporting.

The WFT encompasses requirements on organisational control and fund transparency. As such Pelargos Capital B.V. already has documented its policies and procedures extensively. Those policies and procedures, legal agreements and the funds prospectus are under review by qualified external parties and will be amended where relevant. Further, the required independent risk function will be formalised. Pelargos Capital B.V. complies already with AIFMD solvability and liquidity requirements.

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

Investment
The Fund aims to achieve capital appreciation through investing in long and short positions in equities related to Japanese enterprises. 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 2014

Richard 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 2013

	Note	2013	2012
		€	€
Assets			
Cash and cash equivalents	4	48,407,924	41,884,033
Financial assets at fair value through profit or loss	3	110,921,979	94,671,115
Amounts due from brokers	5	5,546,452	1,587,020
Dividends receivable		192,980	144,114
Interest receivable		832	103
Total assets		**165,070,167**	**138,286,385**
Liabilities			
Financial liabilities at fair value through profit or loss	3	41,037,285	38,648,710
Management fee payable	6	106,683	83,618
Interest payable		4,661	1,241
Dividends payable		45,085	65,115
Accrued expenses	7	32,464	51,055
Performance fee payable	6	3,543,379	971,696
Equalisation credit payable		2,133	342
Amounts due to brokers	5	2,503,803	934,300
Total liabilities		**47,275,493**	**40,756,077**
Net assets attributable to holders of redeemable units of participation		**117,794,674**	**97,530,308**

Net asset value per unit of participation

Class A - Euro	**2013**	**2012**	**2011**
Number of units of participation (Note 12)	236.27	236.02	1,221.32
Net asset value per unit of participation	€1,358.08	€1,142.61	€1,036.49
Class B - Euro			
Number of units of participation (Note 12)	76,533.77	76,492.23	74,562.01
Net asset value per unit of participation	€1,533.07	€1,271.51	€1,145.98
Class A – Japanese Yen			
Number of units of participation (Note 12)	100.00	-	-
Net asset value per unit of participation	¥100,346.19	-	-
Class A – US Dollar			
Number of units of participation (Note 12)	100.00	-	-
Net asset value per unit of participation	$1,004.33	-	-
Total Net Asset Value	**€117,794,674**	**€97,530,308**	**€86,712,594**

See notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013	2012
		€	€
Income			
Interest income	8	29,573	47,732
Gross dividend income	9	2,126,571	1,930,095
Net gain on financial assets and liabilities at fair value through profit or loss	3	25,183,251	11,253,030
Net foreign exchange loss	3	(1,127,736)	(118,125)
Total income		**26,211,659**	**13,112,732**
Expenses			
Performance fees	6	(3,543,379)	(971,696)
Management fees	6	(1,156,616)	(937,471)
Interest expense	8	(648,700)	(682,761)
Dividend expense on securities sold short	9	(477,719)	(629,460)
Administration fee	6	(70,293)	(55,955)
Other expenses	6	(42,328)	(71,597)
Trustee's fee	6	(20,000)	(19,884)
Audit fees	6	(18,000)	(17,808)
Costs of supervision	6	(12,000)	-
Legal fee	6	(11,000)	(19,857)
Total expenses		**(6,000,035)**	**(3,406,489)**
Withholding taxes		(163,853)	(122,859)
Increase/(decrease) attributable to holders of redeemable units of participation		**20,047,771**	**9,583,384**

See notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 €	2012 €
Cash flows from operating activities			
Increase attributable to holders of redeemable units of participation		20,047,771	9,583,384
Adjustments to reconcile increase attributable to holders of redeemable units of participation to net cash provided by/(used in) operating activities:			
(Increase)/decrease in financial assets at fair value through profit or loss		(16,250,864)	(43,014,455)
Increase/(Decrease) in financial liabilities at fair value though profit or loss		2,388,575	(15,205,976)
(Increase)/decrease in amounts due from brokers		(3,959,432)	7,403,554
Increase/(decrease) in amounts due to brokers		1,569,503	(4,672,661)
(Increase)/decrease in interest receivable		(729)	3,242
(Increase)/decrease in dividends receivable		(48,866)	26,451
Increase/(decrease) in performance fees payable		2,571,683	971,696
Increase/(decrease) in management fees payable		23,065	11,766
(Decrease)/increase in accrued expenses		(18,591)	10,206
(Decrease)/increase in dividends payable		(20,030)	(6,822)
Increase/(decrease) in interest payable		3,420	(1,228)
Increase/(decrease) in equalisation credit payable		1,791	342
Net cash provided by/(used in) operating activities		**6,307,296**	**(44,890,501)**
Cash flows from financing activities			
Proceeds from issue of redeemable units of participation,		244,606	8,075,658
Payment from redemption of redeemable units of participation		-	(6,841,328)
Redemption related to equalisation deficit previous year		(28,011)	-
Net cash flow provided by financing activities		**216,595**	**1,234,330**
Net increase/(decrease) in cash and cash equivalents		6,523,891	(43,656,171)
Cash and cash equivalents at the beginning of the year		41,884,033	85,540,204
Cash and cash equivalents at the end of the year	**4**	**48,407,924**	**41,884,033**

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 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	12	264	244,606
Redemption related to equalisation deficit previous year	12	(22)	(28,011)
Net assets attributable to holders of redeemable units of participation at the end of the year		**76,970**	**117,794,674**

	Note	Number of shares	2012
			€
Balance at the beginning of the year		**75,784**	**86,712,594**
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	9,583,384
Issue of redeemable units of participation during the year	12	6,884	8,075,658
Proceeds from redeemable units of participation during the year	12	(5,940)	(6,841,328)
Net assets attributable to holders of redeemable units of participation at the end of the year		**76,728**	**97,530,308**

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 Trustee 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 Trustee 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, will be automatically transferred into an AIFM license as of 22 July 2014.

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 2013, 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 Trustee are based and operate in Euro markets, the Fund's performance is evaluated and its liquidity is managed in euros.

New accounting standards adopted during the year
On 31 October 2012 the IASB issued Investment Entities: Amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28, effective as per 1 January 2014 (together "the Amendments"). The EU endorsed the Amendments to IAS 32 and IFRS 7 on 20 November 2013. The Amendments defined an investment entity and introduced an exemption to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement in its financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. Although the Fund believes that it qualifies as an investment entity as defined by the Amendments, no impact is expected as the Fund has no investments that substantiate control.

IFRS 13: Fair Value Measurement
IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013 has been adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure

requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or liability measured at fair value has a bid price and an ask price, the standards requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid ask spread.

IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities
On 16 December 2011, the IASB released Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The standard amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosure to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The new offsetting disclosure requirements are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments need to be provided retrospectively to all comparative periods. No impact is expected as the Fund has no master netting agreements with their prime brokers.

IAS 1 - Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Protected Cell's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

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
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Fund will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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

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 market and if a quoted market price is not available from a data vendor, the fair value of the financial instruments may be estimated by the 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.

All of the Fund's investments in investment funds are held for trading, with changes in fair value reflected in the Statement of Comprehensive Income. Fair value is determined based on financial data supplied independently from a third party administrator.

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 in accordance with IAS 39.

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 as a realised gain or loss and is included in net gain/(loss) on futures 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 Company recognises a realised gain or loss when the contract is closed. Unrealised gains and losses on CFDs are recognised 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. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

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. After the "lock-up" period, the redeemable units of participation can be put back to the Fund on any dealing day for cash equal to a proportionate share of the Fund's net asset value.

(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 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 realised and unrealised gain and loss on investments.

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.

Margin accounts represent cash deposits with brokers, transferred as collateral against open futures, options or other securities. Other broker balances relate to cash balances with the Fund's Prime Broker and amounts receivable or payable for securities transactions.

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'.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(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.

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. Consequently the Fund will be fully exempt from corporate income tax 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) Events after statement of financial position date
The financial statements are adjusted to reflect material events that occurred between the statement of financial position date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the statement of financial position date. Material events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment of the financial statements themselves.

