PELARGOS JAPAN ALPHA FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2018 **Page**

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FUND INFORMATION

REGISTERED OFFICE	WTC, E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
MANAGER	Pelargos Capital B.V. WTC, E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
LEGAL OWNER	Stichting Pelargos Japan Alpha Fund c/o: SGG Custody B.V. Amerika Building Hoogoorddreef 15 1101 BA Amsterdam The Netherlands
ADMINISTRATOR	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
PRIME BROKERS	UBS AG London Branch 5 Broadgate London EC2M 2QS United Kingdom Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands

FUND INFORMATION (continued)

INDEPENDENT AUDITOR	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam The Netherlands
FINANCIAL REPORTING TO DNB	Solutional Financial Reporting B.V. Arentsburghlaan 3 2275 TT Voorburg The Netherlands

FUND PROFILE

Pelargos Japan Alpha Fund
The Pelargos Japan Alpha Fund (the "Fund") is an open-ended investment fund. Issue and redemption of units of participation is possible as per instruction of the Participant as described in the Prospectus. Date of commencement of the Net Asset Value ("NAV") calculation was 10 July 2008.

Key Features Document ("Essentiële Beleggersinformatie") and Prospectus
The Fund's 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 capital appreciation through investing in long and short positions in equities related to Japanese enterprises. The Fund seeks to limit the downward risk and aims for returns that have a low correlation with the returns of the market index. To achieve the Fund's objective, the Manager may use leverage. Potentially increasing the return of the Fund through derivative positions and securities borrowing as well as increasing the exposure of the Fund by borrowing cash are regarded as leveraging techniques.

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

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

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

Michael Kretschmer is as of 1 June 2018 Director of the Manager. Pieter van Putten is as of 3 August 2018 Director of the Manager and succeeds Patrick van de Laar, who was Director of Manager until 1 August 2018.

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

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

Administrator
The Bank of New York Mellon SA/NV, Amsterdam Branch, is the administrator of the Fund and is listed in the trade register held by the Amsterdam Chamber of Commerce under number 34363596. Certain administration services are being outsourced to BNY Mellon Fund Services (Ireland) Designated Activity Company (DAC) in Dublin, Ireland. The Administrator was incorporated under Irish law on 31 May 1994 and is registered under number 218007 with the Companies Registration Office in Ireland. Furthermore, certain services in relation to transfer agency are being outsourced to The Bank of New York Mellon Luxembourg SA/NV which is registered with the Luxembourg Trade and Companies Register under number B 105.087.

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

SUMMARY OF FINANCIAL INFORMATION

	2018	2017	2016	2015	2014
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**
Class A (€)	(31)	22	18	29	(12)
Class B (€)	(8,628)	5,932	5,223	8,944	(4,241)
Class C ($)	(335)	180	-	-	-
Class A (¥)	-	-	-	12	(2)
Class A ($)	-	-	-	13	(3)
Income/(loss)	**(8,994)**	**6,134**	**5,241**	**8,998**	**(4,258)**
Class A (€)	(14)	(13)	(12)	(12)	(9)
Class B (€)	(3,510)	(3,175)	(3,274)	(3,185)	(3,407)
Class C ($)	(408)	(158)	-	-	-
Class A (¥)	-	-	-	(2)	(2)
Class A ($)	-	-	-	(3)	(2)
Expenses and withholding taxes	**(3,932)**	**(3,346)**	**(3,286)**	**(3,202)**	**(3,421)**
Class A (€)	(45)	9	6	17	(21)
Class B (€)	(12,139)	2,757	1,949	5,759	(7,649)
Class C ($)	(743)	22	-	-	-
Class A (¥)	-	-	-	10	(4)
Class A ($)	-	-	-	10	(5)
(Decrease)/increase	**(12,927)**	**2,788**	**1,955**	**5,796**	**(7,679)**
Net assets (€ '000)	**90,867**	**98,759**	**93,585**	**90,623**	**110,123**
Number of units of participation					
Class A (€)	236.27	236.27	236.27	236.27	236.27
Class B (€)	56,193.96	56,177.52	59,944.95	59,246.86	76,538.46
Class C ($)	15,329.87	9,415.81	-	-	-
Class A (¥)	-	-	-	-	100.00
Class A ($)	-	-	-	-	100.00
Net asset value per unit of participation					
Class A (€)	1,202.05	1,395.81	1,360.27	1,336.48	1,263.10
Class B (€)	1,389.86	1,605.87	1,555.82	1,524.25	1,433.06
Class C ($)	930.72	1,047.80	-	-	-
Class A (¥)	-	-	-	-	92,258.68
Class A ($)	-	-	-	-	930.26
Performance					
Class A (€) (in %)	(13.88)	2.61	1.78	5.81	(6.99)
Class B (€) (in %)	(13.45)	3.22	2.07	6.36	(6.52)
Class C ($)	(11.17)	4.80	-	-	-
Class A (¥) (in %)	-	-	-	4.92	(8.06)
Class A ($) (in %)	-	-	-	4.91	(7.38)

MANAGER'S REPORT
For the year ended 31 December 2018

Performance

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A EUR	-0.30%	-1.81%	-1.07%	-0.68%	-0.11%	-0.40%	-0.91%	-1.70%	0.32%	-3.73%	-0.18%	-4.18%	-13.88%
Class B EUR	-0.26%	-1.77%	-1.03%	-0.63%	-0.06%	-0.36%	-0.87%	-1.66%	0.36%	-3.69%	-0.13%	-4.14%	-13.45%
Class C USD	-0.27%	-1.58%	-0.85%	-0.37%	-0.05%	-0.09%	-0.64%	-1.42%	0.52%	-3.33%	0.20%	-3.81%	-11.17%

Source: BNY Mellon Fund Services.

Market review

In 2018 the Pelargos Japan Alpha Fund returned -13.88%, -13.45% and -11.17% for the class A EUR, class B EUR and class C USD shares respectively. This brought the inception-to-date performance of class B shares to 38.99%, which translates into annualized net returns of 3.2%. The MSCI Japan lost 16.8% in 2018 and is up 9.3% since the inception of the Fund. In July 2017, we introduced USD denominated class C shares with a highly competitive fee structure of 0.5% management fee and 15% performance fee. This has attracted investments from institutional investors. These inflows have limited the drop in the Fund's assets, which stand at €90.9mln at year end.

The Japanese equity markets experienced a strong start to the year, as the MSCI Japan index rose into a late January peak. This coincided with a climax in market sentiment and risk appetite, despite sharply rising interest rates, which had been ignored by the market. Sentiment quickly reversed upon a sudden rise in market volatility, which was reflected in a jump in the volatility index VIX. In February equity markets corrected by about 10-15%. This correction was followed by sideways consolidation, while volatility remained elevated into June. Global macroeconomic growth and trade remained robust, although Chinese and European growth rates softened a bit. The slowdown in China was self-induced as Chinese policy makers have been implementing credit restrictions to limit speculative fixed asset investments fueled by strong growth in the shadow banking system. The risks of an escalation of the Sino-US trade-war started to weigh on Chinese equities from June onwards. Although both global consumer and producer confidence remained near historical high levels, they started to roll over from early summer, with the United States being the exception. The combination of industry deregulation and tax-cuts for both corporations and individuals provided a very strong boost to the US economy. This solid economic growth enabled the US FED to continue its interest rate normalization policy and implement four 25bp rate hikes over the year as well as accelerate its Quantitative Tightening (QT). This has resulted in US dollar appreciation, which has put pressure on global emerging markets. From mid-June, market sentiment deteriorated further due to fears of a trade war between the United States and its main trade partners such as China, Europe, Canada and Mexico.

Over 2018, the MSCI Japan index recorded a decline of 16.8% in yen terms and lost 14.5% when measured in US dollars. Defensive sectors such as Utilities, Healthcare and Consumer Staples outperformed, recording small losses for the year. Cyclical sectors such as Consumer Discretionary, Materials, Industrials, Financials and the IT-sector were weak and posted double-digit declines.

Investment policy and attribution

At the start of the year, the portfolio had a strong tilt towards deeply undervalued domestic cyclicals as both domestic and global growth were accelerating. Value style continued its underperformance versus growth, which remained a headwind for our strategy. As volatility picked up and equity markets corrected, we reduced net exposure, whilst keeping gross exposure flat at the end of February. As the market stabilized and dollar yen strength reversed in Q2 we added to stock specific situations in deeply undervalued domestic cyclicals such as Ichigo Group, Alpine, Toshiba Plant Systems, Taihei Dengyo, and Ichigo Hotel REIT. This was further supported by our favorable view of the Japanese domestic economy, where consumption benefits from low unemployment, rising real wages and a recovery of in-bound tourism.

Additionally, we have made some adjustments to the structure of the short book, as valuation related shorts have been suboptimal over the past 5 years. Therefore we have balanced the hedging program consisting of the most extremely (over)valued stocks based on our quant model and introduced a price momentum adjustment to avoid blow-off shorts. At the end of December, the gross exposure stood at 118% and the net exposure was 38%. Despite the relatively high net exposure in the portfolio, the ex-ante volatility and beta were 9.3% and 0.29 respectively, due to a significant allocation towards the low beta REIT sector.

MANAGER'S REPORT (continued)
For the year ended 31 December 2018

Investment policy and attribution (continued)

The five largest positive contributors on a single stock level were a mix of long and positions and were either driven by weak fundamentals on the short side or deep value situations that started to re-rate. In decreasing order they were: Alps (corporate action hedge to long Alpine position), Ichigo Office REIT (long), Sharp Corp (short), Pepper Food (short) and Ichigo Hotel REIT (long). The five largest negative contributors were mainly long positions except for FamilyMart, and in increasing order: Taihei Dengyo, Maeda, Toshiba Plant Systems, Toshiba Tec and FamilyMart (short).

