PELARGOS JAPAN ALPHA FUND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2015

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FUND INFORMATION

REGISTERED OFFICE	WTC E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
MANAGER	Pelargos Capital B.V. WTC, Tower E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	The Bank of New York Mellon SA/NV^ WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
TITLE HOLDER	Stichting Pelargos Japan Alpha Fund c/o: SGG Custody B.V. Claude Debussylaan 24 1082 MD Amsterdam The Netherlands
ADMINISTRATOR	The Bank of New York Mellon SA/NV^ WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
PRIME BROKERS	UBS AG 1 Finsbury Avenue London EC2M 2PP United Kingdom Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom Nomura International plc 1 Angel Lane London EC4R 3AB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands

^Effective 13 April 2015, the Bank of New York Mellon SA/NV replaced Citibank Europe plc as administrator and replaced Citibank International Ltd Netherlands branch as Depositary.

FUND INFORMATION (continued)

EXTERNAL COMPLIANCE OFFICER	CLCS B.V. Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITOR	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam The Netherland
FINANCIAL REPORTING TO DNB	Solutional Financial Reporting B.V. Vlietweg 16/17, 5th Floor 2266 KA Leidschendam The Netherlands

FUND PROFILE

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

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

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

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

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

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

Depositary
The Manager has appointed The Bank of New York Mellon in Amsterdam, trading as The Bank of New York Mellon SA/NV Amsterdam Branch, as Depositary of the Fund, effective as of 13 April 2015. The Bank of New York Mellon SA/NV, Amsterdam Branch replaced Citibank International Ltd Netherlands branch as Depositary.

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

Administrator
The Bank of New York Mellon SA/NV, Amsterdam Branch, is the administrator of the Fund, effective as of 13 April, 2015; certain administration services are being outsourced to BNY Mellon Fund Services (Ireland) Ltd. in Dublin, Ireland. The Administrator was incorporated under Irish law on 31 May 1994 and is registered under number 218007 with the Companies Registration Office in Ireland. Furthermore, certain services in relation to transfer agency are being outsourced to The Bank of New York Mellon (Luxembourg) S.A.

Prime Brokers
The Prime Brokers of the Fund are Goldman Sachs International, UBS AG and Nomura International plc.

SUMMARY FINANCIAL INFORMATION

	2015 € '000	2014 € '000	2013 € '000	2012 € '000	2011 € '000
Class A (€)	29	(12)	71	36	(24)
Class B (€)	8,944	(4,241)	26,109	13,077	(1,615)
Class A (¥)	12	(2)	15	-	-
Class A ($)	13	(3)	16	-	-
Income/(loss)	**8,998**	**(4,258)**	**26,211**	**13,113**	**(1,639)**
Class A (€)	(12)	(9)	(17)	(14)	(59)
Class B (€)	(3,185)	(3,407)	(6,140)	(3,516)	(3,230)
Class A (¥)	(2)	(2)	(4)	-	-
Class A ($)	(3)	(2)	(4)	-	-
Expenses and withholding taxes	**(3,202)**	**(3,421)**	**(6,165)**	**(3,530)**	**(3,289)**
Class A (€)	17	(21)	54	22	(83)
Class B (€)	5,759	(7,649)	19,969	9,561	(4,845)
Class A (¥)	10	(4)	11	-	-
Class A ($)	10	(5)	12	-	-
Increase/(decrease)	**5,796**	**(7,679)**	**20,046**	**9,583**	**(4,928)**
Net assets (€ '000)	**90,623**	**110,123**	**117,795**	**97,530**	**86,713**
Number of units of participation					
Class A (€)	236.27	236.27	236.27	236.02	1,221.32
Class B (€)	59,246.86	76,538.46	76,533.77	76,492.23	74,562.01
Class A (¥)	-	100.00	100.00	-	-
Class A ($)	-	100.00	100.00	-	-
Net asset value per unit of participation					
Class A (€)	1,336.48	1,263.10	1,358.08	1,142.61	1,036.49
Class B (€)	1,524.25	1,433.06	1,533.07	1,271.51	1,145.98
Class A (¥)	-	92,258.68	100,346.19	-	-
Class A ($)	-	930.26	1,004.33	-	-
Performance					
Class A (€) (in %)	5.81	(6.99)	18.86	10.24	(4.96)
Class B (€) (in %)	6.36	(6.52)	20.57	10.95	(4.48)
Class A (¥) (in %)	4.92	(8.06)	0.35	-	-
Class A ($) (in %)	4.91	(7.38)	0.43	-	-
Ongoing Charges Figure (in %)					
Class A (EUR) (in %)	1.76	1.69	1.62	1.63	1.55
Class B (in %)	1.26	1.19	1.12	1.13	1.05
Class A (JPY) (in %)	1.76	1.69	1.62	-	-
Class A (USD) (in %)	1.76	1.69	1.62	-	-