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule

Equity securities	**2013**	**2012**
	€	**€**
Beginning market value 1 January	55,587,337	(2,231,762)
Purchase	411,445,425	338,040,527
Sale	(428,220,055)	(290,793,256)
Revaluation	30,755,801	10,571,828
Ending market value 31 December	**69,568,508**	**55,587,337**

FX Forward	**2013**	**2012**
	€	**€**
Purchase	-	170
Ending market value 31 December	**170**	**-**

Futures	**2013**	**2012**
	€	**€**
Beginning market value 1 January	(4,540)	5,257
Purchase	4,057,117	(1,002,920)
Sale	-	(177,530)
Revaluation	(4,052,577)	1,170,653
Ending market value 31 December	**-**	**(4,540)**

Options	**2013**	**2012**
	€	**€**
Beginning market value 1 January	439,608	28,479
Purchase	3,762,725	1,398,885
Sale	(2,297,592)	(498,305)
Revaluation	(1,382,846)	(489,451)
Ending market value 31 December	**521,895**	**439,608**

Contracts for Difference	**2013**	**2012**
	€	**€**
Beginning market value 1 January	-	-
Purchase	(108,121)	-
Sale	39,369	-
Revaluation	(137,127)	-
Ending market value 31 December	**(205,879)**	**-**

Total	**2013**	**2012**
	€	**€**
Beginning market value 1 January	56,022,405	(2,198,026)
Purchase	419,157,316	338,436,492
Sale	(430,478,278)	(291,469,091)
Revaluation	25,183,251	11,253,030
Ending market value 31 December	**69,884,694**	**56,022,405**

Movements on CFD, options and futures investment reflect only the realised gain and loss of closing transactions.

As at 31 December 2013 and 2012, financial assets and liabilities at fair value through profit or loss were as follows:

	2013	2012
Equity securities	109,865,765	93,986,553
Contracts for Difference	323,262	-
Options	732,782	684,562
FX Forwards	170	-
Financial assets at fair value through profit or loss	**110,921,979**	**94,671,115**

	2013	2012
Equity securities	(40,297,256)	(38,403,756)
Contracts for Difference	(529,141)	-
Options	(210,888)	(244,954)
Financial liabilities at fair value through profit or loss	**(41,037,285)**	**(38,648,710)**
Total	**69,884,694**	**56,022,405**

In note 10 risk associated with those financial instruments held will be described.

As at 31 December 2013 and 2012, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

2013	Net gain or loss on financial assets and liabilities at fair value through profit or loss	Net foreign exchange gain or loss	Total
Realised Gain	45,030,822	18,294,706	63,325,528
Unrealised Gain	15,572,265	6,566,001	22,138,266
Realised Loss	(23,797,913)	(16,188,850)	(39,986,763)
Unrealised Loss	(11,621,923)	(9,799,593)	(21,421,516)
Total	**25,183,251**	**(1,127,736)**	**24,055,515**

2012	Net gain or loss on financial assets and liabilities at fair value through profit or loss	Net foreign exchange gain or loss	Total
Realised Gain	15,824,581	7,914,299	23,738,880
Unrealised Gain	16,024,029	10,657,058	26,681,087
Realised Loss	(11,541,886)	(5,385,065)	(16,926,951)
Unrealised Loss	(9,053,694)	(13,304,417)	(22,358,111)
Total	**11,253,030**	**(118,125)**	**11,134,905**

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2013	2012
	€	€
Cash at broker	46,579,705	39,842,784
Margin accounts	1,828,219	2,041,249
	48,407,924	**41,884,033**

Cash at broker balances relate to cash balances with the Fund's Prime Broker. 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 €35,599,554 (31 December 2012: €31,272,961) with Goldman Sachs, €312,678 (31 December 2012: €25,876) with UBS AG and €1,907,349 (31 December 2012: €Nil) with Nomura International plc at 31 December 2013.

5. AMOUNTS DUE (TO)/FROM 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.

	2013	2012
	€	€
Balances due to brokers	(2,503,803)	(934,300)
Balances due from brokers	5,546,452	1,587,020
Amounts due from brokers	**3,042,649**	**652,720**

6. 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 €1,156,616 (2012: €937,471) were incurred for the year ended 31 December 2013, of which €106,683 (2012: €83,618) was payable at 31 December 2013.

