# Pelargos Asia Alpha Fund

## AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
**31 DECEMBER 2014**

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## FUND INFORMATION

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

## FUND PROFILE

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

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

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

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

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

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

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

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

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

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

## SUMMARY FINANCIAL INFORMATION

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Class A (€ '000) | 11 | 17 | (3) | (15) | 13 |
| Class B (€ '000) | 7,557 | 12,083 | (1,692) | (8,486) | 2,378 |
| **Income** | **7,568** | **12,100** | **(1,695)** | **(8,501)** | **2,391** |
| Class A (€ '000) | (7) | (8) | (7) | (14) | (27) |
| Class B (€ '000) | (5,121) | (5,625) | (3,986) | (4,115) | (4,895) |
| **Expenses and withholding taxes** | **(5,128)** | **(5,633)** | **(3,993)** | **(4,129)** | **(4,922)** |
| Class A (€ '000) | 4 | 9 | (10) | (29) | (14) |
| Class B (€ '000) | 2,436 | 6,458 | (5,678) | (12,601) | (2,517) |
| **Increase/(decrease)** | **2,440** | **6,467** | **(5,688)** | **(12,630)** | **(2,531)** |
| Net assets (€ '000) | 172,257 | 169,986 | 154,067 | 135,334 | 148,496 |
| **Number of units of participation** | | | | | |
| Class A | 242.63 | 242.63 | 242.63 | 242.63 | 772.73 |
| Class B | 177,810.46 | 177,987.92 | 167,916.20 | 141,729.20 | 141,712.57 |
| **Net asset value per unit of participation** | | | | | |
| Class A (in €) | 987.25 | 978.18 | 944.42 | 987.61 | 1,084.98 |
| Class B (in €) | 967.42 | 953.71 | 916.16 | 953.18 | 1,041.95 |
| **Performance (in %)** | | | | | |
| Class A (in %) | 0.93 | 3.57 | (4.37) | (8.97) | (2.16) |
| Class B (in %) | 1.44 | 4.10 | (3.88) | (8.52) | (1.67) |
| **Ongoing Charges Figure (in %)*** | | | | | |
| Class A (in %) | 1.66 | 1.61 | 1.61 | 1.58 | 1.81 |
| **Ongoing Charges Figure (in %)*** | | | | | |
| Class B (in %) | 1.16 | 1.11 | 1.11 | 1.08 | 1.18 |

*Figures for 2010 are based on Total Expense Ratios

## INVESTMENT MANAGER'S REPORT

For the year ended 31 December 2014

### Performance

| 2014 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Class A** | -0.30 | 0.24 | 0.13 | -1.19 | -1.46 | 1.46 | -0.44 | 0.98 | -0.87 | -0.23 | 1.39 | 1.28 | **0.93** |
| **Class B** | -0.26 | 0.28 | 0.18 | -1.15 | -1.42 | 1.50 | -0.40 | 1.02 | -0.83 | -0.19 | 1.43 | 1.33 | **1.44** |

Source: Citibank Europe plc.

Over 2014 the Pelargos Asia Alpha Fund realized a 0.9% return for Class A shares and a 1.4% return for the Class B shares. The difference in the returns results from a different fee structure.

Since inception in January 2009 (Class A) and June 2008 (Class B) the respective returns amounted to -1.3% for Class A shares and -3.3% for Class B.

At year end 2014 the Funds' assets under management stood at €172.3 million, a small gain from prior year.

### Market review

Stock markets in Asia had a difficult start in 2014. However, towards the end of the second quarter, losses had been fully reversed as investor's sentiment improved significantly. Over 2014, the MSCI Asia Pacific ex-Japan index (MAPxJ index) recorded a minor fall of 0.2% in US dollars, therefore slightly underperforming the MSCI World index. In local currency however, the MAPxJ index achieved a modest gain of 3.8%.

Chinese equities came under pressure due to disappointing macroeconomic data, which was partially caused by the government's anti-corruption campaign and structural reform program. In the second quarter, some small and targeted monetary easing measures sparked hopes among investors for more broad-based policy measures. Additionally, rumors appeared on an imminent launch of the Shanghai-Hong Kong stock connect, a mutual market access scheme. However, it took until the fourth quarter before these hopes became reality: the stock market in Shanghai was opened to investors from Hong Kong (and vice versa). Furthermore, China's central bank, the PBoC, announced an unexpected interest rate cut. This boosted the share prices of Chinese stocks on the local markets. The Chinese CSI300 index appreciated 51.7%, whilst the more large cap oriented MSCI China saw much more modest gains of 4.7%.

After initial worries about the impact of the Fed's tapering disappeared, investors started focusing again on economic growth prospects. Southeast Asian countries have the best demographic and consumption growth profiles. On top of that, positive election results in Indonesia and India boosted sentiment in those markets. The sharp drop in oil prices during 2014 have had a big positive impact on those economies. Those economies are large oil importers, therefor lower oil prices led to lower trade deficits and it enabled governments to cut back on fuel subsidies, helping budget deficits. As a result, Southeast Asian markets such as Indonesia, the Philippines and India, were the strongest performers in the region and posted strong gains of roughly 25%.

The sector performance dispersion was large. Defensive sectors such as pharmaceuticals, telecommunications and utilities posted gains in the 8% to 17% range. The technology sector posted a decent 8% gain, due to strong demand for smartphones and televisions. Biggest laggards were cyclical sectors such as basic materials, industrials and energy, which all lost over 15%.

### Investment policy

Over the year our investment policy remained largely bottom up and value focused. The Asia-Pacific equity markets saw another year of broad consolidation and as they remained very sensitive to Chinese as well as US policies, we kept our gross exposure at relative low levels. During most of the year the gross exposure was around 90%. Over the summer, portfolio management transitioned from Kees Rigter who retired after more than 30 years in the industry to Angus Chiang, who has gained extensive Asia Pacific equities experience with ACPI, Morgan Stanley and INOX.

The net exposure of the fund moved in a tight range of +18% and +4% during the year. From a valuation perspective, Asia-Pacific equities were trading near historic averages. Given the markets' high sensitivity to weak macroeconomic growth numbers, a subdued risk profile with low net exposure was warranted. Over the summer, more evidence surfaced that the China slowdown was further exacerbated by European sanctions against Russia. Therefore we trimmed our gross and net exposure to the year low at 78% and 4% respectively. As we became more convinced that global growth was stabilizing and central banks were stepping up their efforts to kick-start global growth again, we gradually increased the risk profile of the fund.

The 2014 Fund performance of 0.9% for Class A shares and 1.4% for Class B shares is a bit better than the 0.2% down move for the MSCI

Asia Pacific ex Japan index in US-dollars. After a flattish performance until mid-April, we lost ground in the ensuing market correction. Thanks to a positive return in the last quarter we ended the year on a positive note.

The positive performance largely resulted from stock selection in the long book, where we mention strong contribution from Taiwanese IT companies Hermes Microvsion (back end semiconductor testing equipment) and TSMC (largest foundry), Chinese railway stocks China CNR Corp. (rolling stock manufacturer) and China Rail Construction (railway construction). In the China Consumer sector we benefitted from a long position in VIP-shop (online retailing) and short positions in China Resource Enterprises (retail and beverage conglomerate) and Tingyi (food and beverage producer).

In contrast with previous years, weakest performance contributors were evenly split between longs and shorts. The biggest drag to the performance was short Daewoo Shipbuilding (pair trade with long Samsung Heavy Industries). Other positions that subtracted from performance were long Hyundai Motors (Korean automobiles), long Xingyi Glass (auto and construction glass), short Singapore Airlines (airline company benefitting from lower oil price), long Petrochina (integrated oil company), short LG Display (television producer benefitting from strong demand) and long GS Retail (Korean convenience stores facing increased competition).

Table 1 shows the main statistics on our exposure management. It shows average risk levels in the portfolio have been low during 2014 with an average gross exposure of 90%, an average net of 11% and average ex-ante portfolio Beta of 0.25. The exposure levels have remained stable over the past year. The absolute levels are still relatively subdued as the current rotational market environment does not reward our investment style. The year end numbers were a 90% gross, a 14% net exposure and a 0.32 ex-ante Beta. Table 1 and 2 showed that the Fund is well within the limits described in the Prospectus.

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

| | High | Low | Average |
|---|---|---|---|
| Net exposure | 18% | 4% | 11% |
| Gross Exposure | 106% | 78% | 91% |
| Ex-Ante Beta* | 0.38 | 0.14 | 0.25 |

*Source: Nomura TradeSpex

The ex-ante Beta of the Fund remained in a range of 0.14 to 0.38, averaging 0.25 for the year. The Fund maintained its embedded value bias and the Fund´s liquidity remains very high: 84% of the Fund can be liquidated in 2 days and 100% within 6 days using 33% of average daily volumes.