MANAGER'S REPORT
For the year ended 31 December 2015

Performance

2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A €	-1.28	4.85	-0.32	3.21	2.54	-1.63	-3.07	-3.05	2.42	1.83	2.16	-1.62	5.81
Class A ¥	-1.40	4.80	-0.51	3.11	2.88	-1.92	-3.14	-3.08	2.62	1.82	-	-	4.92
Class A $	-1.37	4.79	-0.51	3.48	2.62	-1.70	-3.04	-3.37	2.45	1.85	-	-	4.91
Class B	-1.24	4.89	-0.27	3.25	2.57	-1.67	-2.94	-3.01	2.46	1.88	2.06	-1.42	6.36

Source: Citibank Europe plc. & BNY Mellon

In 2015 the Pelargos Japan Alpha Fund returned 6.36% for share Class B. The realized volatility was 6.8%, the beta was 0.18 and the correlation with the MSCI Japan Index was 0.53, all based on daily return data.

Since inception the Fund has gained 52.4%, whilst the MSCI Japan Index gained 14.7% in local currency. Since its inception the Fund has realized a volatility of 6.9% based on daily returns, compared to 24.4% for the MSCI Japan Index. Inception-to-date the correlation with this index was 0.49 with an ex-post beta of 0.14.

Class A shares in Euro, which have a different fee load, returned 5.81 % in 2015. The Class A shares in US dollar returned 4.91% and the Class A shares in Japanese Yen returned 4.92%. As of 31st of October 2015 the Class A shares in US dollar and Japanese Yen were discontinued.

The assets under management of the Fund (Class A and B combined) declined to €90.6 million as of December 31st 2015. Class A shares in US Dollar and Japanese Yen were closed as of 2 November 2015, following the decision of the Manager.

Market review

2015 turned out to be another strong year for the Japanese equity market. The MSCI Japan appreciated 8.12% in local currency, performed well in US dollar terms (+7.09%) and excellent in euro terms (+19.31%). This strong performance marked the forth consecutive up-year and, in 2015, Japanese equities ranked amongst the top performing equity markets globally.

That said, 2015 marked the return of volatility. The bull market extended into mid-august as the main index appreciated by 20%, followed by a sharp and fierce correction, losing 17% between August 11th and August 25th. Risk indicators spiked globally. The most prominent 'fear index', the VIX, briefly jumped above 50, the highest level since 2009. The lows in the Japanese market only materialized late September. At that point the MSCI Japan was briefly down -4% for the year. From those extremely oversold levels, equity prices rallied some 15% into the fourth quarter, just to run into overhead resistance and sell off during a miserable festive season.

The theme of 2015 was 'the return of volatility'. Japanese equities have had everything going for them for the past several years; aggressive policy action (Abenomics) combined with monetary activism and a tail wind from a rapidly depreciating currency. Moreover, long overdue corporate governance initiatives supported the narrative of better capital allocation, implying a higher return-on-capital and justifying a higher valuation multiple.

Japanese equities were heavily supported by the reallocation flow of public pension funds from fixed income into domestic equities. The strong sponsorship of policy makers through fiscal and monetary stimuli, supported by institutional fund flows allowed the Japanese market to finish 2015 markedly higher, despite negative global macro headwinds increasingly gaining traction.

MANAGER'S REPORT
For the year ended 31 December 2015 (continued)

Investment policy

In the first quarter of 2015 the Fund gained 3.3%. Value stocks had a strong revival after the poor performance in 2014, especially in this first quarter of the year. The solid performance of low price-to-book and low enterprise value-to-EBITDA stocks greatly benefited our positioning. The supportive environment for value stocks lasted well into June and the Fund added another 4.1% in the second quarter.