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 €3,543,379 (2012: €971,696) were incurred for the year ended 31 December 2013, of which €3,543,379 (2012: €971,696) was payable at 31 December 2013.

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 equalization credit as of 31 December 2013 amounted €2,133 (31 December 2012: €342)

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 equalization deficit as of 31 December 2013 amounted €Nil (31 December 2012: €28,011)

Audit Fee
These fees refer to services provided by EY and relate to the audit of the Financial Statements of €18,000 (2012: €17,808). No other services were provided by EY or its member firms.

Other costs charged to the assets of the Fund

	2013	2012
	€	€
Administration fees	70,293	55,955
Legal fees / costs of supervision	23,000	19,857
Audit fees	18,000	17,808
Trustee's fees	20,000	19,884
Other expenses	42,328	71,597
	173,621	**185,101**

Costs of supervision have been accrued separately for the first time in 2013 and are fees charged by the supervising authorities AFM and the Dutch Central Bank.

Other expenses

	2013	2012
	€	€
Miscellaneous expenses	3,000	2,478
Brokerage fees (excluded in Ongoing Charges Figure)	39,328	69,119
Other expenses	**42,328**	**71,597**

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 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 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 2013 is as follow:

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

	Ongoing Charges %
2012	
Class A (EUR)	1.63%
Class B (EUR)	1.13%

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.

The transaction costs amounted to €818,880 in 2013 (2012: €765,446).

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 in order to facilitate 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 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 NAV: Class A=20% and Class B=15%
Administrator fee	€70,293	Max 0.08% of NAV
Trustee fee*	€20,000	Maximum fee €32,500
Auditor's and advisor's costs**	€41,000	Not Specified
Other costs***	€3,000	Not Specified

31 December 2012

	Actual Costs	Estimated costs Prospectus
Management fee	€937,471	% of GAV: Class A=1.5% and Class B=1.0%
Performance fee	€971,696	% of annual increase NAV: Class A=20% and Class B=15%
Administrator fee	€55,955	Max 0.08% of NAV
Trustee fee*	€19,884	Maximum fee €32,500
Auditor's and advisor's costs**	€37,665	Not Specified
Other costs***	€2,478	Not Specified

* Maximum charge amounts to €32,500 excluding VAT and indexation starting as of 2008.
** Auditor's and advisor's costs include audit fee, legal fee and cost of supervision. Audit fee refers to services provided by EY and relate to the audit of the Financial Statements. No other services were provided by EY or its member firms.
*** 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	2013	2012
	€	€
Securities purchase	540,353,017	422,651,338
Securities sale	537,469,114	379,275,989
Total securities transactions	**1,077,822,131**	**801,927,327**
Subscriptions participants	236,616	8,076,000
Redemptions particpants	-	6,841,328
Total movement in participations	**236,616**	**14,917,328**
Average net asset value	110,776,573	93,224,354
Turnover Rate	**973%**	**844%**

7. ACCRUED EXPENSES

Accrued expenses	2013	2012
	€	€
Administration fee	10,873	7,720
Legal and tax advice fees	1,015	16,150
Audit fees	12,621	15,620
Trustee's fees	4,082	6,860
Other accrued expenses	3,873	4,705
	32,464	**51,055**

Other accrued expenses	2013	2012
	€	€
Miscellaneous expenses	3,873	4,705
	3,873	**4,705**

8. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2013	**2012**
	€	**€**
Interest income	29,573	47,732
	29,573	**47,732**

	2013	**2012**
	€	**€**
Interest expense	459,975	339,042
Borrowing Fee	188,725	343,719
	648,700	**682,761**

Borrowing fee in 2013 and 2012 is paid fee related to stock loan activities.

9. DIVIDEND INCOME/EXPENSE

	2013	**2012**
	€	**€**
Dividend income	2,126,571	1,930,095
	2,126,571	**1,930,095**

	2013	2012
	€	€
Dividend expense on securities sold short	(477,719)	629,460
	(477,719)	**629,460**

10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

Risk management is an integral part of the investment and the operational process. 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.