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

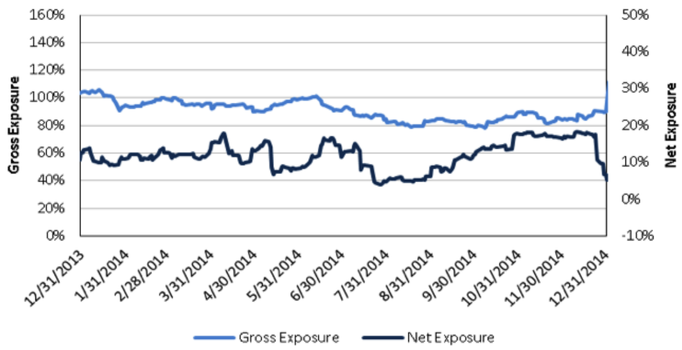
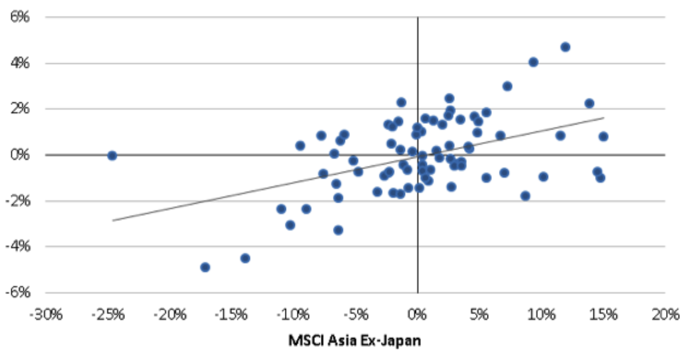



Table 2 and Graph 2 show the correlation of the Fund's monthly return to the MSCI Asia Pacific ex Japan index. The realized correlation of the Fund with the MSCI Asia Pacific ex Japan for 2014 was 0.48 and 0.21 since inception, both based on daily return data.

**Table 2. Realized volatility, Beta and correlation of Fund and MSCI Asia Pacific ex Japan (daily return data)**

| Year | Volatility Fund | Volatility Benchmark | Ex-post Beta Fund | Correlation Fund, Benchmark |
|---|---|---|---|---|
| ITD | 5.7% | 23.9% | 0.05 | 0.21 |
| 2014 | 4.4% | 10.0% | 0.21 | 0.48 |

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



**Outlook**

The current growth profile of the global economy is expected to continue for the time being. This means moderate growth in both developed markets and in most of the large developing countries such as China, Brazil, Turkey and Russia. Positive exceptions will be countries with a favourable demographic profile and thus greater sensitivity to domestic demand. Especially ASEAN countries such as Indonesia, Philippines, Vietnam and India meet this profile. Investors are willing to pay a valuation premium for the additional growth in these markets. As long as global growth remains scarce, it is expected that this premium will persist.

The Chinese leadership has indicated that they will continue with the implementation of the much needed structural reforms and anti-corruption measures. This comes at the price of lower economic growth in the near term, which they are willing to accept. In the long term this should lead to more stable and balanced economic growth, making China's economy less dependent on fixed asset investments.

Inflation is low worldwide, despite efforts by central banks to stimulate growth and inflation. In addition, the oil price halved since the summer of 2014, which is beneficial for Asia because the region is a major importer of oil. Lower import costs directly result in higher disposable income for the population and lower local government deficits as fuel subsidies have been cut. Furthermore, interest rates can remain low, which is favourable for investment and economic growth in the region.

The main risks to the Asian equity markets are China's growth slowing too much, which could send the entire region into recession as well as increased geopolitical tensions in Russia, Ukraine, the Middle East, but also in the Asian region itself.

**Risk management**

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

We have devised a prudent risk management framework that is appropriate to the size and scope of the firm and operations. In Compliance, Directors and Portfolio Management meetings, risks are reviewed identified and previously identified risks are monitored.

Risk management is considered an integral part of the investment and the operational process. Risk management supports decision making in order to minimize unexpected losses and achieve the absolute return objective. Financial risk management encompasses all elements of our investment process from idea generation, implementation of trades, performance measurement, reporting and attribution analysis. A number of risk management systems allow us to notice any deviations to intended positioning and targets. Operational risk management recognizes the four areas of potential losses; processes, systems, people and external events. With these sources of risk in mind processes and controls are developed, documented and monitored.

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

**Risks**

*Volatility of securities held*
Many factors can affect the market value of the securities invested by the Fund. Not only factors inherent to the pertinent issuing company or the sector in which it operates may influence that value; also geopolitical, national developments and macro-economic factors may have that effect. The performance of the Fund largely depends on the decisions that the fund manager takes as part of the investment process, leading from identification to the implementation of investment opportunities. Investments may be geared towards an expected upswing or downswing in the value of a security; if the security moves adversely the value of the Fund may be negatively affected.

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

*Short selling*
The Fund may sell equities with the purpose of buying them back later. As the Fund does not hold those equities, they are borrowed. The cost of borrowing varies and influences the return realized on the pertinent position. Conceivably, borrowed equities may need to be returned to the lender at an earlier date than expected. The value of the borrow amount is limited to a maximum of 250% of the Net Asset Value of all (Sub) Classes of Participations. The risk manager is monitoring this limit independently from the portfolio managers and periodically.
The prime broker calculates the maximum amount to be lent on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement.

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

*Counterparty risk*
The Fund is susceptible to the risk that counterparties of the Fund will default on their obligations as a result of inter alia a moratorium of payment or involuntarily liquidation. Such counterparties include the Prime Brokers. A Prime Broker is entitled to pledge assets of the Fund to third parties to secure financing to the Fund (rehypothecation). In case of

involuntary liquidation of the Prime Broker, the Fund ranks as a general creditor in respect to the value of the rehypothecated assets, with the risk that this value may not be reclaimed. The amount of rehypothecation of long assets is limited to 140% of the net indebtedness of the fund.

*Derivatives*
The Fund may utilise investment instruments such as exchange-traded futures, OTC options and other derivative contracts. Depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss that is high in proportion to the amounts of the funds actually placed as initial margin or premium paid. Because OTC transactions are not executed via an exchange, pricing may be less transparent. Additionally, OTC transactions may involve counterparty risk with respect to the unrealised profit value within the contract. ISDA rules apply for pledging and potentially receiving collateral for OTC contracts such as options and futures.

**Other information**

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

We have assessed several aspects of operational management throughout the past financial year. We have noticed nothing in our assessments that would lead us to conclude that the description of the structural aspects of operational management within the meaning of article 121 of the Bgfo failed to meet the requirements as specified in the Wft and related regulations. Based on these findings we, as Investment Manager of the Fund, declare that we possess a statement of operational management as defined by article 121 of the Bgfo, which meets the requirements of the Bgfo.

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

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

Pelargos Capital B.V. has been granted the license to manage investment funds (as meant in Article 2:65, first paragraph, sub a, Wet op het Financieel Toezicht (WFT)). The license has automatically been converted into an AIFMD license as of 22 July 2014.

Pelargos Capital B.V. reviewed the existing documentations and has formalised the independent risk function. Pelargos Capital B.V. complies with AIFMD, including the solvability and liquidity requirements.

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

Pelargos Capital B.V. has defined a remuneration policy, which among other things includes provisions on the deferral of at least 40% of the variable pay to key risk takers. The directors of Pelargos Capital B.V. discuss the proposed budgeted amount for variable pay with the shareholders of Pelargos Capital B.V.; the directors decide on the assessment of performances of members of personnel and the amount of variable pay allocated to each member of personnel.

The amount of variable pay for each director, key risk taker or other employee is dependent on the performance of the relevant fund, the contribution to the(improvement) of the investment process, the contribution to (the improvement of) other company processes among which risk management, the contribution to marketing and sales, as well as the quality of activities in the execution of existing company processes.