The July - August period marked a significant turning point in terms of risk perception of global investors. After the strong first quarter the Japanese equity market had pockets of extreme overvaluation. The market as a whole was a bit rich especially in relation to the elevated risk in the financial system, which market participants continued to ignore up until that point.

After the first quarter we steadily decreased the net exposure. Many of our long position reached their respective price targets and in a disciplined manner we started to reduce those single stocks. Additionally, a few segments of the market started to become extremely overvalued. The top-down initiative to reallocate domestic public pension portfolios from fixed income into equities was implemented by means of "smart beta" buying. Unfortunately, this type of basket driven flows are not conducive for fundamental stock picking. The crowding into low-variance, high-quality, high-price momentum stocks experienced a brief break in the first and second quarter when the value revival started and came back with a vengeance during the summer months.

Whilst lowering market exposure we kept gross exposure constant by shorting this highly crowded smart-beta phenomenon. The effort to de-risk the portfolio was a right step in the right direction as the smart-beta bubble blew-off into the August highs before the entire market unraveled. Part of the loss during the summer months was not so much our market exposure but being too early with shorting high-price momentum darlings.
Very conservative positioning into September enabled us to generate positive returns despite adverse market circumstances. Being able to withstand this downside volatility allowed us to take advantage of indiscriminate selling and to acquire cheap assets for the long book. In September, the value factor rebounded a little, however value did not perform for the remainder of the year.

After the panic selling, valuations recovered, benefiting the long book. In late November and early December we re-instated our concerns about underappreciated macro risks and hedged a significant part of the net exposure. Global investors still treat the Japanese market as a warrant on global growth and Japanese equities have one of the highest betas among developed equity markets.
In December, the US FED took away the punch bowl despite a worsening economic outlook and investors came to realize that US central bankers are not going to support the owners of risk assets in the short term.

The top five contributing position in 2015 were all long positions, ranked in order of highest to lowest contribution Ichigo Inc,. Pola Orbis, Takara Leben, Chiyoda and Ryosan. The holdings in these companies are multi-year positions. Chiyoda was only added last year, however we followed the company for a few years and only decided last year to start investing in it. Each of those top five position contributed in excess of 1%.

The drivers of above mentioned companies are highly stock specific. To monetize our informational edge, we tend to shy away from mainstream, well understood stocks and look for special situations with limited coverage from the sell-side.

The worst contributors last year were the following positions: short Nissin Food, long Mitsui Soko, short FamilyMart, short Park24, and long Fuji Media. Only 3 positions lost in excess of 50bps and the biggest loser was Nissin Food, which only slightly outperformed the market, and lost less than 70bps.

MANAGER'S REPORT
For the year ended 31 December 2015 (continued)

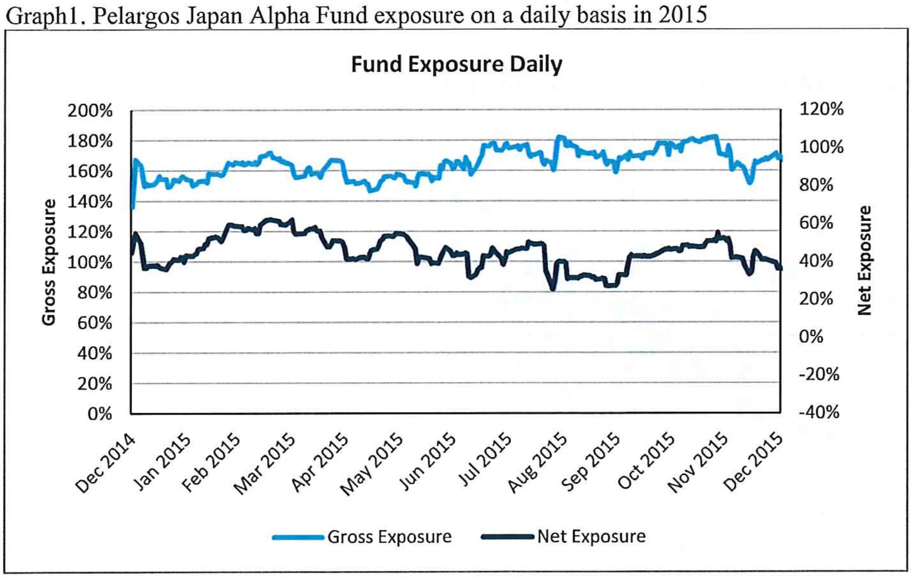
As of 31st of December 2015 the Fund's net and gross exposures (excluding derivatives) were 36.5% and 169%, respectively. Table 1 and Graph 1 below present key statistics with respect to exposure management. Over 2015, the net exposure in the Fund was in the range of 26% - 62%, with an average net exposure of 45%. Over the same period, the gross exposure in the Fund was in the range of 147% - 182%, with an average gross exposure of 165%. Graph 1 shows how the net and gross exposure evolved throughout 2015. The ex-ante beta of the Fund remained in a range of 0.04 to 0.36, averaging 0.21 for the year.