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 market risk (which includes equity risk, currency risk and interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds. Each type of risk is discussed in turn below and 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 Company's financial assets and liabilities measured at fair value at 31 December 2013:

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**	**-**

Financial assets at fair value through profit or loss	**31 December 2012 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	93,986,553	93,986,553	-	-
Derivatives	684,562	-	684,562	-
Total	**94,671,115**	**93,986,553**	**684,562**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2012 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	(38,403,756)	(38,403,756)	-	-
Derivatives	(244,954)	-	(244,954)	-
Total	**(38,648,710)**	**(38,403,756)**	**(244,954)**	**-**

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 period.

The ex-post Beta for the Fund was 0.25 (2012: 0.22), 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 2013 is 0.33 (2012: 0.29). (The ex-ante Beta is measured against the MSCI Japan. Source: Goldman Sachs.)

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)

31 December 2012

Market index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Japan Index	0.29	25	11,129,946	(25)	(11,129,946)

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 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. 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.

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 2013 and 2012; 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.

The total 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

The total exposure to different currencies at 31 December 2012 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	56,022,405	(48,624,177)	77,884	7,476,112	7.67%	747,611	(747,611)
USD	-	(597,425)	245	(597,180)	(0.61)%	(59,718)	59,718
Total	**56,022,405**	**(49,221,602)**	**78,129**	**6,878,932**	**7.06%**	**687,893**	**(687,893)**

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

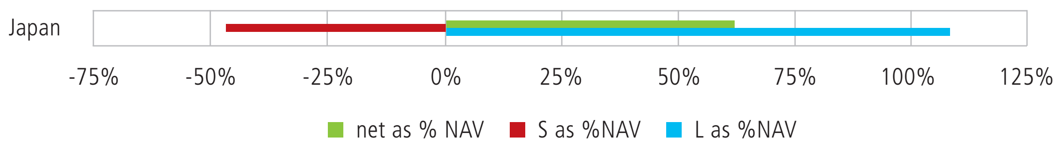
The currency rate as of 31 December 2012 is as follows:

	JPY	USD
FX/EUR	114.00	1.32

Concentration risk

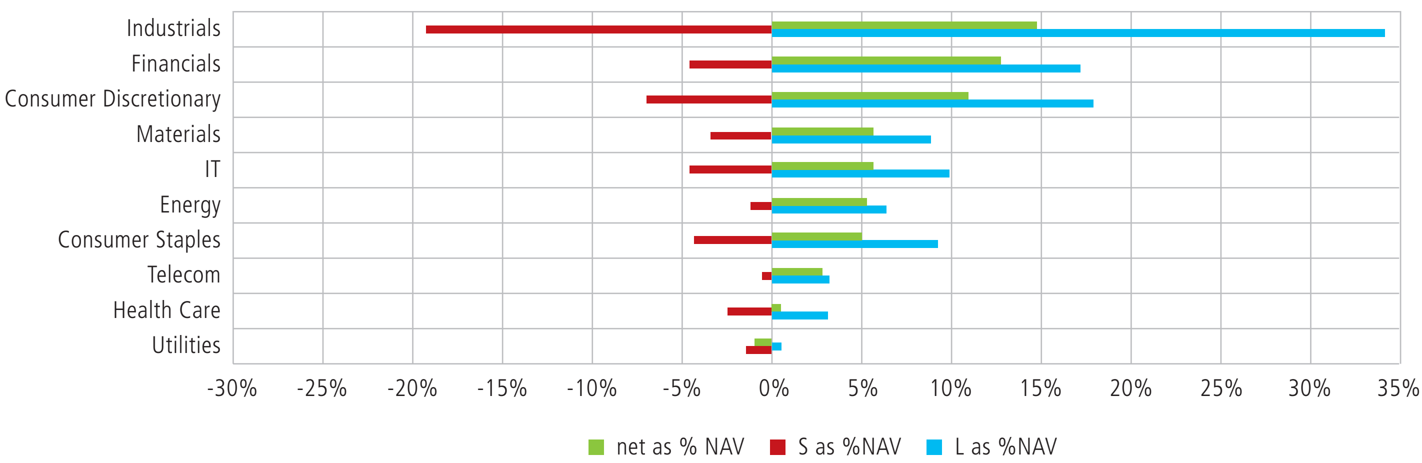
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 31 December 2013 was as follows:

COUNTRY ALLOCATION PELARGOS JAPAN ALPHA FUND



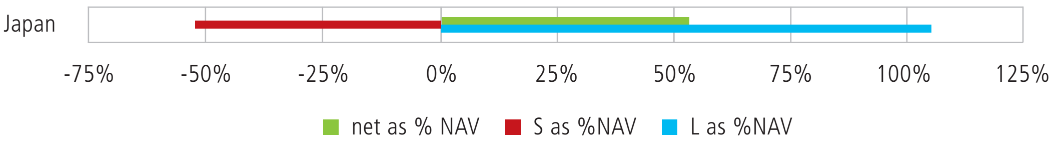
The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 31 December 2013 was as follows:

SECTOR ALLOCATION PELARGOS JAPAN ALPHA FUND



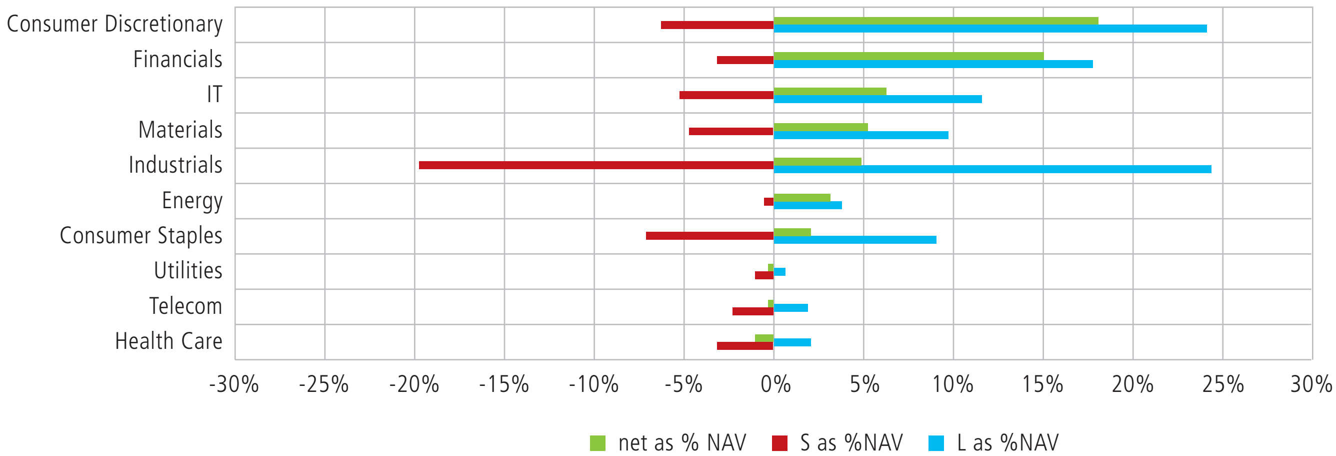
The country allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 31 December 2012 was as follows:

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 2012 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 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%

The top long and top short exposures as a percentage of the NAV at the end of 2012 were as follows:

TOP LONG POSITIONS 2012	As % NAV
LIXIL Group	4.0%
Ichigo Group Holdings	3.4%
JX HOLDINGS INC	3.3%
Sumitomo Mitsui Financial Gr	3.1%
Sumitomo Corp	2.9%
Daikyo Inc	2.5%
Fuji Media Holdings Inc	2.3%
Uny	2.3%
Acom	2.2%
Toyota Motor Corp	2.2%

TOP SHORT POSITIONS 2012	As % NAV
Tobu Railway	2.5%
Kirin Holdings	2.2%
Yamato Holdings	2.0%
Daikin Industries	2.0%
Shiseido	1.9%
Fuji Electric Holdings	1.7%
Toto	1.6%
Nippon Building Fund Inc	1.6%
Thk	1.4%
Komatsu	1.2%

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.