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

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

The Hague, 24 April 2015

| | |
|---|---|
| R.A. Dingemans,<br>on behalf of Orange Dragon Company B.V.<br>Director Pelargos Capital B.V. | P.P.J. van de Laar,<br>on behalf of Emphi B.V.<br>Director Pelargos Capital B.V. |

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | € | € |
| **Assets** | | | |
| Financial assets at fair value through profit or loss | 3 | 80,221,803 | 72,335,514 |
| Amounts due from brokers | 6 | 1,483,229 | - |
| Dividends receivable | | 56,694 | 216,419 |
| Interest receivable | | 11,935 | 3,087 |
| Margin account | 5 | 23,864,835 | 30,625,596 |
| Cash and cash equivalents | 4 | 132,754,045 | 121,647,917 |
| **Total assets** | | **238,392,541** | **224,828,533** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit or loss | 3 | 62,735,304 | 54,326,103 |
| Dividends payable | | - | 208,185 |
| Management fee payable | 7 | 155,989 | 149,263 |
| Interest payable | | 88,330 | 124,475 |
| Accrued expenses | 8 | 100,911 | 34,316 |
| Amounts due to brokers | 6 | 3,055,083 | - |
| **Total liabilities (excluding net assets attributable to holders of redeemable unit of participation)** | | **66,135,617** | **54,842,342** |
| | | | |
| **Net assets attributable to holders of redeemable units of participation** | | **172,256,924** | **169,986,191** |

### Net asset value per unit of participation

| **Class A** | **2014** | **2013** | **2012** |
|---|---|---|---|
| Number of units of participation (Note 13) | 242.63 | 242.63 | 242.63 |
| Net asset value per unit of participation | €987.25 | €978.18 | €944.42 |

| **Class B** | **2014** | **2013** | **2012** |
|---|---|---|---|
| Number of units of participation (Note 13) | 177,810.46 | 177,987.92 | 167,916.20 |
| Net asset value per unit of participation | €967.42 | €953.71 | €916.16 |
| | | | |
| **Total Net Asset Value** | **€172,256,924** | **€169,986,191** | **€ 154,067,249** |

See notes to the financial statements

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | € | € |
| **Income** | | | |
| Interest income | 9 | 76,703 | 93,752 |
| Gross dividend income | 10 | 2,161,766 | 1,907,150 |
| Net gain on financial assets and liabilities at fair value through profit or loss | 3 | 7,213,841 | 9,849,077 |
| Net foreign exchange (loss)/gain on cash and cash equivalent | 3 | (1,884,138) | 249,788 |
| **Total income** | | **7,568,172** | **12,099,766** |
| **Expenses** | | | |
| Management fees | 7 | (1,691,739) | (1,675,998) |
| Dividend expense on securities sold short | 10 | (1,964,360) | (2,293,813) |
| Interest expense | 9 | (1,177,376) | (1,456,359) |
| Other expenses | 7 | (4,236) | (3,556) |
| Administration fee | 7 | (99,694) | (100,289) |
| Trustee's fee | 7 | (35,000) | (31,000) |
| Legal fee | 7 | (45,000) | (27,700) |
| Cost of supervision | 7 | (15,000) | - |
| Depositary fee | 7 | (45,540) | - |
| Audit fee | 7 | (20,999) | (18,000) |
| **Total operating expenses** | | **(5,098,944)** | **(5,606,715)** |
| **Profit before tax** | | **2,469,228** | **6,493,051** |
| Withholding taxes | | (29,453) | (26,565) |
| **Increase attributable to holders of redeemable units of participation** | | **2,439,775** | **6,466,486** |

See notes to the financial statements

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Note | 2014 € | 2013 € |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Increase attributable to holders of redeemable units of participation | | 2,439,775 | 6,466,486 |
| Adjustment for net foreign exchange (loss)/gain on cash and cash equivalent | | 1,884,138 | (249,787) |
| Adjustment for interest income | | (76,703) | (93,752) |
| Adjustment for dividend income | | (2,161,764) | (1,907,150) |
| Adjustment for interest expenses | | 1,177,376 | 1,456,359 |
| Adjustment for dividend expenses | | 1,964,360 | 2,293,813 |

Adjustments to reconcile increase attributable to holders of redeemable units of participation to net cash provided by operating activities:

| | Note | 2014 € | 2013 € |
|---|---|---|---|
| (Increase)/decrease in financial assets at fair value through profit or loss | | (7,886,289) | 1,190,548 |
| Increase in financial liabilities at fair value though profit or loss | | 8,409,201 | 12,300,251 |
| Decrease/(increase) in margin cash | | 6,760,761 | (30,625,596) |
| Increase in amounts due from brokers | | (1,483,229) | - |
| Increase in amounts due to brokers | | 3,055,083 | - |
| Increase in management fee payable | | 6,726 | 18,561 |
| Increase/(decrease) in accrued expenses | | 66,595 | (10,213) |
| **Cash provided by/(used in) operating activities** | | **14,156,030** | **(9,160,480)** |
| | | | |
| Interest received | | 67,855 | 103,209 |
| Dividend received | | 2,321,489 | 1,780,346 |
| Interest paid | | (1,213,521) | (1,402,982) |
| Dividend paid | | (2,172,545) | (2,111,610) |
| **Net Cash provided by/(used in) operating activities** | | **13,159,308** | **(10,791,517)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of redeemable units of participation | | - | 9,471,000 |
| Payment from redemption of redeemable units of participation | | (68,958) | - |
| Redemption related to equalisation deficit previous year | | (100,084) | (18,544) |
| **Net cash flow (used in)/provided by financing activities** | | **(169,042)** | **9,452,456** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 12,990,266 | (1,339,061) |
| Net foreign exchange (loss)/gain on cash and cash equivalent | | (1,884,138) | 249,787 |
| Cash and cash equivalents at the beginning of the year | | 121,647,917 | 122,737,191 |
| **Cash and cash equivalents at the end of the year** | **4** | **132,754,045** | **121,647,917** |

See notes to the financial statements

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

For the year ended 31 December 2014

| | Note | Number of shares | 2014 € |
|---|---|---|---|
| **Balance at the beginning of the year** | | **178,231** | **169,986,191** |
| Increase attributable to holders of redeemable units of participation resulting from operations for the year | | - | 2,439,775 |
| Payments for redeemable units of participation during the period | 13 | (73) | (68,958) |
| Redemption related to equalisation deficit previous year | 13 | (105) | (100,084) |
| **Net assets attributable to holders of redeemable units of participation at the end of the year** | | **178,053** | **172,256,924** |

| | Note | Number of shares | 2013 € |
|---|---|---|---|
| **Balance at the beginning of the year** | | **168,159** | **154,067,249** |
| Increase attributable to holders of redeemable units of participation resulting from operations for the year | | - | 6,466,486 |
| Issue of redeemable units of participation during the year | 13 | 10,092 | 9,471,000 |
| Redemption related to equalisation deficit previous year | 13 | (20) | (18,544) |
| **Net assets attributable to holders of redeemable units of participation at the end of the year** | | **178,231** | **169,986,191** |

See notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 1. FUND INFORMATION

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

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

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Investment Manager, the Title Holder and the Participant. The Investment Manager was granted the license to manage investment funds under the Financial Supervision Act (Wft) as of 9 December 2010. As of 29 July 2011, the Fund has been registered under this license at The Netherlands Authority for the Financial Markets (AFM). Granted license (non-UCITS) to managers, was automatically transferred into an AIFM license as of 22 July 2014. Under AIFMD the Fund appointed Citibank International Ltd Netherlands branch as Depositary to be an independent custodian responsible for safekeeping of the Fund's assets. Due to the appointment of the Depositary, the role of Stichting Bewaarder Pelargos Asia Alpha Fund has been limited into only being a legal owner of the assets of the Fund. As of 22 July 2014 the name of Stichting Bewaarder Pelargos Asia Alpha Fund has been changed into Stichting Pelargos Asia Alpha Fund.

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

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

(b) Basis of preparation
The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss which have been measured at fair value.

The financial statements are presented in Euro.

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

The Fund's functional and presentation currency is the euro. As most holders of Units of Participation, the Investment Manager and the Title Holder are based and operate in Euro markets, the Fund's performance is evaluated and its liquidity is managed in euros.

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

*IFRS 9 Financial Instruments: Classification and Measurement*

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

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

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

*Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures*

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This amendment has no material impact on the Fund.

*Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives*

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. This amendment will not have a material impact on the Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(p) Foreign currency translation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Movement schedule investments

| Equity securities | 2014 | 2013 |
|---|---|---|
| | € | € |
| Beginning market value 1 January | 17,905,763 | 31,682,134 |
| Purchase | 146,933,552 | 211,474,374 |
| Sale | (159,401,104) | (236,177,865) |
| Revaluation | 8,402,829 | 10,927,120 |
| **Ending market value 31 December** | **13,841,040** | **17,905,763** |

| Contracts for Difference | 2014 | 2013 |
|---|---|---|
| | € | € |
| Beginning market value 1 January | 46,223 | (279,714) |
| Purchase | 2,720,217 | 1,877,660 |
| Sale | 1,749,789 | |
| Revaluation | (1,122,571) | (1,797,478) |
| **Ending market value 31 December** | **3,393,658** | **46,223** |

| Options | 2014 | 2013 |
|---|---|---|
| | € | € |
| Beginning market value 1 January | - | - |
| Purchase | 287,539 | - |
| Sale | - | - |
| Revaluation | 33,122 | - |
| **Ending market value 31 December** | **320,661** | **-** |

| FX Forwards | 2014 | 2013 |
|---|---|---|
| | € | € |
| Beginning market value 1 January | 57,425 | 97,790 |
| Settlement forwards (sale) | (26,746) | (759,800) |
| Revaluation | (99,539) | 719,435 |
| **Ending market value 31 December** | **(68,860)** | **57,425** |

| Total | 2014 | 2013 |
|---|---|---|
| | € | € |
| Beginning market value 1 January | 18,009,411 | 31,500,210 |
| Purchase | 149,941,308 | 213,352,034 |
| Sale | (157,678,061) | (236,691,910) |
| Revaluation | 7,213,841 | 9,849,077 |
| **Ending market value 31 December** | **17,486,499** | **18,009,411** |

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

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

| | 2014 | 2013 |
|---|---|---|
| Equity securities | 75,981,544 | 70,684,463 |
| Contracts for Difference | 3,877,098 | 1,582,318 |
| Option | 320,661 | - |
| FX Forwards | 42,500 | 68,733 |
| **Financial assets at fair value through profit or loss** | **80,221,803** | **72,335,514** |

| | 2014 | 2013 |
|---|---|---|
| Equity securities | (62,140,504) | (52,778,700) |
| Contracts for Difference | (483,440) | (1,536,095) |
| FX Forwards | (111,360) | (11,308) |
| **Financial liabilities at fair value through profit or loss** | **(62,735,304)** | **(54,326,103)** |
| | | |
| **Total financial assets and liabilities at fair value through profit or loss** | **17,486,499** | **18,009,411** |

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

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

As at 31 December 2014 and 2013, the gain and loss breakdown of net gain or loss on financial assets and liabilities at fair value through profit or loss was as follows:

| | Net gain or loss on financial assets and liabilities at fair value through profit or loss | |
|---|---|---|
| | **2014** | **2013** |
| Realised Gain | 20,304,309 | 26,692,577 |
| Unrealised Gain | 35,617,661 | 21,976,624 |
| Realised Loss | (17,189,538) | (21,944,956) |
| Unrealised Loss | (31,518,591) | (16,875,168) |
| **Total** | **7,213,841** | **9,849,077** |

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

## 4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Cash at broker | 132,754,045 | 121,647,917 |
| | **132,754,045** | **121,647,917** |

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

## 5. MARGIN ACCOUNTS

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

The Prime Broker calculates the maximum amount to be lent on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Broker were €23,864,835 (2013: €30,625,596) at 31 December 2014.

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Margin accounts | 23,864,835 | 30,625,596 |
| | **23,864,835** | **30,625,596** |

## 6. AMOUNTS DUE FROM/(TO) BROKERS

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

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

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Amounts due from brokers | 1,483,229 | - |
| Amounts due to brokers | (3,055,083) | - |
| | **(1,571,854)** | **-** |

## 7. FEES AND EXPENSES

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

The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation and 1.0% of the GAV for Class B units of participation (before deduction of the accrued performance fee). The management fee is calculated each month as one twelfth (1/12) part of the annual management fee on the GAV of the Class in question on the last business day of each month. The fee is payable, in arrears following the completion and finalisation of each month end net asset value. Management fees of €1,691,739 (2013: €1,675,998) were incurred for the year ended 31 December 2014, of which €155,989 (2013: €149,263) was payable at 31 December 2014.

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

The performance fee is equal to 20% of the annual increase in the net asset value of the capital of Class A units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class B units of participation. The performance fee will be calculated on the basis of an annual period from calendar year end to calendar year end. In a year of introduction of a new Class in a specific currency, the performance fee will be based on the period from introduction date to calendar year end. A high watermark applies.

There were no performance fees incurred or payable at year end 2014 and 2013.

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

There were no equalisation credits settled at year end 2014 and 2013.

Conversely, a participant that acquires participations at a time that the HW exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the subscription price. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing Participations. The Investment Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 31 December 2014 amounted €78,245 (31 December 2013: €100,084).

**Other costs charged to the assets of the Fund**

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Administration fees | 99,694 | 100,289 |
| Legal fees | 45,000 | 27,700 |
| Audit fees | 20,999 | 18,000 |
| Costs of supervision | 15,000 | 15,000 |
| Depositary fee | 45,540 | - |
| Trustee's fees | 35,000 | 31,000 |
| Other expenses | 4,236 | 3,556 |
| | **265,469** | **180,545** |

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

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

**Other expenses**

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Miscellaneous expenses | 2,985 | 2,992 |
| Brokerage fees<br>(excluded in Ongoing Charges Figure) | 1,251 | 564 |
| **Other expenses** | **4,236** | **3,556** |

*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. In 2014 and 2013, the Fund did not charge any subscription or redemption fees.

*Ongoing Charges Figure*
The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets value of the Fund. Ongoing costs include cost of investment management and administration, plus other costs of running the fund, such as fees for custodians, regulators and auditors. Transaction costs of investments, interest expenses and performance fee are excluded from the calculation. The OCF will be calculated once a year, the figure as of end of 2014 and 2013 is as follow:

**Ongoing Charges Figure**

| | Share Class A | Share Class B |
|---|---|---|
| 2014 | 1.66% | 1.16% |
| 2013 | 1.61% | 1.11% |

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

**Performance fee ratio**

| | Share Class A | Share Class B |
|---|---|---|
| 2014 | 0.00% | 0.05% |
| 2013 | 0.00% | 0.06% |

*Transaction costs*
Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss. The transaction costs amounted to €1,147,436 in 2014 (2013: €1,646,285).

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

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

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

**31 December 2014**

| | Actual Costs | Estimated costs Prospectus |
|---|---|---|
| Management fee | €1,691,739 | % of GAV: Class A=1.5% and Class B=1.0% |
| Administrator fee | €99,694 | Max 0.08% of NAV |
| Trustee's fee* | €35,000 | Annual Fee €11,000 |
| Depositary fee | €45,540 | 0.05% of NAV |
| Independent Auditor's and advisor** | €80,999 | Not Specified |
| Other costs*** | €2,985 | Not Specified |

**31 December 2013**

| | Actual Costs | Estimated costs Prospectus |
|---|---|---|
| Management fee | €1,675,998 | % of GAV: Class A=1.5% and Class B=1.0% |
| Administrator fee | €100,289 | Max 0.08% of NAV |
| Trustee's fee* | €31,000 | Maximum Fee €32,500 |
| Independent Auditor's and advisor** | €45,700 | Not Specified |
| Other costs*** | €2,992 | Not Specified |

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

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

*** Other costs include miscellaneous expenses.

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

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

| **Portfolio Turnover Rate** | **2014** | **2013** |
|---|---|---|
| | **€** | **€** |
| Securities purchase | 195,193,515 | 267,674,206 |
| Securities sale | 200,881,706 | 301,186,895 |
| **Total securities transactions** | **396,075,221** | **568,861,101** |
| | | |
| Subscriptions participants | - | 9,471,000 |
| Redemptions participants | 68,958 | - |
| **Total movement in participations** | **68,958** | **9,471,000** |
| | | |
| Average net asset value | 169,745,649 | 164,979,759 |
| | | |
| **Turnover Rate** | **233%** | **339%** |

## 8. ACCRUED EXPENSES

| Accrued expenses | 2014 | 2013 |
|---|---|---|
| | € | € |
| Administration fee | 11,073 | 13,561 |
| Legal and tax advice fees | 27,695 | 1,207 |
| Depositary fee | 25,708 | - |
| Costs of Supervision | 15,834 | 834 |
| Audit fees | 7,959 | 12,200 |
| Trustee's fees | 6,962 | 3,302 |
| Other accrued expenses | 5,680 | 3,212 |
| | **100,911** | **34,316** |

## 9. INTEREST INCOME/EXPENSE AND BORROWING FEE

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Interest income | 76,703 | 93,752 |
| | 76,703 | 93,752 |

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Interest expense | (661,034) | (673,510) |
| Borrowing fee | (516,342) | (782,849) |
| | **(1,177,376)** | **(1,456,359)** |

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

## 10. DIVIDEND INCOME/EXPENSE

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Dividend income | 2,161,766 | 1,907,150 |
| | **2,161,766** | **1,907,150** |

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Dividend expense on securities sold short | (1,964,360) | (2,293,813) |
| | **(1,964,360)** | **(2,293,813)** |