Table 1. Net- and gross exposure and ex-ante beta of the Fund in 2015

	High	Low	Average	12/31/2015
Net exposure	62%	26%	45%	37%
Gross exposure	182%	147%	165%	169%
Ex-Ante Beta *	0.36	0.04	0.21	0.09

* ex-ante beta from TradeSpex

Graph1. Pelargos Japan Alpha Fund exposure on a daily basis in 2015



The Fund's liquidity remained very high: 73% of the Fund can be liquidated in 1 day and 93% within 7 trading days, using 30% of average daily volume.

	Number of Stocks	EURValue of Stocks	% of Portfolio
0-1 Days	265	109,581,014	73%
1-7 days	20	30,524,801	20%
8-30 days	6	10,122,304	7%
Unaccounted	1	-	0%
TOTAL	292	150,228,119	100%

The correlation of the fund with the MSCI Japan Index for 2015 was 0.53 and 0.49 since inception, both based on daily return data.

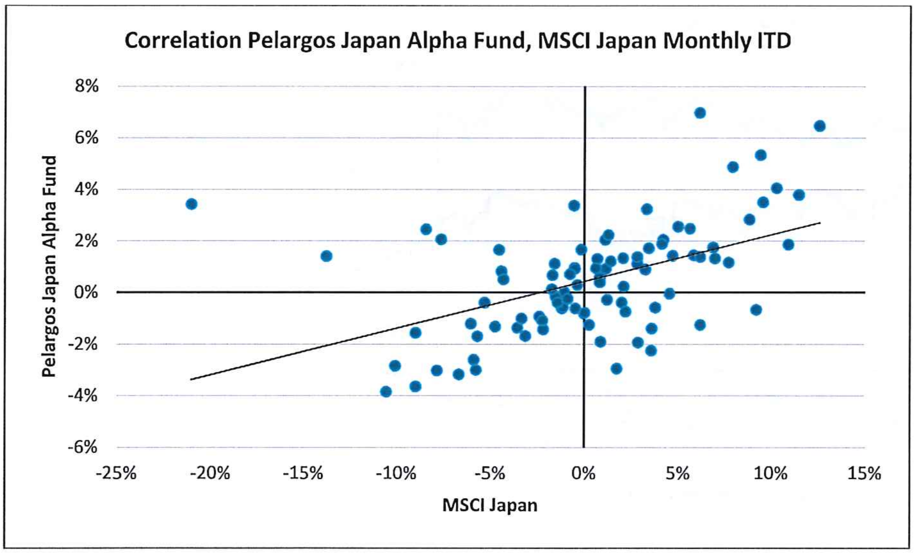
MANAGER'S REPORT
For the year ended 31 December 2015 (continued)

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

Year	Volatility Fund	Volatility Benchmark	Ex-post Beta Fund	Correlation Fund, Benchmark
ITD	6.9%	24.4%	0.14	0.49
2015	6.8%	20.1%	0.18	0.53

Graph 2 shows the correlation of the Fund's monthly returns with the MSCI Japan Index since inception. The Fund's correlation with the market has increased over the past few years. With very low valuation, risk/reward proposition for long positions became extremely attractive. In order to capture these highly attractive asymmetric pay-off structures, we implemented a barbell approach by being substantially long very inexpensive single stock exposure and having down side protection in place to hedge tail-risk events.