Outlook

The global environment for risk assets is becoming increasingly difficult. The US Fed is on a tightening cycle aiming to normalize rates, which has and will have negative consequences for credit creation and therefore risk assets. The incremental approach by the FED in addition to a still very accommodative BOJ and ECB means a measured return to a higher volatility regime. Economic growth is still solid and bottlenecks started to appear in Japan manifesting themselves in an extremely tight labor market. The big theme of 2018 was wage pressure and buy backs. Wages started to increase rapidly, especially in real terms. The deflationist mindset among consumers was shifting as well. It is increasingly better understood that service is not a 'free' good and that hard working employees in the service sector need to be appropriately compensated. The willingness and ability of management to raise prices will separate the winning from the losing business models. Concerning share buybacks, we are extremely enthusiastic about the potential of a widespread implementation of buybacks and increased shareholder returns. Japan has a long way to go, but in a gradual manner, it will get there, meaning a higher level of return on equity for investors.

Annual shareholder meetings have been held and we are impatiently awaiting the outcome of the votes. We have increasingly voted against management boards where we see little to no progress in their attitude towards shareholder returns. Japan is on the edge of a capital market revolution and times have changed, which is not recognized by most of the, still too gradual and slow moving, management teams hiding behind corporate culture instead of stepping up to its leadership responsibilities.

In December, market participants were reminded of an old saying 'Don't Fight the FED'. This cycle it took nine small steps and quantitative tapering for investors to pay attention to the FED's action. In every cycle, the FED continued its hiking path until something breaks. The policy makers do not have a crystal ball and navigate by trial and error. Last month market participants voiced concerns about such an error and sold risk assets aggressively. Global equity markets have entered a bear market at lightning speed and the FED will have to pause, whilst in the meantime the lagged effects of its tightening will work its way through the system. The economic outlook worsened drastically with China at its epicenter. The second half of 2018 was all about macro and in 2019 top-down drivers will be all important. On balance, for risk assets to stabilize we need the US FED and Chinese PBOC to switch towards an accommodative stance. The BOJ will remain accommodative, Japanese equities are cheap, corporates will accelerate buybacks, but with current global economic deceleration we are increasingly selective and focus on high quality, domestic, cash rich companies with high recurring revenues. In the short book we look for expensive cyclicals with apparent earnings risk, which has not been reflected in sell side consensus yet.

Risk management

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

In Risk/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 minimise unexpected losses and achieve the absolute return objective. Financial risk management encompasses all elements of our investment process from idea generation, implementation of trades, performance measurement, reporting and attribution analysis. A number of risk management systems allow us to notice any deviations to intended positioning and targets. The portfolio managers are continuously monitoring financial risks. In addition, the investment guidelines as described in the prospectus are monitored by the risk manager.

MANAGER'S REPORT (continued)
For the year ended 31 December 2018

Risk management (continued)

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

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

Risks

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

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

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

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

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

Counterparty risk
The Fund is susceptible to the risk of counterparties of the Fund defaulting on their obligations as a result of inter alia a moratorium of payment or involuntarily liquidation. Such counterparties include the Prime Brokers. A Prime Broker is entitled to pledge assets of the Fund to third parties to secure financing to the Fund (rehypothecation).
In case of involuntary liquidation of the Prime Broker, the Fund ranks as a general creditor in respect to the value of the rehypothecated assets, with the risk that this value may not be reclaimed. The amount of rehypothecation of long assets is limited to 140% of the net indebtness of the Fund. The risk manager is monitoring periodically this limit independently from the portfolio managers.

MANAGER'S REPORT (continued)
For the year ended 31 December 2018

Risks (continued)

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

Other information

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

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

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

Brexit
With Brexit approaching, the Manager formed a dedicated task force to obtain an overview of the impact of this development on Fund operations, as well as to formulate the need for action. With the Fund's service providers all potential operational changes were discussed, and if relevant any mitigating action was taken. The Manager continues to follow ongoing (regulatory) changes in relation to Brexit closely, and will take further action if needed to ensure smooth operations of the Fund.

MANAGER'S REPORT (continued)
For the year ended 31 December 2018

Other information (continued)

Research Fees

The Manager uses a wide range of external investment research from amongst others investment banks and independent research providers to help make appropriate investment decisions. Following the introduction of MiFID II, fund managers are required to unbundle research fees from execution costs ("research unbundling"). The Manager uses a number of investment banks who provide a broad range of research services and other services. The Manager also makes use of niche players who provide a single or small number of research products. The selection of research service providers is independent from the selection of brokers for execution services. Research fees are funded by charges collected alongside transaction commissions, the so-called "Transactional Method". The Manager aims to collect the amount to cover the research budget. There are processes in place to properly monitor the amounts paid for research. If there is a surplus in the research payment account at the end of a period, the Manager may decide to rebate those monies to the Fund or to offset it against the research budget and charge calculated for the following period. Annually, the Manager will review its research service providers and the research fees of the previous year. Based on a reasonable assessment, the management board will set the annual external research budget related to the Fund's strategies.

Remuneration

Senior management relates to the three statutory directors. Other personnel include portfolio managers and all other (non- investment) staff. All employees are eligible to receive variable pay, and for all employees deferral of at least 40% of variable applies. At the end of 2018, the company had 8.6 FTE employed (2017: 11.2). Though the portfolio managers and analysts have specific areas to focus on, Pelargos Capital B.V. works as one team with two consistent investment policies for the two Funds managed. Therefore, the presentation of the allocation of FTE, Positions and remuneration to the Funds is based on a pro rata division of the assets under management in 2018.

There is no personnel at Pelargos Capital B.V. with a total remuneration of EUR 1 million or more in 2017 and in 2018.

MANAGER'S REPORT (continued)
For the year ended 31 December 2018

REMUNERATION

2018	Positions	FTE	Variable remuneration €	Salary €
Pelargos Japan Alpha Fund	1.3	1.2	€ 38,874	€ 177,431
Pelargos Asia Alpha Fund	1.5	1.4	€ 47,790	€ 218,126
Pelargos Japan Long Short Value Fund (non AIF)	0.2	0.2	€ 6,610	€ 30,168
Senior management	3.0	2.8	€ 93,274	€ 425,726
Pelargos Japan Alpha Fund	4.6	2.4	€ 30,321	€ 224,021
Pelargos Asia Alpha Fund	5.6	2.9	€ 37,275	€ 275,402
Pelargos Japan Long Short Value Fund (non AIF)	0.8	0.4	€ 5,155	€ 38,090
Other personnel	11.0	5.8	€ 72,751	€ 537,513
Pelargos Japan Alpha Fund	5.8	3.6	€ 69,194	€ 401,453
Pelargos Asia Alpha Fund	7.2	4.4	€ 85,065	€ 493,528
Pelargos Japan Long Short Value Fund (non AIF)	1.0	0.6	€ 11,765	€ 68,258
Total all personnel	14.0	8.6	€ 166,024	€ 963,239

2017	Positions	FTE	Variable remuneration €	Salary €
Pelargos Japan Alpha Fund	1.2	1.0	€ 71,595	€ 169,752
Pelargos Asia Alpha Fund	1.5	1.3	€ 89,879	€ 213,101
Pelargos Japan Long Short Value Fund (non AIF)	0.2	0.2	€ 12,180	€ 28,879
Senior management	3.0	2.5	€ 173,654	€ 411,732
Pelargos Japan Alpha Fund	5.7	3.6	€ 54,162	€ 294,206
Pelargos Asia Alpha Fund	7.2	4.5	€ 67,993	€ 369,337
Pelargos Japan Long Short Value Fund (non AIF)	1.1	0.7	€ 9,214	€ 50,052
Other personnel	14.0	8.7	€ 131,369	€ 713,594
Pelargos Japan Alpha Fund	7.0	4.6	€ 125,757	€ 463,957
Pelargos Asia Alpha Fund	8.7	5.8	€ 157,872	€ 582,438
Pelargos Japan Long Short Value Fund (non AIF)	1.3	0.9	€ 21,394	€ 78,930
Total all personnel	17.0	11.2	€ 305,023	€ 1,125,326

The Hague, 18 April 2019

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

P. van Putten,
Director Pelargos Capital B.V.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018	2017
		€	€
Current assets			
Financial assets at fair value through profit or loss	3,11	71,145,772	87,812,269
Amounts due from brokers	6	71,639	2,372,865
Dividends receivable		338,373	258,666
Margin accounts	5	27,135,874	32,326,878
Cash and cash equivalents	4	37,002,285	21,739,446
Total current assets		**135,693,943**	**144,510,124**
Current liabilities			
Financial liabilities at fair value through profit or loss	3,11	36,581,091	44,781,772
Amounts due to brokers	6	7,942,622	90,722
Dividends payable		173,537	154,916
Management fee payable	7	72,051	81,042
Performance fee payable	7	-	553,772
Interest payable		127	3,870
Equalisation credit payable		-	10,554
Accrued expenses	8	57,623	74,046
Total current liabilities (excluding net assets attributable to holders of redeemable units of participation)		**44,827,051**	**45,750,694**
Net assets attributable to holders of redeemable units of participation		**90,866,892**	**98,759,430**