## 11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

| **Financial assets at fair value through profit or loss** | **31 December 2014 €** | **Level 1 €** | **Level 2 €** | **Level 3 €** |
|---|---|---|---|---|
| Equity securities | 75,981,544 | 75,981,544 | - | - |
| Derivatives | 4,240,259 | - | 4,240,259 | - |
| **Total** | **80,221,803** | **75,981,544** | **4,240,259** | **-** |

| **Financial liabilities at fair value through profit or loss** | **31 December 2014 €** | **Level 1 €** | **Level 2 €** | **Level 3 €** |
|---|---|---|---|---|
| Equity securities sold short | (62,140,504) | (62,140,504) | - | - |
| Derivatives | (594,800) | - | (594,800) | - |
| **Total** | **(62,735,304)** | **(62,140,504)** | **(594,800)** | **-** |

| **Financial assets at fair value through profit or loss** | **31 December 2013 €** | **Level 1 €** | **Level 2 €** | **Level 3 €** |
|---|---|---|---|---|
| Equity securities | 70,684,463 | 70,684,463 | - | - |
| Derivatives | 1,651,051 | - | 1,651,051 | - |
| **Total** | **72,335,514** | **70,684,463** | **1,651,051** | **-** |

| **Financial liabilities at fair value through profit or loss** | **31 December 2013 €** | **Level 1 €** | **Level 2 €** | **Level 3 €** |
|---|---|---|---|---|
| Equity securities sold short | (52,778,700) | (52,778,700) | - | - |
| Derivatives | (1,547,403) | - | (1,547,403) | - |
| **Total** | **(54,326,103)** | **(52,778,700)** | **(1,547,403)** | **-** |

For the year ended 31 December 2014 and 31 December 2013, there were no transfers between Levels.

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

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

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

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

The ex-post Beta for the Fund was 0.21 (2013: 0.21), calculated from a regression of the daily Return of the Fund on the MSCI Asia Pacific ex Japan Index, from 1 January up to 31 December. The ex-ante Beta measured at year end 2014 is 0.14 (2013: 0.28). (The ex-ante Beta is measured against the MSCI Asia Pacific ex Japan Index. Source: Nomura TradeSpex.)

**31 December 2014**

| Market index | Ex-ante Beta | Change | Effect on net assets and profit | Change | Effect on net assets and profit |
|---|---|---|---|---|---|
| | | % | € | % | € |
| MSCI Asia Pacific Ex Japan | 0.14 | 25 | 15,382,164 | (25) | (15,382,164) |

**31 December 2013**

| Market index | Ex-ante Beta | Change | Effect on net assets and profit | Change | Effect on net assets and profit |
|---|---|---|---|---|---|
| | | % | € | % | € |
| MSCI Asia Pacific Ex Japan | 0.28 | 25 | 12,390,116 | (25) | (12,390,116) |

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

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

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

IFRS 7 considers the foreign exchange exposure related to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Fund however monitors the exposure on all foreign currency denominated assets and liabilities and hence, the table below has been prepared for monetary and non-monetary items combined to meet the requirements of IFRS 7.

The following table demonstrates management's best estimate of the sensitivity to a reasonable change in the foreign exchange rates, with all other variables being constant, of the most representative Fund's foreign currency exposures. The currency sensitivity below is based upon a movement of exchange rates and the direct currency exposures as a result of Fund holdings which are denominated in currencies other than Euro, the functional currency of the Fund. Please note that the table below is based upon the holdings as at the end of December 2014 and 2013; currency exposures continuously change.

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

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

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

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

| | **Financial assets/ (liabilities) at fair value through profit or loss** | **Cash and amounts due (to)/from brokers** | **Other assets/ (liabilities)** | **Net currency exposure** | **in % of total net assets** | **+10% movement** | **-10% movement** |
|---|---|---|---|---|---|---|---|
| | **€** | **€** | **€** | **€** | **%** | **€** | **€** |
| HKD | 30,001,548 | (25,057,895) | 1,437 | 4,945,090 | 2.87% | 494,509 | (494,509) |
| USD | 604,744 | 2,743,339 | (307) | 3,347,776 | 1.94% | 334,778 | (334,778) |
| AUD | (6,751,792) | 5,775,427 | 7,678 | (968,687) | -0.56% | (96,869) | 96,869 |
| SGD | (12,650,698) | 10,762,382 | (8,053) | (1,896,372) | -1.10% | (189,637) | 189,637 |
| TWD | 1,523,297 | 1,136,049 | - | 2,659,346 | 1.54% | 265,935 | (265,935) |
| KRW | (1,255,421) | - | - | (1,255,422) | -0.73% | (125,542) | 125,542 |
| CHF | - | (1) | - | (1) | 0.00% | - | - |
| THB | - | 42,089 | - | 42,089 | 0.02% | 4,209 | (4,209) |
| IDR | 948,937 | - | - | 948,937 | 0.55% | 94,894 | (94,894) |
| | **12,420,615** | **(4,598,610)** | **755** | **7,822,756** | **4.54%** | **782,277** | **(782,277)** |

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

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

| | **AUD** | **HKD** | **SGD** | **THB** | **TWD** | **KRW** | **USD** | **CHF** | **IDR** |
|---|---|---|---|---|---|---|---|---|---|
| FX/EUR | 1.4786 | 9.3838 | 1.6034 | 39.8106 | 38.2400 | 1,330.0265 | 1.2101 | 1.2024 | 14,986.4597 |

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

| | Financial assets/ (liabilities) at fair value through profit or loss | Cash and amounts due (to)/from brokers | Other assets/ (liabilities) | Net currency exposure | in % of total net assets | +10% movement | -10% movement |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | % | € | € |
| HKD | 23,882,756 | (23,657,587) | 70,582 | 295,750 | 0.17% | 29,575 | (29,575) |
| USD | 7,905,876 | (7,292,914) | (2,894) | 610,068 | 0.36% | 61,007 | (61,007) |
| AUD | 53,889 | (263,163) | (6,129) | (215,403) | (0.13)% | (21,540) | 21,540 |
| SGD | (13,934,363) | 13,453,033 | (19,945) | (501,274) | (0.29)% | (50,127) | 50,127 |
| TWD | 1,344,594 | 1,057,826 | - | 2,402,420 | 1.41% | 240,242 | (240,242) |
| KRW | 1,519,410 | - | - | 1,519,410 | 0.89% | 151,941 | (151,941) |
| CHF | - | (1) | - | (1) | 0.00% | - | - |
| THB | - | 37,169 | - | 37,169 | 0.02% | 3,717 | (3,717) |
| | **20,772,162** | **(16,665,637)** | **41,614** | **4,418,139** | **2.44%** | **414,815** | **(414,815)** |

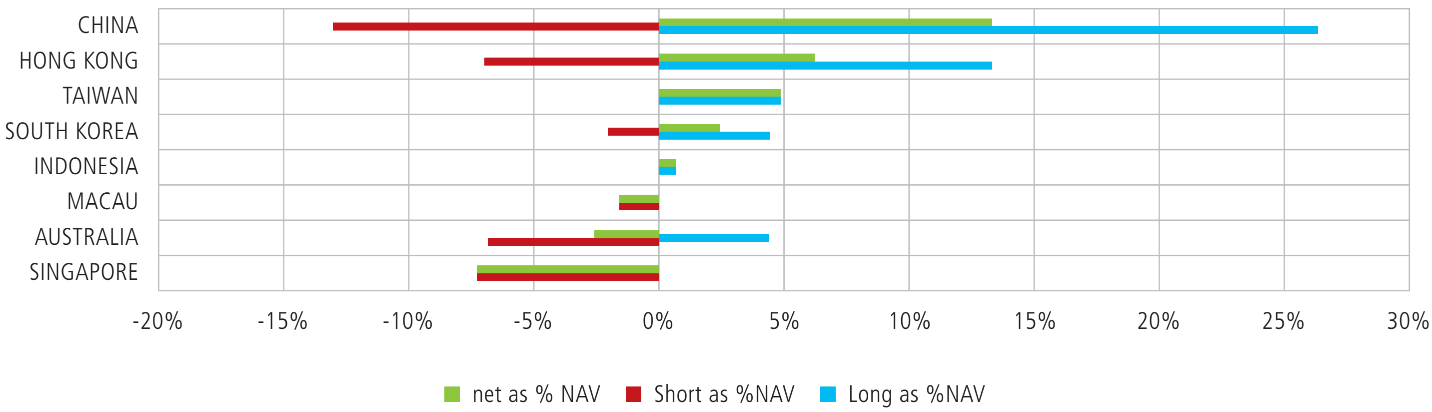
Amounts in the table are based on the financial assets and financial liabilities.