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



Outlook

The Japanese equity market enjoyed a three-year bull market from its lows in 2012 to its peak in 2015. Global equity markets even enjoyed a six-year bull market from the lows in 2009. In our opinion, this bull market has come to an end and last year's correction was the initial leg down in a cyclical, medium-term bear market.

Demographics continue to be a structural headwind for the Japanese economy. Nevertheless, global investors came to realize that population decline has become a worldwide phenomenon in developed markets rather than being just a Japan specific impediment. Japan Inc. made sure the baby boomer generation enjoyed life-time employment, none withstanding its negative implications for corporate profitability due to inefficient human resource allocation and impaired labor productivity. With the baby boomer cohort retiring high-cost labor gets replaced with cheaper, and many cases more productive, labor enhancing corporate profitability without the need for painful restructuring. In addition, policy makers, want to reassure the retired baby boomers to preserve their pension rights. By forcing higher domestic equity allocations upon public pension funds, and by launching long overdue corporate governance initiatives, the political establishment aims at increased capital efficiency and higher returns for its pension system. Therefore, the structural underpinnings for the re-rating of Japanese equities remains in place.

MANAGER'S REPORT
For the year ended 31 December 2015 (continued)

Nevertheless, on a short to medium-term basis, Japan will have to face the global business cycle. Although global policy makers seem to be obsessed by their aim to abolish the business cycle it seems, at the end of 2015, we are in the midst of a severe global economic deceleration. Almost all major economies pursuing aggressive monetary easing except for the US FED. The guarding of the global reserve currency aims to get off the zero bound and this policy divergence to other central banks resulted in universal US dollar strength and drain on global US dollar liquidity. With such harsh US dollar liquidity, commodity prices collapsed and commodity-related credit suffered. Investors across asset classes are in the process of re-pricing risk, not only economic risk but also liquidity risk. The period of central banks suppressing risk premia/volatility through monetary activism seems to be coming to a halt. The price we pay for ultra low interest rates is capital mis-allocation and the current withdrawal of liquidity will show 'who is swimming naked'.

In our opinion, the 'normalization' of interest rates is built on the faulty assumption that the US economy can stand on its own feet. Due to central banks' monetary activism it is difficult to distinguish noise from signal. The US recovery seems asset price led and therefore a phony construct which easily unravels once asset prices revert. 2016 has all the hallmarks of a proper cyclical bear market. For the time being, the FED has not come to the rescue. Getting off the zero bound is easier said than done, as the Japanese found out a decade ago. Japan remains caught in the crosshairs of improving micro stories and being treated as a global, leveraged growth proxy.

For the past 12 months we have continuously highlighted the devastating effects of misguided central banking activism. Zero interest rate policy has led to an 'to be expected' capital misallocation and now that the US FED attempted to start a rate hiking cycle, global liquidity has tightened. The Japanese market reacts as it always has, in a exceptionally cyclical, high beta fashion. We remain cautious on all fronts and favor to be long domestic defensive business models and short global cyclical stocks in addition to extremely overpriced, high crowded momentum plays in the consumer staples space. Cyclical bear markets are difficult to manage as high volatility regimes means sharp velocity down and back-up. In such an environment, investors get whipsawed easily and hence nimble risk management becomes paramount.

Risk Management

In 2004 the Principles of Fund Governance were introduced by DUFAS (Dutch Fund and Asset Management Association) as a guideline for sound operations and the duty of care requirements which apply to fund managers. By way of self-regulation these Principles were endorsed by Pelargos Capital B.V. Since the implementation of the Alternative Investment Fund Managers Directive (AIFMD) in 2014 in the Dutch regulation, the aforementioned Principles are embedded in the current Dutch regulation ("Wet op het financieel toezicht").

We have devised a prudent risk management framework that is appropriate to the nature, scope and complexity of the activities deployed. The proportionality principle is applied when implementing applicable laws and regulations as regards hierarchical and functional separation between risk management and other functions within Pelargos Capital B.V., establishing and managing risk limits as well as regards risk measurement and risk management.
In Compliance, Directors and Portfolio Management meetings, risks are reviewed, identified and previously identified risks are monitored.