Class A - Euro	**2018**	**2017**	**2016**
Number of units of participation (Note 13)	236.27	236.27	236.27
Net asset value per unit of participation	€ 1,202.05	€ 1,395.81	€ 1,360.27
Class B - Euro			
Number of units of participation (Note 13)	56,193.96	56,177.52	59,944.95
Net asset value per unit of participation	€ 1,389.86	€ 1,605.87	€ 1,555.82
Class C – US Dollar			
Number of units of participation (Note 13)	15,329.87	9,415.81	-
Net asset value per unit of participation	$930.72	$1,047.80	-
Net asset value per unit of participation (Euro Equivalent)	€ 814.17	€ 872.59	
Total Net Asset Value	**€ 90,866,892**	**€ 98,759,430**	**€ 93,584,787**

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018	2017
		€	€
Income			
Interest income	9	170,313	-
Gross dividend income	10	2,183,921	1,649,094
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	3	(8,728,984)	2,645,293
Net (loss)/gain on cash and cash equivalents	3	(2,619,707)	1,839,171
Total (loss)/income		**(8,994,457)**	**6,133,558**
Expenses			
Dividend expense on securities sold short	10	(900,252)	(702,458)
Performance fees	7	-	(553,772)
Management fee	7	(913,660)	(913,022)
Interest expense and borrowing fee	9	(1,094,974)	(729,048)
Research fee	7	(501,064)	-
Audit fee	7	(34,485)	(34,287)
Administration fee	7	(104,326)	(93,413)
Depositary fee	7	(35,542)	(33,555)
Legal fee	7	(2,500)	-
Costs of supervision	7	(12,000)	(12,000)
Trustee fee	7	(13,850)	(13,537)
Equalisation fee		-	(10,554)
Other expenses	7	(24,817)	(22,970)
Total expenses		**(3,637,470)**	**(3,118,616)**
(Loss)/profit before taxation		**(12,631,927)**	**3,014,942**
Withholding taxes		(294,928)	(226,785)
(Loss)/profit after taxation		**(12,926,855)**	**2,788,157**
(Decrease)/increase attributable to holders of redeemable units of participation		**(12,926,855)**	**2,788,157**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 €	2017 €
Cash flows from operating activities		
(Decrease)/increase attributable to holders of redeemable units of participation	**(12,926,855)**	**2,788,157**
Adjustment for net foreign exchange gain/(loss) - cash and cash equivalents	2,619,707	(1,839,171)
Adjustment for interest income	(170,313)	-
Adjustment for dividend income	(2,183,921)	(1,649,094)
Adjustment for interest expense and borrowing fee	1,094,974	729,048
Adjustment for dividend expense	900,252	702,458
Adjustments to reconcile (decrease)/increase attributable to holders of redeemable units of participation to net cash provided/(used in) by operating activities:		
Decrease/(increase) in financial assets at fair value through profit or loss	16,666,497	(22,301,792)
Increase in financial liabilities at fair value though profit or loss	(8,200,681)	4,503,568
Decrease/(increase) in margin cash	5,191,004	(7,832,578)
(Decrease)/increase in management fee payable	(8,991)	1,368
(Decrease)/increase in performance fee payable	(553,772)	312,663
Increase/(decrease) in amounts due to brokers	7,851,900	(355,581)
Increase/decrease in amounts due from brokers	2,301,226	166,558
(Decrease) in accrued expenses	(16,423)	(50,706)
(Decrease)/increase in equalisation credit payable	(10,554)	10,554
Cash provided by/(used in) operating activities	**12,554,050**	**(24,814,548)**
Interest received	170,313	-
Interest paid	(1,098,717)	(727,648)
Dividend received	2,104,214	1,560,827
Dividend paid	(881,631)	(671,015)
Net cash provided by/(used in) operating activities	**12,848,229**	**(24,652,384)**
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation	5,023,815	8,251,574
Payments from redemptions of redeemable units of participation	(52)	(5,860,000)
Cash flow related to equalisation credit/deficit previous year	10,554	(5,088)
(Decrease) in subscriptions received in advance	-	(20,000)
Net cash flow provided by financing activites	**5,034,317**	**2,366,486**
Net increase/(decrease) in cash and cash equivalents	17,882,546	(22,285,898)
Net foreign exchange loss - cash and cash equivalents	(2,619,707)	1,839,171
Cash and cash equivalents at the beginning of the year	21,739,446	42,186,173
Cash and cash equivalents at the end of the year	**37,002,285**	**21,739,446**

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS OF PARTICIPATION
For the year ended 31 December 2018

	Note	Number of shares	2018
			€
Balance at the beginning of the year		**65,830**	**98,759,430**
Decrease attributable to holders of redeemable units of participation resulting from operations for the year		-	(12,926,855)
Issue of redeemable units of participation during the year	13	5,918	5,023,815
Proceeds from redeemable units of participation during the year	13	-	(52)
Redemption related to equalisation deficit previous year	13	12	10,554
Net assets attributable to holders of redeemable units of participation at the end of the year		**71,760**	**90,866,892**

	Note	Number of shares	2017
			€
Balance at the beginning of the year		**60,181**	**93,584,787**
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	2,788,157
Issue of redeemable units of participation during the year	13	9,453	8,251,574
Proceeds from redeemable units of participation during the year	13	(3,801)	(5,860,000)
Redemption related to equalisation deficit previous year	13	(3)	(5,088)
Net assets attributable to holders of redeemable units of participation at the end of the year		**65,830**	**98,759,430**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. FUND INFORMATION

General
The Pelargos Japan Alpha Fund (the "Fund") is an open-ended investment fund incorporated on 19 June 2008. The Fund was incorporated with its registered office in The Hague on 21 April 2008 and is listed in the trade register held by the The Hague Chamber of Commerce under number 27317679. The registered office is WTC E-Tower, 7th Floor, Prinses Margrietplantsoen 43, 2595 AM The Hague, The Netherlands. 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. On 11 May 2017, Class C units of participation were introduced. The Class C units of participation may be issued in two subclasses denominated in US Dollars and in Euro. The first trade date for the Class C (USD) units of participation was on trade date 3 July 2017. The Fund is not listed on any stock exchange. The units of participation are registered per investor.

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

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Manager, the Legal Owner and the Participant. The Manager has an Alternative Investment Fund Managers Directive (AIFMD) license and is regulated by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank. The AIFMD license has an extension for the following investment services which may be provided to professional investors on: (i) individual portfolio management, (ii) investment advice and (iii) receiving and transmitting investment orders.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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 accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Fund's financial statements for the year ended 31 December 2017, except for the adoption of new standards, amendments and interpretations effective from 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The financial statements are presented in Euros (€).

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

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

New standards, amendments and interpretations effective after 1 January 2018 and have not yet been early adopted by the Fund. .

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

IFRS 16, 'Leases' (effective January 2019)
IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.
The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item.

The Fund did not trade in lease transactions. In the Manager's opinion, adoption of IFRS 16 would have no material impact on the recognition, measurement or disclosures in the Fund's financial statements.

Standards and amendments to existing standards effective 1 January 2018

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addressed the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards and amendments to existing standards effective 1 January 2018 (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)
Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

IFRS 15 Revenue from Contracts with Customers
The Fund has adopted IFRS 15 Revenue from Contracts with Customers on its effective date of 1 January 2018. The adoption of IFRS 15 has had no impact on the financial statements of the Fund.

At the date of authorisation of the financial statements there were a number of other Standards and Interpretations which were in issue but not yet effective. Management anticipated that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Fund.

(b) Financial instruments
Financial assets and liabilities at fair value through profit or loss
For Net Asset Value ("NAV") purposes, the valuation of financial assets and liabilities is calculated in accordance with the Prospectus. For financial statements purposes, financial assets and liabilities have been valued in accordance with IFRS using the policies outlined below.

At 31 December 2018 and 31 December 2017, there are no material differences between these valuation methods.

In the current year the Fund has adopted IFRS 9 Financial Instruments. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with IFRS 9, the Fund classifies its financial assets and liabilities at initial recognition into the categories of financial assets and financial liabilities as discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorised as held for trading as the Fund does not designate any derivatives as hedges in a hedging relationship. Therefore, they meet the held-for-trading criteria and are required to be measured at fair value through profit or loss.

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 loss are measured initially at fair value. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transactions costs, when incurred, are immediately recognised in 'net gain or loss on financial assets and liabilities at fair value through profit or loss.'

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

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

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

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

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

(c) 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.

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

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

(e) 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(i) Redeemable units of participation
The Fund currently has three classes of redeemable units of participation in issue, Class A (Euro) units, Class B (Euro) units, and Class C (USD) units which are redeemable at the Participant's option. Class A units, Class B units, and Class C units differ from each other with respect to management fees, whereas Class A units differ from Class B units and Class C units with respect to performance fees. Redeemable units of participation can be put back to the Fund at any Dealing day for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

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

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

(k) 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.

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

(m) 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.

(n) 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.

(o) 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 currency of subscriptions into and redemptions out of the Fund is Euro.

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 'gain/ (loss) on cash and cash equivalents' in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Foreign currency translation (continued)

Foreign currency transactions (continued)
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.

(p) Cash and cash equivalents
Cash consists of cash at bank and bank overdrafts. 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 International and UBS AG.

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

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

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

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

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

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

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

(r) 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

(v) Research fees
Research fees are incurred by the Fund by using the "Transactional Method".