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

| | AUD | HKD | SGD | THB | TWD | KRW | USD | CHF | IDR |
|---|---|---|---|---|---|---|---|---|---|
| FX/EUR | 1.5402 | 10.6843 | 1.7398 | 45.0796 | 41.0677 | 1454.4843 | 1.3780 | 1.2255 | 16,769.6603 |

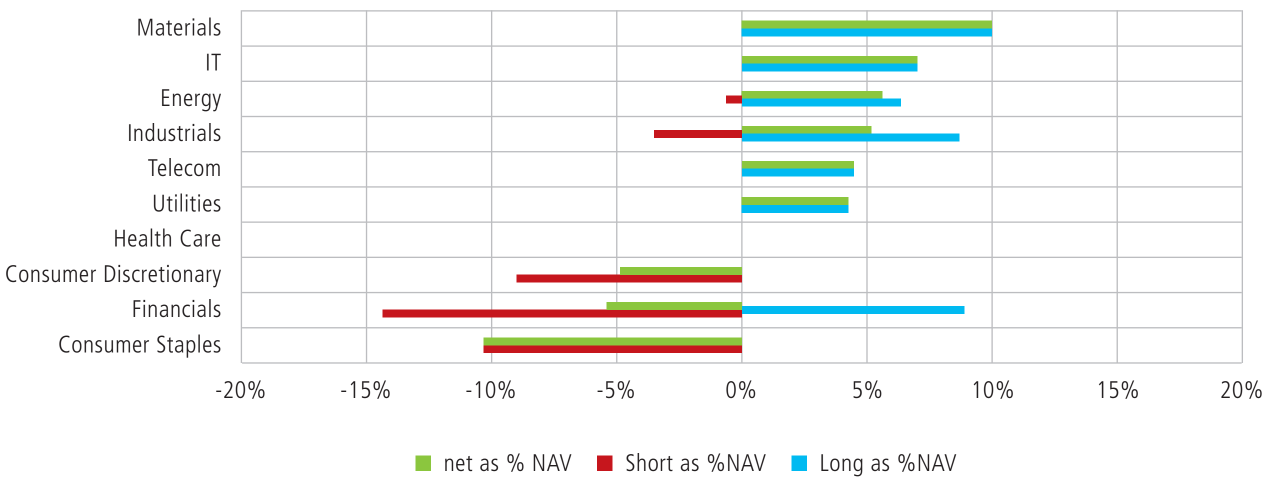
*Concentration risk*
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 2014 was as follows:

**COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND**



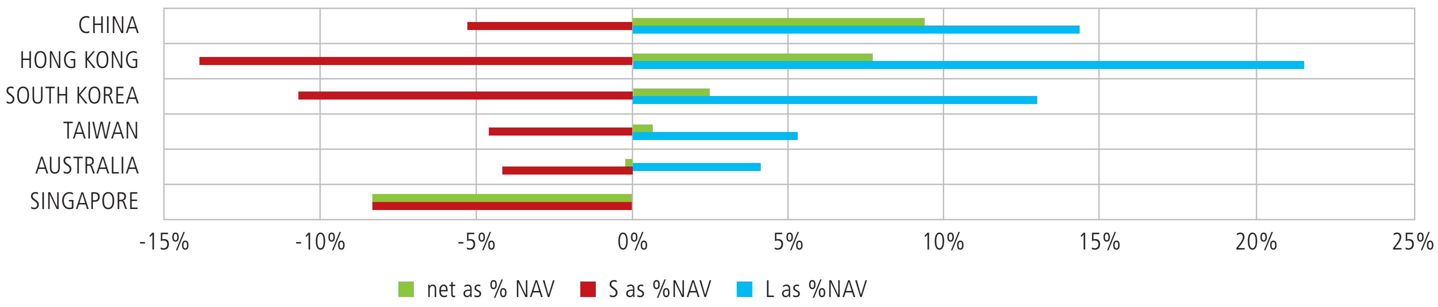

The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 2014 was as follows:

**SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND**



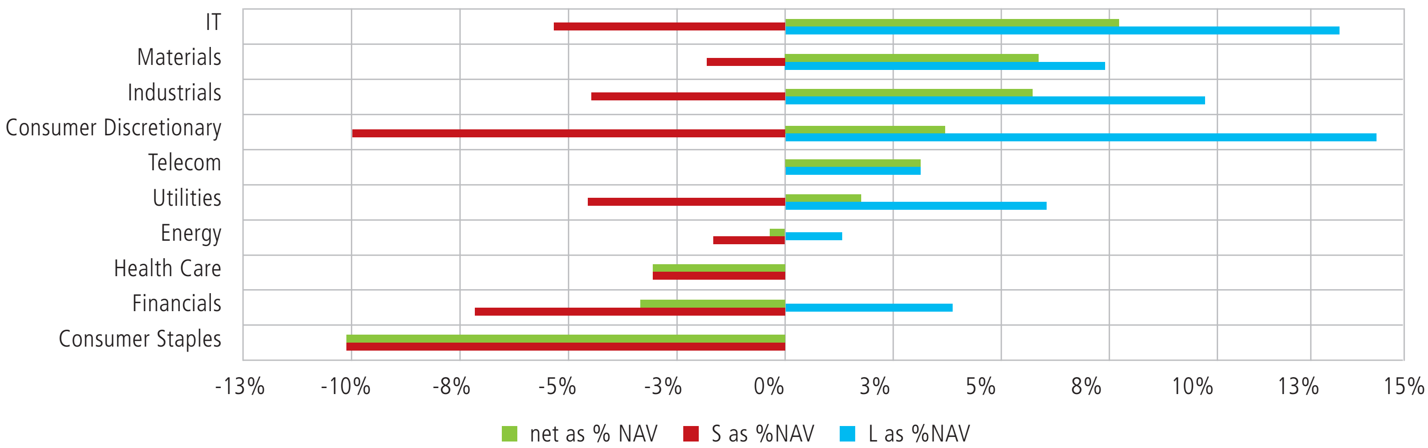
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 2013 was as follows:

### COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND




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

### SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND



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

| TOP LONG EXPOSURES 2014 | As % NAV |
|---|---|
| China Overseas Land & Invest | 3.7% |
| Taiwan Semiconductor Manufacturing | 3.0% |
| Newcrest Mining | 3.0% |
| Nine Dragons Paper Holdings | 2.9% |
| China CNR Corp | 2.8% |
| Great Wall Motor | 2.7% |
| China Construction Bank | 2.4% |
| Petrochina | 2.3% |
| Zijin Mining Group | 2.3% |
| Guangdong Investment | 2.2% |

| TOP SHORT EXPOSURES 2014 | As % NAV |
|---|---|
| Singapore Airlines | 3.6% |
| Hengan Intl Group | 3.4% |
| Tingyi Holdings | 3.0% |
| National Australia Bank | 2.8% |
| Agile Property Holdings | 2.3% |
| Tsingtao Brewery | 2.3% |
| Hang Seng Bank | 2.2% |
| Westpac Banking | 2.1% |
| LG Electronics | 2.1% |
| Aust And Nz Banking Group | 2.0% |

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

| TOP LONG EXPOSURES 2013 | As % NAV |
|---|---|
| Hutchison Whampoa | 3.0% |
| Taiwan Semiconductor Manufacturing | 2.7% |
| China Overseas Land & Investment | 2.6% |
| SK Hynix | 2.5% |
| Hermes Microvision | 2.5% |
| Skyworth Digital | 2.5% |
| Dongfeng Motor Group | 2.3% |
| Bhp Billiton | 2.3% |
| Cathay Pacific Airways | 2.1% |
| Daewoo Shipbuilding & Marine | 2.1% |

| TOP SHORT EXPOSURES 2013 | As % NAV |
|---|---|
| Tingyi Holdings | 2.7% |
| Cochlear | 2.7% |
| CLP Holdings | 2.7% |
| LG Electronics | 2.5% |
| Hang Seng Bank | 2.4% |
| City Developments | 2.3% |
| Hong Kong Exchanges & Clearing | 2.2% |
| China Resources Enterprise | 2.1% |
| Singapore Press Holdings | 2.1% |
| Quanta Computer | 2.0% |

*Interest Rate Risk*

The majority of the Fund's financial assets are non-interest-bearing. At the Statement of Financial Position date the Fund has not invested in deposits or fixed income securities. As a result, the Fund is subject to limited direct exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Note that changing levels of interest rates may influence the value of equity securities held. The fund is subject to cash flow interest rate risk; however the effect is not considered material due to the short term nature.