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

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

MANAGER'S REPORT
For the year ended 31 December 2015 (continued)

Risks

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

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

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

Short selling
The Fund may sell equities with the purpose of buying them back later. These are borrowed, as the Fund does not hold those equities. The cost for borrowing varies and influences the return realized on the pertinent position. Conceivably, borrowed equities may need to be returned to the lender at an earlier than expected date. The value of the borrowed amount is limited to a maximum of 250% of the Net Asset Value of all (Sub)Classes of Participations.

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

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

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

MANAGER'S REPORT
For the year ended 31 December 2015 (continued)

Other information

Statement related to administrative organization and internal control

The 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 Bank of New York Mellon SA/NV, Amsterdam Branch as Depositary.

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. 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.

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, 26 April 2016

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

P.P.J. van de Laar,
Director Pelargos Capital B.V.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	2015	2014
		€	€
Assets			
Financial assets at fair value through profit or loss	3,11	73,614,826	82,163,025
Amounts due from brokers	6	2,735,020	2,042,979
Dividends receivable		162,144	284,026
Interest receivable		-	98
Margin accounts	5	30,234,085	29,609,861
Cash and cash equivalents	4	27,399,657	31,119,326
Total assets		**134,145,732**	**145,219,315**
Liabilities			
Financial liabilities at fair value through profit or loss	3,11	42,409,219	33,821,961
Amounts due to brokers	6	864,981	904,427
Dividends payable		55,731	199,748
Management fee payable	7	77,167	99,853
Interest payable		2,574	10,474
Accrued expenses	8	113,336	59,750
Total liabilities (excluding net assets attributable to holders of redeemable units of participation)		**43,523,008**	**35,096,213**
Net assets attributable to holders of redeemable units of participation		**90,622,724**	**110,123,102**

Net Asset Value Per Unit of participation

Class A - Euro	**31 December 2015**	**31 December 2014**	**31 December 2013**
Number of units of participation (Note 13)	236.27	236.27	236.27
Net asset value per unit of participation	€ 1,336.48	€ 1,263.10	€ 1,358.08
Class B - Euro			
Number of units of participation (Note 13)	59,246.86	76,538.46	76,533.77
Net asset value per unit of participation	€ 1,524.25	€ 1,433.06	€ 1,533.07
Class A – Japanese Yen			
Number of units of participation (Note 13)	-	100.00	100.00
Net asset value per unit of participation	-	¥92,258.68	¥100,346.19
Class A – US Dollar			
Number of units of participation (Note 13)	-	100.00	100.00
Net asset value per unit of participation	-	$930.26	$1,004.33
Total Net Asset Value	**€ 90,622,724**	**€ 110,123,102**	**€ 117,794,674**