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
Cash and cash equivalents	48,407,924	-	-	-	-	48,407,924
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**

Fund exposure to direct interest rate risk in Euro at 31 December 2012 was:

2012 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	-	684,562	-	-	93,986,553	94,671,115
Amounts due from brokers	1,587,020	-	-	-	-	1,587,020
Cash and cash equivalents	41,884,033	-	-	-	-	41,884,033
Total	**43,471,053**	**684,562**	**-**	**-**	**93,986,553**	**138,142,168**

Fund exposure to direct interest rate risk in Euro at 31 December 2012 was:

2012 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	-	244,954	-	-	38,403,756	38,648,710
Amounts due to brokers	934,300	-	-	-	-	934,300
Total	**934,300**	**244,954**	**-**	**-**	**38,403,756**	**39,583,010**

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:

	2013	2012
	€	€
Derivatives	1,056,214	684,562
Amounts due from brokers	5,546,452	1,587,020
Dividends & Interest receivable	193,812	144,217
Cash at broker	46,579,705	39,842,784
Margin Accounts	1,828,219	2,041,249
Total	**55,204,402**	**44,299,832**

Most of the Fund's derivative contracts are listed or traded on one or more recognised exchanges where a Clearing House acts as regulator. OTC derivative transactions are executed with the Fund's Prime Brokers Goldman Sachs International, UBS AG and Nomura International. Long term ratings for Goldman Sachs at year end were Baa1 (2012:A3 (Moody's)) and A- (2012: A- (S&P)). Long term ratings for UBS AG at year end were A2 (2012: A2 (Moody's)) and A (2012: A (S&P)). Long term ratings for Nomura International at year end were AA- (2012: AA-) at Japan Credit Rating Agency and BBB+ (2012: A-) at S&P.

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.

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.

To enable to short securities, the Fund borrows securities. At 31 December 2013, the Fund borrowed securities for an amount of €52,713,139 (2012: €39,093,017).

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 twenty 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:

2013 Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Cash and cash equivalents	48,407,924	-	-	-	-	48,407,924
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
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**	**-**	**118,005,261**	**-**	**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**	**33,388**	**(117,306,656)**	**-**	**69,362,630**	**3,540,593**

2012 Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Cash and cash equivalents	41,884,033	-	-	-	-	41,884,033
Financial assets at fair value through profit or loss	-	-	-	-	98,986,553	93,986,553
Derivatives	-	684,562	-	-	-	684,562
Amounts due from brokers	1,587,020	-	-	-	-	1,587,020
Total	**43,471,053**	**684,562**	**-**	**-**	**93,986,553**	**138,142,168**

2012 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	-	-	-	-	38,403,756	38,403,756
Derivatives	-	244,954	-	-	-	244,954
Amounts due to brokers	934,300	-	-	-	-	934,300
Total	**934,300**	**244,954**	**-**	**-**	**38,403,756**	**39,583,010**
Redeemable units of participation	-	-	97,530,308	-	-	97,530,308
Total	**934,300**	**244,954**	**97,530,308**	**-**	**38,403,756**	**1,028,850**
Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	-	-	-	-	-
Gross cash outflow	-	-	-	-	-	-
Total undiscounted gross						
Settled derivatives inflow	-	-	-	-	-	-
Liquidity gap	**42,536,753**	**439,608**	**(97,530,308)**	**-**	**55,582,797**	**1,028,850**

There is no contractual maturity for all equity investment 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 two tables relate all equity and CFD positions of the Fund to the Average Daily Trading volumes (ADV). For example: the average long exposure of the Fund was 21% of the daily volume traded – based on the 3-month average daily trading volume as at the end of December 2013. Liquidity of the Fund remains high as can be seen from table 3: within 3 days, 88% of our long book can be sold and 100% of our short book can be covered, under the assumption that we trade maximum 33% of the average daily volume.