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

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

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

(z) Subscriptions received in advance
Subscriptions received in advance represent accepted subscriptions made during the post Statement of Financial Position period for which payment has been received by the Fund before year-end but for which redeemable units will only be issued in the next financial period. Subscriptions received in advance are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

Equity securities	**2018**	**2017**
	€	**€**
Beginning market value 1 January	43,093,449	25,208,586
Purchase	419,549,981	270,020,738
Sale	(419,046,454)	(255,615,014)
Revaluation	(9,279,347)	3,479,139
Ending market value 31 December	**34,317,629**	**43,093,449**

Forward foreign currency contracts	**2018**	**2017**
	€	**€**
Beginning market value 1 January	(62,952)	-
Purchase	141,487,628	76,647,887
Settlement of contracts	(142,399,534)	(76,446,931)
Revaluation	897,687	(263,908)
Ending market value 31 December	**(77,171)**	**(62,952)**

Futures	**2018**	**2017**
	€	**€**
Beginning market value 1 January	-	-
Purchase	(411,933)	-
Revaluation	735,923	-
Ending market value 31 December	**323,990**	**-**

Options	**2018**	**2017**
	€	**€**
Beginning market value 1 January	-	23,687
Purchase	1,382,040	1,368,359
Sale	(298,559)	(822,108)
Revaluation	(1,083,248)	(569,938)
Ending market value 31 December	**233**	**-**

Total	**2018**	**2017**
	€	**€**
Beginning market value 1 January	43,030,497	25,232,273
Purchase	562,007,716	348,036,984
Sale	(561,744,547)	(332,884,053)
Revaluation	(8,728,986)	2,645,293
Ending market value 31 December	**34,564,680**	**43,030,497**

Purchase and sale on forward foreign currency contracts, futures and options investments reflect only the realised gains and losses of closing transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

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

As at 31 December 2018 and 31 December 2017, financial assets and liabilities at fair value through profit or loss were as follows:

Financial assets at fair value through profit or loss:	**2018**	**2017**
	€	**€**
Equity securities	70,821,530	87,812,269
Options	252	-
Futures	323,990	-
Financial assets at fair value through profit or loss	71,145,772	87,812,269
Financial liabilities at fair value through profit or loss:		
Equity securities	(36,503,901)	(44,718,820)
Options	(19)	-
Forward foreign currency contracts	(77,171)	(62,952)
Financial liabilities at fair value through profit or loss	(36,581,091)	(44,781,772)
Total financial assets and financial liabilities at fair value through profit or loss	**34,564,681**	**43,030,497**

In Note 11 risks associated with those financial instruments held are described.

As at 31 December 2018 and 31 December 2017, listed equity securities, forward foreign currency contracts, futures and options at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

For years ended 31 December 2018 and 31 December 2017, the net gains and losses breakdown of net gain or loss on financial assets and liabilities at fair value through profit or loss was as follows:

	2018	**2017**
	€	**€**
Realised gains	18,369,370	16,194,859
Unrealised gains	14,969,439	13,156,118
Realised losses	(19,741,756)	(14,275,204)
Unrealised losses	(22,326,037)	(12,430,480)
Total	**(8,728,984)**	**2,645,293**

The financial assets and liabilities at fair value through profit or loss are classified under category 'assets and liabilities at fair value through profit and loss'.

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2018	**2017**
	€	**€**
Cash at broker	24,624,220	13,711,856
Banks overdrafts	-	(489,222)
Money market fund	12,378,065	8,516,812
Total	**37,002,285**	**21,739,446**

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

As at 31 December 2018, The Fund held one money market fund ("MMF") managed by Goldman Sachs International, which is the Goldman Sachs Euro Liquid Reserves Fund (2017: one).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

5. MARGIN ACCOUNTS

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

The Prime Brokers calculate the maximum amount to be loaned on the basis of all long and short securities held at the Prime Broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Brokers was €25,434,099 (31 December 2017: €30,333,551) with Goldman Sachs International and €1,701,775 (31 December 2017: €1,993,327) with UBS AG.

	2018	2017
	€	€
Margin accounts	27,135,874	32,326,878
Total	**27,135,874**	**32,326,878**

6. AMOUNTS DUE (TO)/FROM BROKERS

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

As at 31 December 2018 and 31 December 2017, the following were held as amounts due to or from brokers:

	2018	2017
	€	€
Balances due from brokers	71,639	2,372,865
Balances due to brokers	(7,942,622)	(90,722)
Net amounts due (to)/from brokers	**(7,870,983)**	**2,282,143**

7. FEES AND EXPENSES

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

The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation, 1.0% of the GAV for Class B units of participation and 0.5% of the gross asset value (GAV) for Class C units of participation (before deduction of the accrued performance fee).

The management fee is accrued on a monthly basis. The fee is payable, in arrears following the completion and finalization of each month end net asset value. Management fees of €913,660 (31 December 2017: €913,022) were incurred for the year ended 31 December 2018, of which €72,051 (31 December 2017: €81,042) was payable at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

7. FEES AND EXPENSES (continued)

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

The performance fee is equal to 20% of the annual increase in the net asset value of the capital of Class A units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class B units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class C 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. Performance fees of €Nil (31 December 2017: €553,772) were incurred for the year ended 31 December 2018, of which €Nil (31 December 2017: €553,772) was payable at 31 December 2018.

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 (HWM) on a dealing day, an equalisation credit is granted to the participant. Following the date of grant, the value of the equalisation credit fluctuates with the increase and decrease of the NAV. The equalisation credit will at no time turn into a negative value, and it will not increase beyond the value at the time of issue. By issuing participations against the value of the participant's equalisation credit at the ultimate valuation day of the financial year of the Fund, the credit will be finally settled. The equalisation credit as of 31 December 2018 amounted to €Nil (31 December 2017: €10,554).

Conversely, a participant that acquires participations at a time that the HWM exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the NAV at the time of issue. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing participations. The Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 31 December 2018 amounted to €Nil (31 December 2017: €52).

Other costs charged to the assets of the Fund

	2018	**2017**
	€	**€**
Administration fee	104,326	93,413
Audit fee	34,485	34,287
Costs of supervision	12,000	12,000
Depositary fee	35,542	33,555
Legal fee	2,500	-
Other expenses	24,817	22,970
Trustee fee	13,850	13,537
	227,520	**209,762**

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

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

The Legal Owner receives a trustee fee of €11,000 on an annual basis, excluding VAT and indexation starting in 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

7. FEES AND EXPENSES (continued)

Other expenses

	2018	2017
	€	€
Miscellaneous expenses	1,500	1,500
Brokerage fee (excluded in Ongoing Charges Figure)	23,317	17,437
Total other expenses	**24,817**	**18,937**

Subscription and redemption fees
The Fund may upon issue and redemption of a unit of participation charge a fee up to 1.0% of the subscription and redemption amount. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During the year ended 31 December 2018, the Fund charged a fee of €Nil (31 December 2017: €Nil).

Ongoing Charges Figures
The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets value of the Fund. Ongoing costs include cost of investment management and administration, plus other costs of running the fund, such as fees for custodians, regulators and independent 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 for year ended 31 December 2018 and 31 December 2017 is as follows:

	Ongoing Charges %	
	2018	**2017**
Class A (EUR)	1.71%	1.70%
Class B (EUR)	1.21%	1.20%
Class C (USD)	0.71%	0.70%

Performance fee ratio
Performance fee ratio is a ratio of the total performance fee (including equalisation deficit) to the average net assets value of the Fund. This ratio will be calculated once a year. As of year ended 31 December 2018 and 31 December 2017 the ratio is as follows.

	Performance fee ratio	
	2018	**2017**
Class A (EUR)	0.00%	0.65%
Class B (EUR)	0.00%	0.56%
Class C (USD)	0.00%	0.79%

Transaction costs
Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include execution fees and other charges like stamp duty and exchange fees paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss. The transaction costs amounted to €433,986 in 2018 (2017: €787,893).

Research fees
The Fund holds Research Collection Accounts (RCA) at its executing brokers. The broker receives a commission for executing a transaction that is split into (1) an execution fee and (2) a research fee. The money received by the broker that is related to research is entered into a separate account with the broker, the RCA. Collected monies on the RCA are periodically transferred to the Research Payment Account (RPA) held by the Manager. The Manager makes use of the “Transactional Method” to fund its RPA. The Manager uses the received monies to procure research offered by research service providers, with the aim of improving the results of the Fund. The total amount of research fees during the year ended 31 December 2018 amounted to €501,064 (31 December 2017: €Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

7. FEES AND EXPENSES (continued)

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

31 December 2018

	Actual Costs	**Estimated costs Prospectus**
Management fee	€913,660	% of GAV: Class A=1.5%, Class B=1.0% and Class C=0.5%
Administration fee	€104,326	+/- of 0.095% of NAV
Trustee fee	€13,850	Annual fee €11,000
Independent auditor's and advisor fee*	€48,985	Not Specified
Depositary fee	€35,542	0.03% of the NAV
Other costs**	€1,500	Not Specified

31 December 2017

	Actual Costs	**Estimated costs Prospectus**
Management fee	€913,022	% of GAV: Class A=1.5%, Class B=1.0% and Class C=0.5%
Performance fee	€553,772	% of annual increase GAV:
Administration fee	€93,413	+/- of 0.095% of NAV
Trustee fee	€13,537	Annual fee €11,000
Independent auditor's and advisor fee*	€46,287	Not Specified
Depositary fee	€33,555	0.03% of the NAV
Other costs**	-	Not Specified

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

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

The Turnover Rate is calculated as follows:
[(Total 1 – Total 2) / X] *100
Total 1: the total amount of investment transactions (purchase and sale of all 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

7. FEES AND EXPENSES (continued)

Portfolio Turnover Rate (continued)