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	2015	2014
		€	€
Investment income			
Interest income	9	34,193	63,406
Gross dividend income	10	2,029,021	2,136,001
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	3	10,953,386	(5,117,976)
Net foreign exchange loss		(4,069,413)	(1,202,485)
Other income		51,009	-
Total income/(loss)		**8,998,196**	**(4,121,054)**
Operating expenses			
Dividend expense on securities sold short	10	(790,896)	(1,057,832)
Performance fees	7	(7,288)	-
Management fee	7	(941,701)	(1,116,083)
Interest expense and borrowing fee	9	(971,512)	(960,728)
Audit fee		(62,935)	(31,000)
Administration fee		(91,773)	(66,295)
Depositary fee	7	(43,573)	(29,889)
Legal fee		(18,000)	(45,999)
Costs of supervision	7	(12,000)	(12,000)
Trustee's fee		(13,550)	(25,000)
Other expenses	7	(18,636)	(21,442)
Total operating expenses		**(2,971,864)**	**(3,366,268)**
Profit/(loss) before taxation		**6,026,332**	**(7,487,322)**
Withholding taxes		(230,178)	(192,023)
Profit/(loss) after taxation		**5,796,154**	**(7,679,345)**
Other comprehensive income		-	-
Increase/(decrease) attributable to holders of redeemable units of participation		**5,796,154**	**(7,679,345)**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	2015	2014
	€	€
Cash flows from operating activities		
Increase/(decrease) attributable to holders of redeemable units of participation	5,796,154	(7,679,345)
Adjustment for net foreign exchange loss - cash and cash equivalent	4,069,413	1,202,485
Adjustment for interest income	(34,193)	(63,406)
Adjustment for dividend income	(2,029,021)	(2,136,001)
Adjustment for interest expense	971,512	960,728
Adjustment for dividend expense	790,896	1,057,832
Adjustments to reconcile increase/(decrease) attributable to holders of redeemable units of participation to net cash provided by operating activities:		
Decrease in financial assets at fair value through profit or loss	8,548,199	28,758,954
Increase/(decrease) in financial liabilities at fair value though profit or loss	8,587,258	(7,215,324)
(Increase)/decrease in margin cash	(624,224)	8,209,720
Decrease in management fee payable	(22,686)	(6,830)
Decrease in performance fee payable	-	(3,543,379)
Decrease in amounts due to brokers	(39,446)	(1,599,376)
(Increase)/decrease in amounts due from brokers	(692,041)	3,503,473
Increase in accrued expenses	53,586	27,286
Decrease in equalisation credit payable	-	(2,133)
Cash provided by operating activities	**25,375,407**	**21,474,684**
Interest received	34,291	64,140
Dividend received	2,150,903	2,044,955
Interest paid	(979,412)	(954,915)
Dividend paid	(934,913)	(903,169)
Net cash provided by operating activities	**25,646,276**	**21,725,695**
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation	3,000	75,000
Payments from redemptions of redeemable units of participation	(25,299,525)	(69,360)
Cash flow related to equalisation credit/deficit previous year	(7)	2,133
Net cash flow (used in)/provided by financing activites	**(25,296,532)**	**7,773**
Net increase in cash and cash equivalents	349,744	21,733,468
Net foreign exchange loss - cash and cash equivalents	(4,069,413)	(1,202,485)
Cash and cash equivalents at the beginning of the year	31,119,326	10,588,343
Cash and cash equivalents at the end of the year	**27,399,657**	**31,119,326**

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS OF PARTICIPATION
For the year ended 31 December 2015

	Note	Number of shares	2015 €
Balance at the beginning of the year		76,975	110,123,102
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	5,796,154
Issue of redeemable units of participation during the year	13	2	3,000
Proceeds from redeemable units of participation during the year	13	(17,494)	(25,299,525)
Redemption related to equalisation deficit previous year		-	(7)
Net assets attributable to holders of redeemable units of participation at the end of the year		**59,483**	**90,622,724**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. FUND INFORMATION

General
The Pelargos Japan Alpha Fund (the "Fund") is an open-ended investment fund incorporated on 19 June 2008. The first trade date for Class B (Euro) units of participation was on trade date 11 July 2008. Initial subscriptions for Class A (Euro) units of participation were received on trade date 27 January 2009. Initial subscriptions for Class A (Japanese Yen) units of participation were received on trade date 25 July 2013. Initial subscriptions for Class A (US Dollar) units of participation were received on trade date 25 July 2013. The Fund is not listed on any stock exchange. The units of participation are registered per investor.

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

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Manager, the Title Holder and the Participant. The Manager 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, is 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. Effective 13 April 2015, the Bank of New York Mellon SA/NV replaced Citibank International Ltd Netherlands branch as Depositary.

From its incorporation and until 13 April 2015, the Fund appointed Citibank Europe plc as Administrator. The Administrator provides administration and transfer agency services to the Fund. Effective 13 April 2015, the Bank of New York Mellon SA/NV, Amsterdam branch, replaced Citibank Europe plc as administrator.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (Continued)

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

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

There are no standards and amendments to existing standards that are effective for the first time for the financial period beginning 1 January 2015 that have material impact on the Fund.