Fund exposure to direct interest rate risk in Euro at 31 December 2014 was:

| **2014 Assets** | **Within 1 month €** | **1 to 3 months €** | **3 to 12 months €** | **1 to 5 years €** | **No stated maturity €** | **Total €** |
|---|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | - | - | - | - | 80,221,803 | 80,221,803 |
| Amounts due from brokers | 1,483,229 | - | - | - | - | 1,483,229 |
| Margin accounts | 23,864,835 | - | - | - | - | 23,864,835 |
| Cash and cash equivalents | 132,754,045 | - | - | - | - | 132,754,045 |
| **Total** | **158,102,109** | **-** | **-** | **-** | **80,221,803** | **238,323,912** |

| **2014 Liabilities** | **Within 1 month €** | **1 to 3 months €** | **3 to 12 months €** | **1 to 5 years €** | **No stated maturity €** | **Total €** |
|---|---|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | - | - | - | - | (62,735,304) | (62,735,304) |
| Amounts due to brokers | (3,055,083) | - | - | - | - | (3,055,083) |
| **Total** | **(3,055,083)** | **-** | **-** | **-** | **(62,735,304)** | **(65,790,387)** |

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

| **2013 Assets** | **Within 1 month €** | **1 to 3 months €** | **3 to 12 months €** | **1 to 5 years €** | **No stated maturity €** | **Total €** |
|---|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | - | - | - | - | 72,335,514 | 72,335,514 |
| Margin accounts | 30,625,596 | - | - | - | - | 30,625,596 |
| Cash and cash equivalents | 121,647,917 | - | - | - | - | 121,647,917 |
| **Total** | **152,273,513** | **-** | **-** | **-** | **72,335,514** | **224,609,027** |

| **2013 Liabilities** | **Within 1 month €** | **1 to 3 months €** | **3 to 12 months €** | **1 to 5 years €** | **No stated maturity €** | **Total €** |
|---|---|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | - | - | - | - | (54,326,103) | (54,326,103) |
| **Total** | **-** | **-** | **-** | **-** | **(54,326,103)** | **(54,326,103)** |

*Credit risk*

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

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

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Derivatives | 4,240,259 | 1,651,051 |
| Dividends & Interest receivable | 68,629 | 219,506 |
| Amounts due from brokers | 1,483,229 | - |
| Margin accounts | 23,864,835 | 30,625,596 |
| Cash and cash equivalents | 132,754,045 | 121,647,917 |
| **Total** | **162,410,997** | **154,144,070** |

The Fund's derivative contracts are equity CFD's, currency option and equity options. In 2014 and 2013 OTC derivative transactions were only executed with the Fund's Prime Broker UBS AG.

To mitigate credit risk, two Prime Brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long term ratings for UBS AG at 31 December 2014 were A2 (2013: A2) at Moody's and A (2013: A) at S&P. Long term ratings for Goldman Sachs at 31 December 2014 were Baa1 (2013: Baa1) at Moody's and A- (2013: A-) at S&P. Please note that Goldman Sachs prime broker account is not yet active.

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.

To enable to short securities, the Fund borrows securities. At 31 December 2014, the Fund borrowed securities for an amount of €69,255,046 (2013: €78,143,463).

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

The Fund has entered into master netting agreements with its Prime Broker. Under these agreements all assets and liabilities with the Prime Broker can be offset with each other. The financial assets and liabilities which are subject to offsetting as of 31 December 2014 and as of 31 December 2013, are as follows:

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

| 31 December 2014 | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set-off in the statement of financial position | Net amounts of financial assets presented in the statement of financial position |
|---|---|---|---|
| Investments pledged by Fund (rehypothecated equity long) | - | - | - |
| Derivatives | 4,240,259 | - | 4,240,259 |

| | 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 |
|---|---|---|---|
| UBS AG | 4,240,259 | 594,800 | 3,645,459 |

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

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set-off in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position |
|---|---|---|---|
| Derivatives | 594,800 | - | 594,800 |

| | Net amounts of financial liabilities presented in the statement of financial position | Related amounts not set-off in the statement of financial position: Financial instrument | Net amount |
|---|---|---|---|
| UBS AG | 594,800 | 594,800 | - |

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

| 31 December 2013 | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set-off in the statement of financial position | Net amounts of financial assets presented in the statement of financial position |
|---|---|---|---|
| Investments pledged by Fund (rehypothecated equity long) | - | - | - |
| Derivatives | 1,651,051 | - | 1,651,051 |

| | 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 |
|---|---|---|---|
| UBS AG | 1,651,051 | 1,547,403 | 103,648 |

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

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set-off in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position |
|---|---|---|---|
| Derivatives | 1,547,403 | - | 1,547,403 |

| | Net amounts of financial liabilities presented in the statement of financial position | Related amounts not set-off in the statement of financial position: Financial instrument | Net amount |
|---|---|---|---|
| UBS AG | 1,547,403 | 1,547,403 | - |

*Liquidity risk*

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

The Fund is exposed to cash redemptions of redeemable units of participation for a monthly valuation day, with 15 business days previous notice. With regard to Class B units of participation this relates to redemption requests received after the one year lock up period.

The Fund invests the majority of its assets in investments that are listed and traded in active markets and can be readily realisable as they are all listed on major Asian stock exchanges.

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

The liquidity of all securities is continuously monitored by the Investment Manager.

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

| **2014** | **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 | - | - | - | - | 75,981,544 | 75,981,544 |
| Derivatives | - | - | - | - | 4,197,759 | 4,197,759 |
| Amount due from broker | 1,483,229 | - | - | - | - | 1,483,229 |
| Other receivables | 68,629 | | | | | 68,629 |
| Margin accounts | 23,864,835 | - | - | - | - | 23,864,835 |
| Cash and cash equivalents | 132,754,045 | - | - | - | - | 132,754,045 |
| **Total** | **158,170,738** | **-** | **-** | **-** | **80,179,303** | **238,350,041** |

| | **Within 1 month** | **1 to 3 months** | **3 to 12 months** | **1 to 5 years** | **No stated maturity** | **Total** |
|---|---|---|---|---|---|---|
| **Liabilities** | **€** | **€** | **€** | **€** | **€** | **€** |
| Financial liabilities at fair value through profit or loss | - | - | - | - | 62,140,504 | 62,140,504 |
| Derivatives | - | - | - | - | 483,440 | 483,440 |
| Other liabilities and accrued expenses | 345,230 | | | | | 345,230 |
| Amount due to broker | 3,055,083 | - | - | - | - | 3,055,083 |
| **Total** | **3,400,313** | **-** | **-** | **-** | **62,623,944** | **66,024,257** |
| Redeemable units of participation | - | 172,256,924 | - | - | - | 172,256,924 |
| **Total** | **3,400,313** | **172,256,924** | **-** | **-** | **62,623,944** | **238,281,181** |
| **Gross settled derivatives** | | | | | | |
| Forward currency contracts | | | | | | |
| Gross cash inflow | - | 42,500 | - | - | - | 42,500 |
| Gross cash outflow | - | (111,360) | - | - | - | (111,360) |
| **Total undiscounted gross** | | | | | | |
| Settled derivatives outflow | - | (68,860) | - | - | - | (68,860) |
| **Liquidity gap** | **154,770,425** | **(172,325,784)** | **-** | **-** | **17,555,359** | **(68,860)** |

| 2013<br>Assets | Within 1 month<br>€ | 1 to 3 months<br>€ | 3 to 12 months<br>€ | 1 to 5 years<br>€ | No stated maturity<br>€ | Total<br>€ |
|---|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | - | - | - | - | 70,684,463 | 70,684,463 |
| Derivatives | - | - | - | - | 1,582,318 | 1,582,318 |
| Margin accounts | 30,625,596 | - | - | - | - | 30,625,596 |
| Cash and cash equivalents | 121,647,917 | - | - | - | - | 121,647,917 |
| **Total** | **152,273,513** | **-** | **-** | **-** | **72,266,781** | **224,540,294** |

| Liabilities | Within 1 month<br>€ | 1 to 3 months<br>€ | 3 to 12 months<br>€ | 1 to 5 years<br>€ | No stated maturity<br>€ | Total<br>€ |
|---|---|---|---|---|---|---|
| Financial liabilities at fair value through profit or loss | - | - | - | - | 52,778,700 | 52,778,700 |
| Derivatives | - | - | - | - | 1,536,095 | 1,536,095 |
| **Total** | **-** | **-** | **-** | **-** | **54,314,795** | **54,314,795** |
| Redeemable units of participation | - | 169,986,191 | - | - | - | 169,986,191 |
| **Total** | **-** | **169,986,191** | **-** | **-** | **54,314,795** | **224,300,986** |
| **Gross settled derivatives** | | | | | | |
| Forward currency contracts | | | | | | |
| Gross cash inflow | - | 68,733 | - | - | - | 68,733 |
| Gross cash outflow | - | (11,308) | - | - | - | (11,308) |
| **Total undiscounted gross** | | | | | | |
| Settled derivatives outflow | - | 57,425 | - | - | - | 57,425 |
| **Liquidity gap** | **152,273,513** | **(169,928,766)** | **-** | **-** | **17,951,986** | **296,733** |

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

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

The following tables relate all equity and CFD positions of the Fund to the average daily trading volumes (ADV). It shows average and maximum daily volumes based on the average daily trading volume over the last 3 months of 2014. The max ADV was the value of the most illiquid position as a percentage of 3-months average ADV. The most illiquid position of the Fund can be closed within 6 days.