	2018	2017
	€	€
Securities purchase	445,033,818	270,175,486
Securities sale	452,464,427	255,536,237
Total securities transactions	**897,498,245**	**525,711,723**
Subscriptions Participants	5,043,815	8,251,574
Redemptions Participants	-	5,860,000
Total movement in participations	**5,043,815**	**14,111,574**
Average net asset value	97,030,042	92,866,921
Turnover Rate	**920%**	**551%**

8. ACCRUED EXPENSES

	2018	2017
	€	€
Administration fee	17,384	24,828
Audit fee	13,159	13,794
Costs of supervision	11,378	12,321
Depositary fee	5,757	8,986
Legal and tax advice fees	5,076	5,225
Trustee fee	3,456	3,377
Other accrued expenses	1,413	5,515
Total	**57,623**	**74,046**

9. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2018	2017
	€	€
Interest income	170,313	-
Interest expense	(669,704)	(524,740)
Borrowing fee	(425,270)	(204,308)
Total	**(924,661)**	**(729,048)**

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

10. DIVIDEND INCOME/EXPENSE

	2018	2017
	€	€
Gross dividend income	2,183,921	1,649,094
Dividend expense on securities sold short	(900,252)	(702,458)
Total	**1,283,669**	**946,636**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets for liabilities that the entity can access at the measurement date
- Level 2 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 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Fair value estimation (continued)
The following table analyses the fair value hierarchy of the Fund's financial assets and liabilities measured at fair value at the year ended 31 December 2018 and as at 31 December 2017:

Financial assets at fair value through profit or loss	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	70,821,530	70,821,530	-	-
Derivatives	324,242	-	324,242	-
Total	**71,145,772**	**70,821,530**	**324,242**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	(36,503,901)	(36,503,901)	-	-
Derivatives	(77,190)	-	(77,190)	-
Total	**(36,581,091)**	**(36,503,901)**	**(77,190)**	**-**

Financial assets at fair value through profit or loss	**31 December 2017**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	87,812,269	87,812,269	-	-
Total	**87,812,269**	**87,812,269**	**-**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2017**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	(44,718,820)	(44,718,820)	-	-
Derivatives	(62,952)	-	(62,952)	-
Total	**(44,781,772)**	**(44,718,820)**	**(62,952)**	**-**

For the year ended 31 December 2018 and the year ended 31 December 2017, there were no transfers between Levels.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

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

The ex-post Beta for the Fund was 0.18 (2017: 0.09), calculated from a regression of the daily returns of the Fund on the MSCI Japan index, from 1 January to 31 December 2018. The ex-ante Beta measured at year-end 2018 is 0.28 (2017: 0.30). (Source: Nomura TradeSpex.)

31 December 2018

Market index	**Ex-ante Beta**	**Change**	**Effect on net assets and profit**	**Change**	**Effect on net assets and profit**
		%	**€**	**%**	**€**
MSCI Japan Index	0.28	25%	7,993,229	-25%	(7,993,229)

31 December 2017

Market index	**Ex-ante Beta**	**Change**	**Effect on net assets and profit**	**Change**	**Effect on net assets and profit**
		%	**€**	**%**	**€**
MSCI Japan Index	0.30	25%	9,940,349	-25%	(9,940,349)

If an investment portfolio of a fund is relatively concentrated, it is considerably dependent on volatility in specific equities (idiosyncratic risk). The Manager has defined several guidelines to adhere to, with respect to maximum percentages held on a security and sector level. The Fund's investments are all well within the guidelines as described in the Prospectus. The portfolio of the Fund is fairly diversified as is illustrated by the percentages held as disclosed in the 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). The Fund may hold cash in and securities denominated in other currencies. The value of such holdings, expressed in the currency in which the pertinent (Sub) Class of Participations is administered, may therefore be influenced by currency fluctuations.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)
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.

Please note that the table below is based upon the holdings as at 31 December 2018 and 31 December 2017; currency exposures continuously change.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

The total economic exposure to different currencies at 31 December 2018 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	34,641,853	(26,550,681)	(7,706,147)	385,025	0.42	38,503	(38,503)
USD	(77,171)	2,342,579	-	2,265,408	2.49	226,541	(226,541)
Total	**34,564,682**	**(24,208,102)**	**(7,706,147)**	**2,650,433**	**2.91**	**265,044**	**(265,044)**

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

The currency rates as of 31 December 2018 are as follows:

	JPY	USD
FX/EUR	125.42	1.14

The total economic exposure to different currencies at 31 December 2017 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	43,093,449	(44,039,978)	2,385,893	1,439,364	1.46	143,936	(143,936)
USD	(62,952)	1,795,885	-	1,732,933	1.75	173,293	(173,293)
Total	**43,030,497**	**(42,244,093)**	**2,385,893**	**3,172,297**	**3.21**	**317,229**	**(317,229)**

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

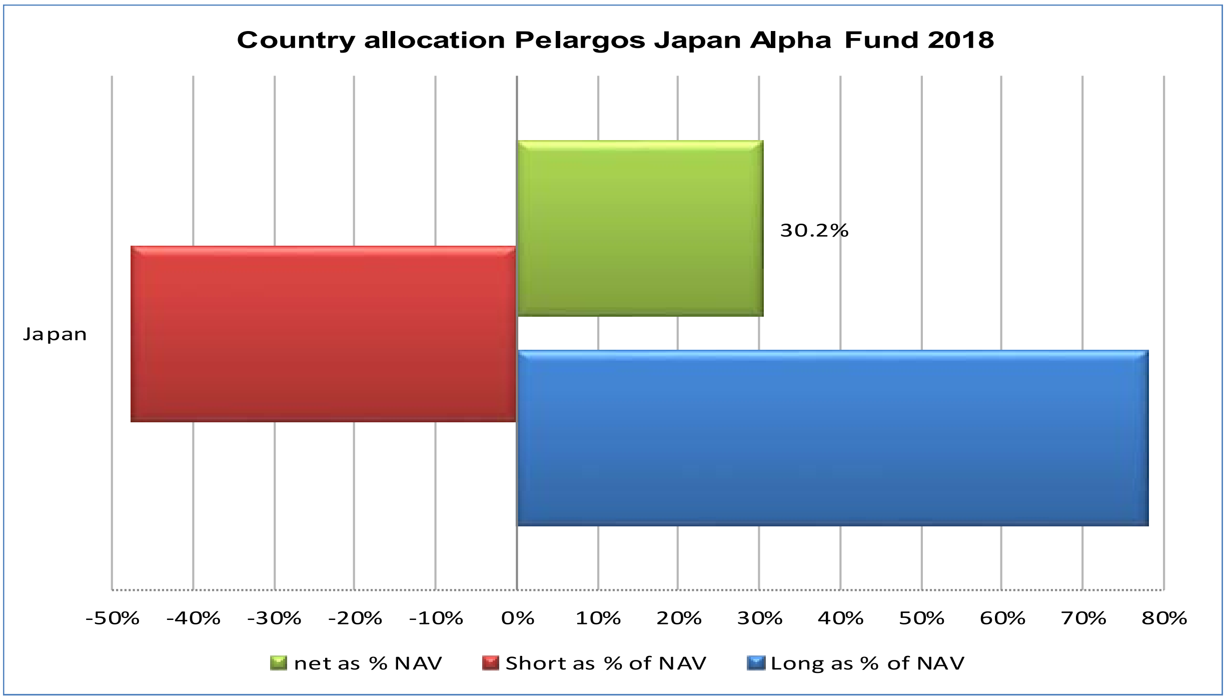
The currency rates as of 31 December 2017 are as follows:

	JPY	USD
FX/EUR	135.26	1.20

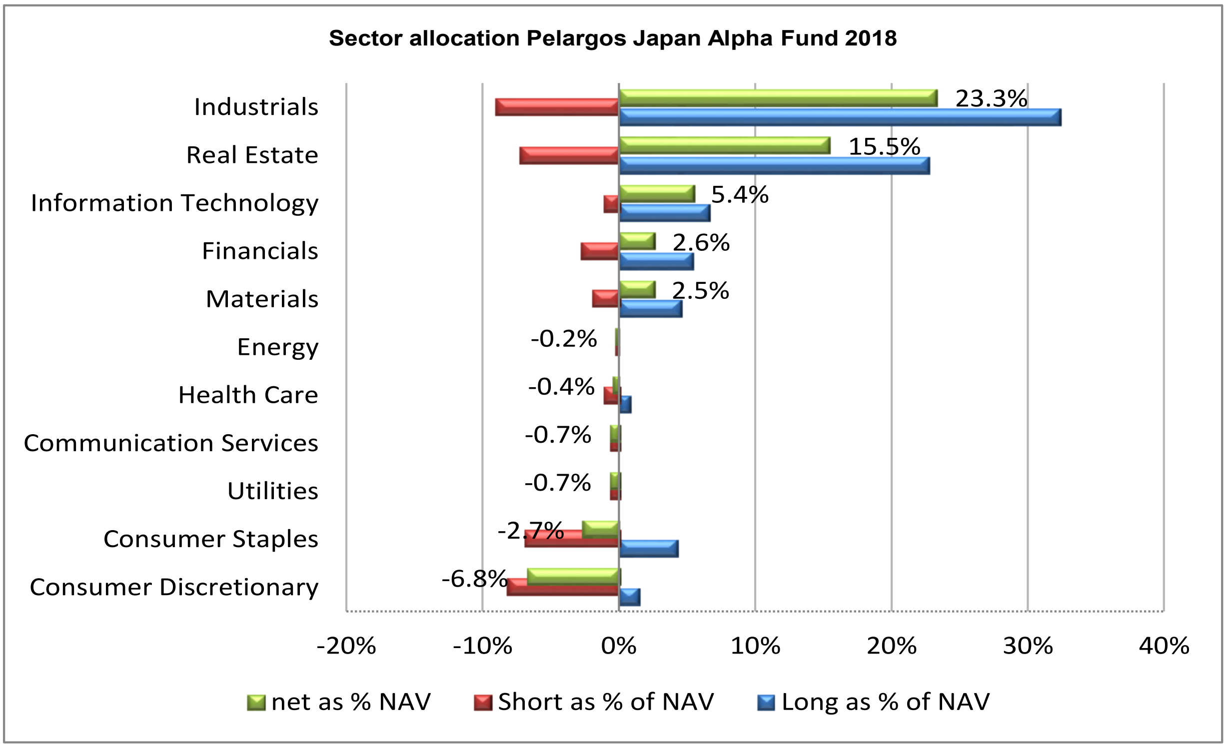
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 31 December 2018 was as follows:



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2018 was as follows:



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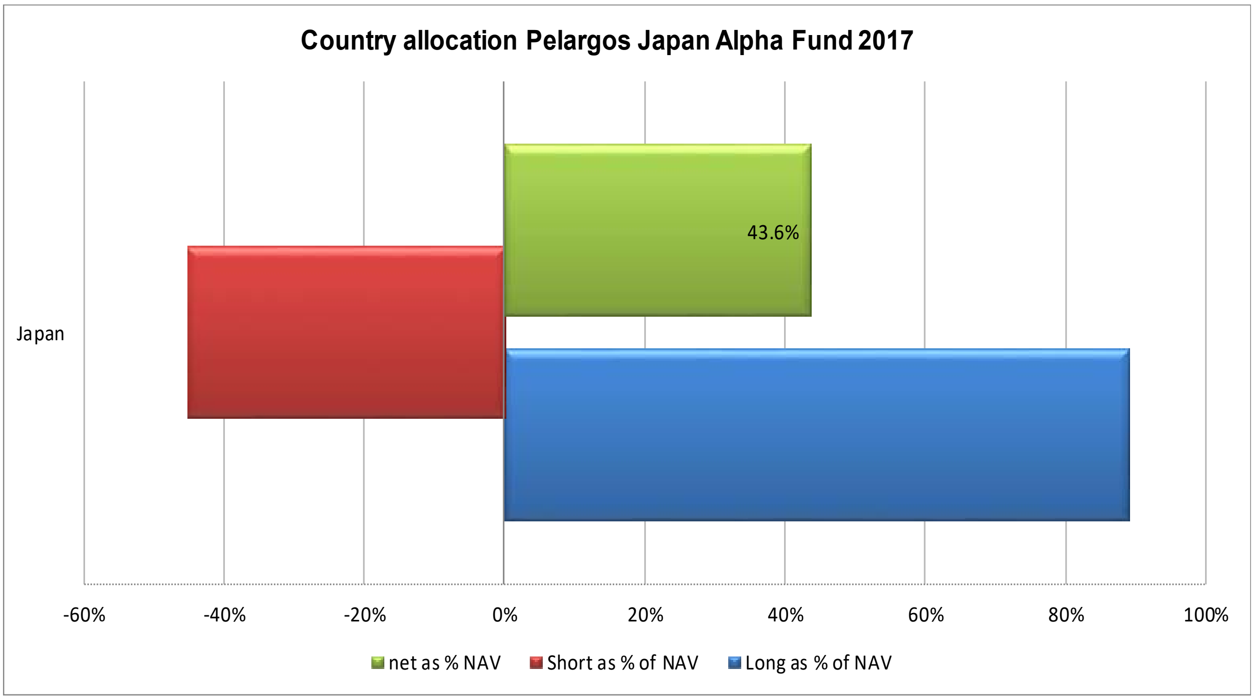
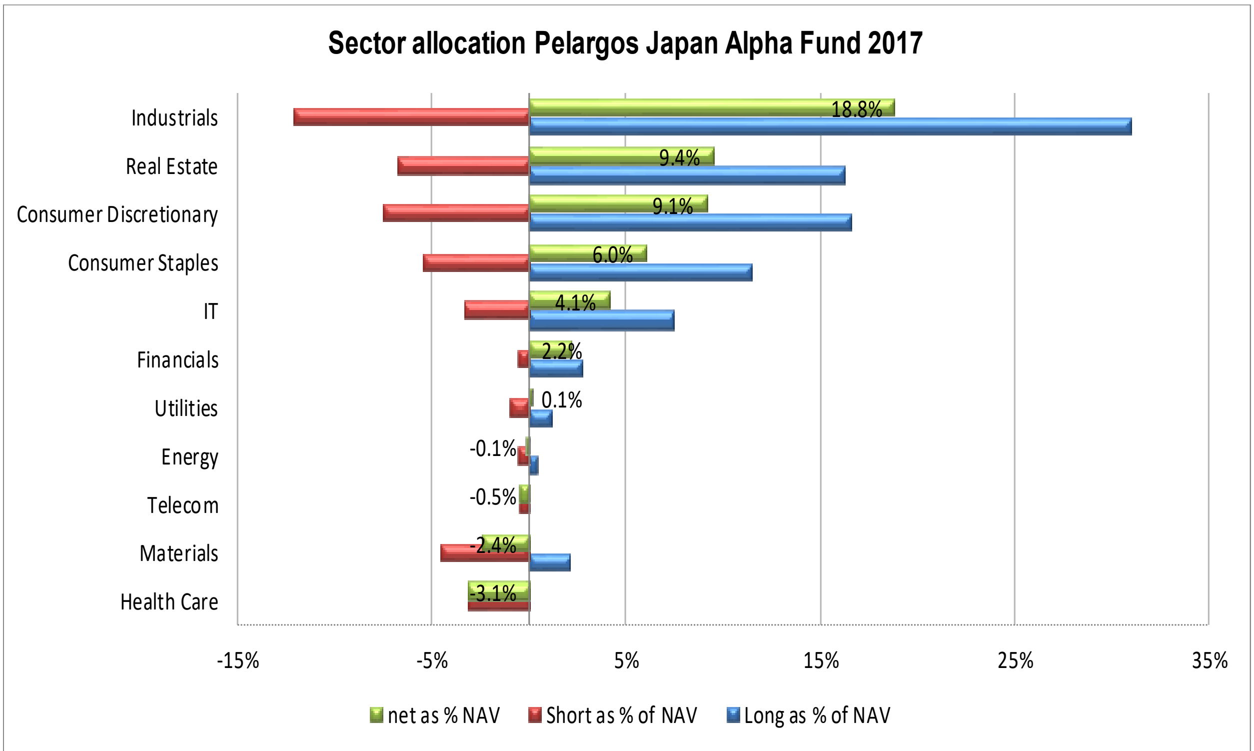
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 31 December 2017 was as follows:



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2017 was as follows:



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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)
The top long and top short exposures as a percentage of the NAV at the end of 2018 were as follows:

TOP LONG POSITIONS 2018	
	As % NAV
Ichigo Hotel REIT Investment Corp	7.2%
Toshiba Plant Systems	7.0%
Taihei Dengyo	4.9%
Maeda Road Construction	4.3%
Ichigo REIT	4.2%
Canadian Solar Infrastructure Fund	3.7%
Ichigo Group	3.1%
Okamoto Industries	3.0%
Heiwa Real Estate	2.7%
Takara Leben Infrastructure Fund	2.3%

TOP SHORT POSITIONS 2018	
	As % NAV
Coca Cola West	3.1%
Nippon Building Fund	3.0%
Aozora Bank	2.0%
Shimamura Co	2.0%
Odakyu Elec Rail	1.8%
Aeon Mall	1.4%
Kagome	1.4%
Pepper Food Service	1.2%
Panasonic	1.2%
Nissin Foods	1.2%

The top long and top short exposures as a percentage of the NAV at the end of 2017 were as follows:

TOP LONG POSITIONS 2017	
	As % NAV
Toshiba Plant Systems & Services	4.4%
Tokyu	4.0%
Maeda Road Construction	3.8%
Ichigo	3.2%
Japan Tobacco	3.0%
Nishimatsu Construction	3.0%
Pola Orbis Holdings	2.8%
Taihei Dengyo Kaisha	2.7%
Heiwa Real Estate	2.7%
Fuji Media Holdings	2.7%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

TOP SHORT POSITIONS 2017	
	As % NAV
Nippon Building Fund	2.1%
Toray Industries	1.8%
Megmilk Snow Brand	1.6%
United Urban Investment	1.5%
Central Japan Railway	1.5%
OSG Corp	1.5%
Yamato Holdings	1.2%
Yamazaki Baking	1.1%
ABC-Mart	1.0%
Nippon Express	0.9%

Interest rate risk
The majority of the Fund's financial assets are non-interest-bearing. At the Statement of Financial Position date the Fund has not invested in deposits or fixed income securities. The Fund invested in a Money Market Fund, which invests in papers in interest bearing 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. The Fund is subject to cash flow interest rate risk; however the effect is not considered material due to the short-term nature.