Table 3: Liquidity profile of the Long book

	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV				
			0%-25%	25%-50%	50%-100%	100%-200%	>200%
Percentage of the past 30-days ADV	21%	330%	65%	12%	11%	8%	4%

Table 4: Liquidity profile of the Short book

	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV				
			0%-25%	25%-50%	50%-100%	100%-200%	>200%
Percentage of the past 30-days ADV	4%	44%	99%	1%	0%	0%	0%

11. 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 2013 and 2012, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	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)**

	Fair value assets 2012	Fair value liabilities 2012
	€	€
Options	684,562	(244,954)
Total derivative contracts	**684,562**	**(244,954)**

The table below details the total derivatives exposure at 31 December 2013 and 2012. 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 2013 the Fund held long and short positions in options and 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 2013 the leverage is 155% (2012: 157%).

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%**
31-Dec-12	**Net exposure**	**Gross exposure**	**Gross as % NAV**
Equity	55,587,590	132,394,596	135.7%
Options	3,348,443	14,295,970	14.7%
Futures	(6,825,930)	6,825,930	7%
Total exposure	**52,110,103**	**153,516,496**	
Total as % of NAV	**53%**	**157%**	**157%**

12. 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 2013 and year ended 31 December 2012 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	236.02	1,221.32
Issue of redeemable units of participation	-	-
Redemption of redeemable units of participation	-	(985.30)
Equalisation	0.25	-
Units of participation at the end of the year	**236.27**	**236.02**

	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	76,492.23	74,562.01
Issue of redeemable units of participation	63.53	6,884.2
Redemption of redeemable units of participation	-	(4,953.98)
Equalisation	(21.99)	-
Units of participation at the end of the year	**76,533.77**	**76,492.23**

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

	Number of units of participation 31 December 2013
Class A (USD)	
Units of participation balance at the beginning of the year	-
Issue of redeemable units of participation	100.00
Units of participation at the end of the year	**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 10, 'Risk associated with financial instruments' explains equity risk, currency risk, interest rate risk, credit risk and liquidity risk in more detail.

13. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 300.76 (31 December 2012: 268.28) Units of Participation Class B in the Fund. Pelargos Capital B.V. held 136.47 Units of Participation Class A Euro, 100.00 Units of Participation Class A USD and 100.00 Units of Participation Class A JPY in the Fund. AEGON Levensverzekering N.V. is participant in the Fund with 9,950 (31 December 2012: 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.

AEGON Investment Management B.V. held on behalf of 2 investment funds 66,252.01 (31 December 2012: 66,273.95) Units of Participation Class B and 99.80 (31 December 2012: 99.80) Units of Participation Class A. AEGON Investment Management Holding B.V. is a 100% subsidiary of AEGON Asset Management Holding B.V., which is a 100% subsidiary of AEGON N.V.

AEGON N.V. holds 100% of the shares in AEGON Asset Management B.V., which holds 68% (31 December 2012: 68%) of the shares in Pelargos Capital B.V.

14. 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 2013 and 31 December 2012 there are no personal interests of the employees of directors in investments, which were also held by the Fund.

As of 31 December 2013 and 31 December 2012 the personal interests of the employees of directors in the Fund are as follows:

		Market Value
		€
Pelargos Japan Alpha Fund	2012	€ 231,243
	2013	€ 303,701

15. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 31 December 2013.

16. APPROVAL OF THE FINANCIAL STATEMENTS

Approved on behalf of the Trustee: Approved on behalf of the Investment Manager:

Stichting Bewaarder Pelargos Japan Alpha Fund	Director Pelargos Capital B.V.
Date: 24 April 2014	Date: 24 April 2014

OTHER NOTES

For the year ended 31 December 2013

1. DIVIDEND AND ALLOCATION OF RESULT

The Fund did not pay dividends in 2013. 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 Trustee and the Investment Manager approved the financial statements on 24 April 2014

To: the Board of Directors of Pelargos Capital B.V. as investment manager of Pelargos Japan Alpha Fund

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the financial statements 2013 of Pelargos Japan Alpha Fund, The Hague, which comprise the statement of financial position as at 31 December 2013, 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 notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, the Dutch Financial Supervision Act and with Title 9 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 Title 9 Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

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 2013, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union, the Dutch Financial Supervision Act and with Title 9 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 Title 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 management board 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.

The Hague, 24 April 2014

Ernst & Young Accountants LLP

signed by T. de Kuijper