Those tables stated the percentage of the assets held in five different classes of market liquidity. For example: 66% of the Fund's long positions can be sold within a day, under the assumption that we trade maximum 25% of daily volume.

**Table 3: Liquidity profile of the Long book**

| Percentage of 3-months ADV | Average ADV | Max ADV | Percentage of Portfolio in % of the ADV | | | | |
|---|---|---|---|---|---|---|---|
| | | | 0%-25% | 25%-50% | 50%-100% | 100%-200% | >200% |
| 31-Dec-14 | 35% | 162% | 66% | 10% | 9% | 15% | 0% |
| 31-Dec-13 | 24% | 102% | 68% | 16% | 13% | 3% | 0% |

**Table 4: Liquidity profile of the Short book**

| Percentage of 3-months ADV | Average ADV | Max ADV | Percentage of Portfolio in % of the ADV | | | | |
|---|---|---|---|---|---|---|---|
| | | | 0%-25% | 25%-50% | 50%-100% | 100%-200% | >200% |
| 31-Dec-14 | 27% | 67% | 54% | 26% | 20% | 0% | 0% |
| 31-Dec-13 | 31% | 105% | 48% | 35% | 12% | 5% | 0% |

## 12. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Fund's investment strategies and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Fund. The derivative contracts that the Fund holds or issues are Equity CFDs, Equity options, currency option and FX forward contracts.

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

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

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

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

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

| | Fair value assets 2014 | Fair value liabilities 2014 |
|---|---|---|
| | € | € |
| Forward foreign currency contracts | 42,500 | (111,360) |
| Options | 320,661 | - |
| Contracts for difference | 3,877,098 | (483,440) |
| **Total derivative contracts** | **4,240,259** | **(594,800)** |

| | Fair value assets 2013 | Fair value liabilities 2013 |
|---|---|---|
| | € | € |
| Forward foreign currency contracts | 68,733 | (11,308) |
| Contracts for difference | 1,582,318 | (1,536,095) |
| **Total derivative contracts** | **1,651,051** | **(1,547,403)** |

The table below details the total exposure per asset class at 31 December 2014 and 2013. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At year end 2014 the Fund held long and short positions in CFDs. The Fund also held 3 equity options and one currency option.

The leverage of the Fund is a ratio between the total gross exposure and the net asset value of the Fund. The maximum leverage the Fund may have is 250%. At 31 December 2014 the leverage is 91% (2013: 104%).

| **31-Dec-14** | **Net exposure** | **Gross exposure** | **Gross as % of NAV** |
|---|---|---|---|
| Equity | 13,841,008 | 138,122,009 | 80% |
| Contract for Difference | 9,827,811 | 16,937,444 | 10% |
| Option | 1,799,812 | 1,799,812 | 1% |
| **Total exposure** | **25,468,631** | **156,859,265** | |
| **Total as % of NAV** | **15%** | **91%** | **91%** |

| **31-Dec-13** | **Net exposure** | **Gross exposure** | **Gross as % of NAV** |
|---|---|---|---|
| Equity | 17,905,993 | 123,462,932 | 73% |
| Contract for Difference | 2,808,742 | 53,538,729 | 31% |
| **Total exposure** | **20,714,735** | **177,001,661** | |
| **Total as % of NAV** | **12%** | **104%** | **104%** |

## 13. REDEEMABLE UNITS OF PARTICIPATION

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

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

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

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

| | Number of units of participation 31 December 2014 | Number of units of participation 31 December 2013 |
|---|---|---|
| **Class A** | | |
| Units of participation balance at the beginning of the year | 242.63 | 242.63 |
| Issue of redeemable units of participation | - | - |
| Redemption of redeemable units of participation | - | - |
| Redemption related to equalisation deficit | - | - |
| **Units of participation at the end of the year** | **242.63** | **242.63** |

| | Number of units of participation 31 December 2014 | Number of units of participation 31 December 2013 |
|---|---|---|
| **Class B** | | |
| Units of participation balance at the beginning of the year | 177,987.92 | 167,916.20 |
| Issue of redeemable units of participation | - | 10,091.96 |
| Redemption of redeemable units of participation | (72.52) | - |
| Redemption related to equalisation deficit | (104.94) | (20.24) |
| **Units of participation at the end of the year** | **177,810.46** | **177,987.92** |

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

The Fund's objectives for managing capital are:

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

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

**14. RELATED PARTY TRANSACTIONS**

Employees of directors and employees of Pelargos Capital B.V. held jointly 50.15 (31 December 2013: 123.87) Units of Participation Class B in the Fund. Pelargos Capital B.V. held 143.13 (31 December 2013: 143.13) Units of Participation Class A in the Fund. Aegon Levensverzekering N.V. is a participant in the Fund with 14,850 (31 December 2013: 14,850) Units of Participation Class B. Aegon Levensverzekering N.V. is a 100% subsidiary of Aegon Nederland N.V., which is a 100% subsidiary of Aegon N.V.

Two investment funds managed by Aegon Investment Management B.V. (AIM B.V.) held 162,909.11 (31 December 2013: 163,014.05) Units of Participation Class B and 99.50 (31 December 2013: 99.50) Units of Participation Class A.

AIM B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V. Aegon Asset Management Holding B.V. holds 73.34% (31 December 2013: 73.34%) of the shares in Pelargos Capital B.V.

**15. PERSONAL INTERESTS OF DIRECTORS**

In accordance with article 122 paragraph 2 Bgfo the Fund is required to list the total holdings in securities by the employees of directors in investments, which are also held by the Fund as of 1 January up to 31 December.

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

As of 31 December 2014 and 31 December 2013, the personal interests of the employees of directors in the Fund are as follows:

| | | **Market Value** |
|---|---|---|
| | | **€** |
| Pelargos Asia Alpha Fund | 2013 | 116,998 |
| | 2014 | 48,513 |

**16. REMUNERATION**

Pelargos Capital B.V. has defined a remuneration policy, which among other things includes provisions on the deferral of at least 40% of the variable pay to key risk takers. The directors of Pelargos Capital B.V. discuss the proposed budgeted amount for variable pay with the shareholders of Pelargos Capital B.V.; the directors decide on the assessment of performances of members of personnel and the amount of variable pay allocated to each member of personnel.

The amount of variable pay for each director, key risk taker or other employee is dependent on the performance of the relevant fund, the contribution to the(improvement) of the investment process, the contribution to (the improvement of) other company processes among which risk management, the contribution to marketing and sales, as well as the quality of activities in the execution of existing company processes.

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

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

Though the portfolio managers and analysts have specific areas to focus at, Pelargos Capital B.V. works as one team with two consistent policies for the two funds managed. Therefore, the presentation of the allocation of variable pay to the funds is based on a pro rata division of the average assets under management in 2014.

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

**17. SUBSEQUENT EVENTS**

The Fund appointed the Bank of New York Mellon SA/NV, Amsterdam Branch, as new Administrator and as new Depositary. These change was effective on 13th April 2015.

There are no other events impacting the Fund subsequent to 31 December 2014.

**18. APPROVAL OF THE FINANCIAL STATEMENTS**

Approved on behalf of the Investment Manager:

Director Pelargos Capital B.V

Date: 24 April 2015

## OTHER NOTES

For the year ended 31 December 2014

### 1. DIVIDEND AND ALLOCATION OF RESULT

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

### 2. VOTING POLICY

The Fund does not pursue an active voting policy.

### 3. APPROVAL OF THE FINANCIAL STATEMENTS

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

## INDEPENDENT AUDITOR'S REPORT

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

**Report on the financial statements**

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

*Investment manager's responsibility*

The investment manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the investment manager's report in accordance with the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the investment manager is responsible for such internal control as the investment manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Pelargos Asia Alpha Fund as at 31 December 2014, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code.

**Report on other legal and regulatory requirements**

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

Amsterdam, 24 April 2015

PricewaterhouseCoopers Accountants N.V.

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