Fund exposure to direct interest rate risk in Euro at 31 December 2018 was:

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	324,242	-	-	-	70,821,530	71,145,772
Amounts due from brokers	71,639	-	-	-	-	71,639
Margin accounts	27,135,874	-	-	-	-	27,135,874
Cash and cash equivalents	37,002,285	-	-	-	-	37,002,285
Total	**64,534,040**	**-**	**-**	**-**	**70,821,530**	**135,355,570**

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	77,171	-	-	-	36,503,920	36,581,091
Amounts due to brokers	7,942,622	-	-	-	-	7,942,622
Total	**8,019,793**	**-**	**-**	**-**	**36,503,920**	**44,523,713**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)
Fund exposure to direct interest rate risk in Euro at 31 December 2017 was:

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	-	-	-	-	87,812,269	87,812,269
Amounts due from brokers	2,372,865	-	-	-	-	2,372,865
Margin accounts	32,326,878	-	-	-	-	32,326,878
Cash and cash equivalents	21,739,446	-	-	-	-	21,739,446
Total	**56,439,189**	**-**	**-**	**-**	**87,812,269**	**144,251,458**

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	62,952	-	-	-	44,718,820	44,781,772
Amounts due to brokers	90,722	-	-	-	-	90,722
Total	**153,674**	**-**	**-**	**-**	**44,718,820**	**44,872,494**

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.

As at 31 December 2018, the Fund held one MMF, the Goldman Sachs Euro Liquid Reserves Fund (31 December 2017: one).

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

	2018	2017
	€	€
Derivatives	324,242	-
Amounts due from brokers	71,639	2,372,865
Dividends receivable	338,373	258,666
Margin accounts	27,135,874	32,326,878
Cash and cash equivalents	37,002,285	21,739,446
Total	**64,872,413**	**56,697,855**

In 2018 and 2017, OTC derivative transactions were executed with the Fund’s Prime Brokers Goldman Sachs International, UBS AG and Nomura International plc. The Fund’s derivative contracts held were equities.

To mitigate credit risk, three Prime Brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long-term ratings for Goldman Sachs International at 31 December 2018 were A1 (2017: A3 (Moody’s)) and A+ (2017: BBB+ (S&P)). Long-term ratings for UBS AG at year-end were Aa3 (2017: Aa3) at Moody’s and A+ (2017: A+) at S&P. Long-term ratings for Nomura International plc at year-end were NR (2017: AA-) at Japan Credit Rating Agency and A- (2017: A-) at S&P.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)
The Prime Brokers may acquire legal title to the Fund's assets up to an amount of more than 100% (max 140%) of the value of the (i) liabilities or (ii) net indebtedness, as the case may be, of the Fund towards the relevant Prime Brokers (rehypothecation). The Fund will have a right to the redelivery of equivalent assets from the Prime Brokers. In the event of an insolvency of either party, the obligation to redeliver will be given a cash value and will form part of a set off calculation against the amount the Fund owes the Prime Brokers.

To the extent that the Prime Brokers have rehypothecated assets in excess of the amount that the Fund owes, the Fund ranks as a general creditor for the excess following the operation of set-off, with the risk that such excess may not be reclaimed. The Fund continuously monitors the creditworthiness of its Prime Brokers and has appointed multiple Prime Brokers.

The Fund has entered into master netting agreements with its Prime Brokers. Under these agreements all assets and liabilities with the Prime Broker can be offset with each other.

To enable to short securities, the Fund borrows securities. At 31 December 2018, the Fund borrowed securities for an amount of €42,778,985 (31 December 2017: €44,721,145).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)
The financial assets and liabilities which are subject to offsetting as of 31 December 2018 and as of 31 December 2017 are as follows:

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position: Financial instrument	Net amount
2018	€	€	€	€	€
Investments pledged* GS	17,040,975	-	17,040,975	-	17,040,975
Derivative assets GS	324,242	-	324,242	77,209	247,033
2017	€	€	€	€	€
Investments pledged* GS	16,538,495	-	16,538,495	-	16,538,495
Investments pledged UBS	823,902	-	823,902	-	823,902

* rehypothecated equity long

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position: Financial instrument	Net amount
2018	€	€	€	€	€
Derivative liabilities GS	77,209	-	77,209	77,209	-
2017	€	€	€	€	€
Derivative liabilities GS	-	-	-	-	-
Derivative liabilities Nomura	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

The Fund is exposed to cash redemptions of redeemable units of participation for a monthly valuation day, with 15 business day's previous notice.

The Fund invests the majority of its assets in investments that are listed and traded in active markets; all listed on major Japanese stock exchanges. The liquidity of all securities will be continuously monitored by the Manager, who aims to be able to exit 50% of the assets in the Fund with one week and 95% in one month time.

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

31 December 2018	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
Assets	**€**	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	70,821,530	70,821,530
Derivatives	324,242	-	-	-	-	324,242
Other receivables	338,373	-	-	-	-	338,373
Amounts due from brokers	71,639	-	-	-	-	71,639
Margin accounts	27,135,874	-	-	-	-	27,135,874
Cash and cash equivalents	37,002,285	-	-	-	-	37,002,285
Total	**64,872,413**	-	-	-	**70,821,530**	**135,693,943**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	36,503,920	36,503,920
Derivatives	77,171	-	-	-	-	77,171
Other liabilities and accrued expenses	303,338	-	-	-	-	303,338
Amounts due to brokers	7,942,622	-	-	-	-	7,942,622
Total	**8,323,131**	-	-	-	**36,503,920**	**44,827,051**
Redeemable units of participation	-	90,866,892	-	-	-	90,866,892
Total	-	**90,866,892**	-	-	-	**90,866,892**
Liquidity gap	**56,549,282**	**(90,866,892)**	-	-	**34,317,610**	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)
The liquidity profile of the Fund's financial liabilities based on undiscounted contractual maturities is illustrated as follows:

31 December 2017	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
Assets	**€**	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	87,812,269	87,812,269
Other receivables	258,666	-	-	-	-	258,666
Amounts due from brokers	2,372,865	-	-	-	-	2,372,865
Margin accounts	32,326,878	-	-	-	-	32,326,878
Cash and cash equivalents	21,739,446	-	-	-	-	21,739,446
Total	**56,697,855**	**-**	**-**	**-**	**87,812,269**	**144,510,124**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	44,718,820	44,718,820
Derivatives	62,952	-	-	-	-	62,952
Other liabilities and accrued expenses	878,200	-	-	-	-	878,200
Amounts due to brokers	90,722	-	-	-	-	90,722
Total	**1,031,874**	**-**	**-**	**-**	**44,718,820**	**45,750,694**
Redeemable units of participation	-	98,759,430	-	-	-	98,759,430
Total	**-**	**98,759,430**	**-**	**-**	**-**	**98,759,430**
Liquidity gap	**55,665,981**	**(98,759,430)**	**-**	**-**	**43,093,449**	**-**

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

Liquidity analysis
The liquidity of the securities is continuously monitored as liquidity risk is a risk factor that we believe is important to manage. Closing illiquid positions can be costly as prices can move significantly in a few days, especially if headline driven traders are involved. To mitigate this risk the Manager expects to exit 50% of the assets in the Fund within one week and 95% within one month. The Manager currently maintains a level within such limits.

The following tables relate all equity positions of the Fund to the average daily trading volumes (ADV) over the last 3 months of 2018. The average and maximum ADVs are based on the the ADV. The average long position of the Fund was 216% of the ADV. The max ADV was the value of the most illiquid position as a percentage of 3-months average ADV. Those tables stated the percentage of the assets held in five different classes of market liquidity. Within 1 day, 21% of the long book can be closed and 97% of the short book can be closed, under the assumption that we trade maximum 25% of the daily volume.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity profile of the Long portfolio

Percentage of 3-months ADV	**Average ADV**	**Max ADV**	**Percentage of Portfolio in% of the ADV**				
			0%-25%	**25%-50%**	**50%-100%**	**100%-200%**	**>200%**
31 December 2018	216%	1227%	21%	5%	6%	31%	37%
31 December 2017	69%	732%	35%	25%	11%	26%	4%

Liquidity profile of the Short portfolio

Percentage of 3-months ADV	**Average ADV**	**Max ADV**	**Percentage of Portfolio in% of the ADV**				
			0%-25%	**25%-50%**	**50%-100%**	**100%-200%**	**>200%**
31 December 2018	7%	27%	97%	3%	-	-	-
31 December 2017	6%	28%	93%	7%	-	-	-

12. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Fund's investment strategies and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Fund. The derivative contracts that the Fund held or issued were futures, forward foreign currency contracts and options.

The Fund records its derivative activities on a mark-to-market basis.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

12. DERIVATIVE CONTRACTS (continued)

As at 31 December 2018 and 31 December 2017, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets 31 December 2018	Fair value liabilities 31 December 2018
	€	€
Forward foreign currency contracts	-	(77,171)
Futures	323,990	-
Options	252	(19)
Total derivative contracts	**324,242**	**(77,190)**

	Fair value assets 31 December 2017	Fair value liabilities 31 December 2017
	€	€
Forward foreign currency contracts	-	(62,952)
Total derivative contracts	**-**	**(62,952)**

The table below details the total derivatives exposure at 31 December 2018 and 31 December 2017. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At 31 December 2018 the Fund held equity index options and equity index futures.

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 2018 the leverage is 125.7% (31 December 2017: 134.2%).

31 December 2018	Net exposure	Gross exposure	Gross as % NAV
	€	€	
Equities	34,316,917	107,323,205	118.1%
Futures	(6,861,844)	6,861,844	7.6%
Options	3,930	3,930	0.0%
Total exposure	**27,459,003**	**114,188,979**	**-**
Total as % of NAV	**30.2%**	**125.7%**	**125.7%**

31 December 2017	Net exposure	Gross exposure	Gross as % NAV
	€	€	
Equities	43,095,690	132,537,981	134.2%
Total exposure	**43,095,690**	**132,537,981**	**-**
Total as % of NAV	**43.6%**	**134.2%**	**134.2%**

13. REDEEMABLE UNITS OF PARTICIPATION

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

The minimum (initial) investment in Class A and B 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.

On 11 May 2017 the Manager decided to introduce a new Class C units of participation. The Class C units of participation may be issued in two subclasses denominated in US Dollars and in Euro.

The minimum (initial) investment in Class C for the 'seeding' investor, employees and employees of the directors is Euro 1,000 and USD 1,000 and for other Participants Euro 100,000 and USD 100,000. Subscriptions and redemptions have a minimum size of Euro and USD 1,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

13. REDEEMABLE UNITS OF PARTICIPATION (continued)

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

Transactions in units of participation for Class A, Class B and Class C for the year ended 31 December 2018 and 31 December 2017 were as follows:

	Number of units of participation 2018	Number of units of participation 2017
Class A (EUR)		
Units of participation balance at the beginning of the year	236	236
Units of participation at the end of the year	**236**	**236**

	Number of units of participation 2018	Number of units of participation 2017
Class B (EUR)		
Units of participation balance at the beginning of the year	56,178	59,945
Issue of redeemable units of participation	16	37
Redemption of redeemable units of participation	-	(3,801)
Issue/Redemption related to equalisation credit/(deficit)	-	(3)
Units of participation at the end of the year	**56,194**	**56,178**

	Number of units of participation 2018	Number of units of participation 2017
Class C (USD)		
Units of participation balance at the beginning of the year	9,416	-
Issue of redeemable units of participation	5,902	9,416
Issue/Redemption related to equalisation credit/(deficit)	12	-
Units of participation at the end of the year	**15,330**	**9,416**

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

The Fund's objectives for managing capital are:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

14. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 257.43 (31 December 2017: 264.51) units of participation Class B in the Fund. Pelargos Capital B.V. held 136.47 (31 December: 2017: 136.47) units of participation Class A Euro.

Two investment funds managed by Aegon Investment Management B.V. (AIM B.V.) held 55,868.61 (31 December 2017: 55,868.61) units of participation Class B and 99.80 (31 December 2017: 99.80) units of participation Class A.

AIM B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V. Aegon Asset Management Holding B.V. holds 73.34% (31 December 2017: 73.34%) of the shares in Pelargos Capital B.V.

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

15. PERSONAL INTERESTS OF DIRECTORS

In accordance with article 122 paragraph 2 Bgfo the Fund is required to list the total holdings in securities by the (employees of) directors in investments, which are also held by the Fund as of 31 December 2018.

As of 31 December 2018 and 31 December 2017 there are no personal interests of the employees of directors in investments, which were also held by the Fund.

As of 31 December 2018 and 31 December 2017 the personal interests of employees of directors and a non-executive director of the Fund are as follows:

	Market Value 31 December 2018	Market Value 31 December 2017
	€	€
Pelargos Japan Alpha Fund	357,793	424,773
	357,793	**424,773**

16. DIVIDEND AND ALLOCATION OF RESULT

During the year ended 31 December 2018 and 31 December 2017, the Fund did not pay dividends. The result is included in the net assets attributable to holders of redeemable units of participation.

17. INVESTOR MONEY REGULATIONS

In response to the Central Bank of Ireland publishing the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers (the "Investor Money Regulations" or "IMR") in March 2015 (effective from 1 July 2016), the Manager undertook, together with BNY Mellon Fund Services (Ireland) Designated Activity Company, a review of the way in which subscription, distribution and redemption monies are channelled to and from the Fund. As a result of this review, subscription and redemption monies are (effective from 1 July 2016), channelled through a cash collection account in the name of the Fund. Pending issue of the units and / or payment of subscription proceeds to an account in the name of the Fund, and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Fund in respect of amounts paid by or due to it. At 31 December 2018 and 31 December 2017, there were no such subscriptions or redemptions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

18. EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 ("SFTR")

As at 31 December 2018 and 31 December 2017, additional SFTR disclosures are required for repurchase/reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing, securities lending and margin lending transactions. For the year ended 31 December 2018 (31 December 2017: Nil), the Fund has not entered into any stock lending transactions and repurchase/reverse repurchase transactions.

The following table details the Fund's exposure (calculated on a net basis) to repurchase/reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions as at 31 December 2018 and 31 December 2017.

31 December 2018	**Counterparty country of incorporation**	**Reverse repurchase transactions**	**Total return swap (including CFD)***	**Securities borrowing**	**Margin lending transactions**
Counterparty		€	€	€	€
Goldman Sachs	United Kingdom	-	-	42,778,985	25,434,099
UBS	United Kingdom	-	-	-	1,701,775
Total as % of the NAV		0.0%	0.0%	47.1%	29.9%
31 December 2017					
Counterparty		€	€	€	€
Goldman Sachs	United Kingdom	-	-	44,721,145	30,333,551
UBS	United Kingdom	-	-	-	1,993,327
Total as % of the NAV		0.0%	0.0%	45.3%	32.7%

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

The following table provides an analysis of the maturity tenor of reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions outstanding as at 31 December 2018:

31 December 2018	**Reverse repurchase transactions**	**Total return swap (including CFD)**	**Securities borrowing**	**Margin lending transactions**
Maturity tenor	€	€	€	€
1 day	-	-	-	-
2 to 7 days	-	-	-	-
8 to 30 days	-	-	-	-
31 to 90 days	-	-	-	-
91 to 365 days	-	-	-	-
more than 365 days	-	-	-	-
open transactions	-	-	42,778,985	27,135,874

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

18. EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 ("SFTR") (continued)

The following table provides an analysis of the maturity tenor of reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions outstanding as at 31 December 2017:

31 December 2017	**Reverse repurchase transactions**	**Total return swap (including CFD)**	**Securities borrowing**	**Margin lending transactions**
Maturity tenor	€	€	€	€
1 day	-	-	-	-
2 to 7 days	-	-	-	-
8 to 30 days	-	-	-	-
31 to 90 days	-	-	-	-
91 to 365 days	-	-	-	-
more than 365 days	-	-	-	-
open transactions	-	-	44,721,145	32,326,878

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

The Fund had cash collateral received or posted in respect of the daily marking-to-market of derivative positions. As at 31 December 2018, the amount posted in the initial and variation margin account was €85,471 (31 December 2017: €Nil).

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

Securities borrowing, total return swaps and margin lending transactions are normally governed by a prime brokerage agreement with the Prime Broker(s). Under these arrangements, the Fund is required to post margin in respect of all its obligations to the Prime Broker(s) under that agreement. Each Prime Broker has a security interest over all non-cash assets held with it in the pooled custody accounts. Any of these assets can be used by the Prime Broker to cover their margin requirement for the Fund. Each Prime Broker also has the right to re-hypothecate a certain amount of the Fund's assets to use for their own proprietary purposes. The amount that each Prime Broker is permitted to re-hypothecate will be set out in its prime brokerage agreement and further details are disclosed in the Fund's Prospectus. The maximum percentage of rehypothecation is 140%.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

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

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

The following table details the value of the re-use of Fund’s assets, analysed per counterparty and currency as at 31 December 2018 and 31 December 2017.

Re-use of Fund's asset			**Rehypothecation %**
Counterparty	**Country**	**Currency**	**31 December 2018**
Goldman Sachs	United Kingdom	€	36%
UBS	United Kingdom	€	0%
Re-use of Fund's asset			**Rehypothecation %**
Counterparty	**Country**	**Currency**	**31 December 2017**
Goldman Sachs	United Kingdom	€	37%
UBS	United Kingdom	€	125%

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

Repurchase/ reverse repurchase transactions

The Fund did not have a Global Master Repurchase Agreements (“GMRA”) or Master Repurchase Agreements (“MRA”) with its Prime Broker. There were no reverse repurchase transactions in 2018 and 2017. There was no return sharing agreements with the Fund’s Manager.

19. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 31 December 2018 up to the date of approval of these financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

Approved on behalf of the Manager:

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Director Pelargos Capital B.V.

Date: 18 April 2019

OTHER NOTES
For the year ended 31 December 2018

1. VOTING POLICY

The Manager adheres to the Japan Stewardship Code (the Code) as of September 2016. The Code, published in 2014, sets out best practice principles for responsible institutional investors. The Manager has a voting policy to support the Code and will in the best interest of the Participants engage with Japan listed companies in which the Fund invests.

The Manager subscribes to the Code. Stewardship is about being an active investor and entering into a dialogue with management of companies about strategic issues in the companies which we believe should be changed or improved. During 2018, the Manager voted at virtually all AGMs of companies of which it held stock in the portfolios, and it voting against management proposal where it felt these proposals were not in the interest of the investor. A detailed voting report is available on the website of the Manager.

2. APPROVAL OF THE FINANCIAL STATEMENTS

The Manager approved the financial statements on 18 April 2019.

Independent auditor's report

To: the general meeting of unit holders

Report on the financial statements 2018

Our opinion

In our opinion, Pelargos Japan Alpha Fund's financial statements give a true and fair view of the financial position of the fund as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Pelargos Japan Alpha Fund, The Hague ('the fund').

The financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the following statements for 2018: the statements of comprehensive income, changes in net assets attributable to holders of redeemable units of participation and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Independence
We are independent of Pelargos Japan Alpha Fund in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the fund information;
- the fund profile;
- the summary of financial information;
- the manager's report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Responsibilities for the financial statements and the audit

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Rotterdam, 18 April 2019
PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the financial statements 2018 of Pelargos Japan Alpha Fund

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

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

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

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

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