New standards, amendments and Interpretations effective after 1 January 2015 and have not yet been early adopted by the Fund

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

(c) Financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 Manager to apply judgment involving assumptions and estimates concerning future results and other developments including the likelihood, timing or amount of future transactions or events.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

Equity securities	2015	2014
	€	€
Beginning market value 1 January	48,877,701	69,568,508
Purchase	204,955,361	281,819,162
Sale	(235,018,774)	(299,955,288)
Revaluation	12,025,137	(2,554,681)
Ending market value at year end	**30,823,141**	**48,877,701**

Forward foreign	2015	2014
	€	€
Beginning market value 1 January	3,366	170
Settlement of contracts	15,248	(5,705)
Revaluation	(18,614)	8,901
Ending market value at year end	**-**	**3,366**

Futures	2015	2014
	€	€
Beginning market value 1 January	-	-
Settlement of contracts	(193,592)	-
Revaluation	194,357	-
Ending market value at year end	**765**	**-**

Options	2015	2014
	€	€
Beginning market value 1 January	-	521,895
Purchase	1,752,419	442,163
Sale	(1,196,120)	-
Revaluation	638,028	(964,058)
Ending market value at year end	**1,194,327**	**-**

Contracts-for-difference	2015	2014
	€	€
Beginning market value 1 January	(540,003)	(205,879)
Purchase	3,645,134	3,946,601
Sale	(2,040,781)	(2,672,649)
Revaluation	(1,885,522)	(1,608,076)
Ending market value at year end	**(821,172)**	**(540,003)**

Total	2015	2014
	€	€
Beginning market value 1 January	48,341,064	69,884,694
Purchase	210,352,914	286,207,926
Sale	(238,434,019)	(302,633,642)
Revaluation	10,953,386	(5,117,976)
Ending market value at year end	**31,205,607**	**48,341,064**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

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

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

As at 31 December 2015 and 2014, financial assets and liabilities at fair value through profit or loss were as follows:

Financial assets at fair value through profit or loss:	**2015**	**2014**
	€	**€**
Equity securities	72,247,268	82,031,813
Contracts-for-difference	172,466	127,846
Options	1,194,327	-
Futures	765	-
Forward foreign currency contracts	-	3,366
Financial assets at fair value through profit or loss	73,614,826	82,163,025
Financial liabilities at fair value through profit or loss:		
Equity securities	(41,415,581)	(33,154,111)
Contracts-for-difference	(993,638)	(667,850)
Financial liabilities at fair value through profit or loss	(42,409,219)	(33,821,961)
Total financial assets and financial liabilities at fair value through profit or loss	**31,205,607**	**48,341,064**

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

As at 31 December 2015 and 2014, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

As at 31 December 2015 and 2014, the net gain and loss breakdown of net gain or loss on financial assets and liabilities at fair value through profit or loss was as follows:

	Net gain or loss on financial assets and liabilities at fair value through profit or loss	
	2015	**2014**
	€	**€**
Realised Gain	31,238,341	24,424,192
Unrealised Gain	29,916,866	26,996,734
Realised Loss	(23,206,497)	(28,968,528)
Unrealised Loss	(26,995,324)	(27,570,374)
Total	**10,953,386**	**(5,117,976)**

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2015	2014
	€	€
Cash at broker	27,399,657	31,119,326

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

5. MARGIN ACCOUNTS

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

The Prime Brokers calculate the maximum amount to be lent on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Brokers was €25,893,479 (31 December 2014: €26,649,211) with Goldman Sachs and €462,752 (31 December 2014: €275,332) with UBS AG and €3,877,854 (31 December 2014: €2,685,318) with Nomura International plc at 31 December 2015.

	2015	2014
	€	€
Margin accounts	30,234,085	29,609,861
Total	**30,234,085**	**29,609,861**

6. AMOUNTS DUE FROM/(TO) BROKERS

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

As at 31 December 2015 and 31 December 2014, the following were held as amounts due to or from brokers

	2015	2014
	€	€
Balances due from brokers	2,735,020	2,042,979
Balances due to brokers	(864,981)	(904,427)
Amounts due from brokers	**1,870,039**	**1,138,552**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

7. FEES AND EXPENSES

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

The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation and 1.0% of the GAV for Class B units of participation (before deduction of the accrued performance fee). The management fee is 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 €941,701 (31 December 2014: €1,116,083) were incurred for the year ended 31 December 2015, of which €77,167 (31 December 2014: €99,853) was payable at 31 December 2015.

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

The performance fee is equal to 20% of the annual increase in the net asset value of the capital of Class A units of Participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class B units of Participation. The performance fee will be calculated on the basis of an annual period from calendar year end to calendar year end. In a year of introduction of a new Class in a specific currency, the performance fee will be based on the period from introduction date to calendar year end. A high watermark applies. Performance fees of €7,288 (31 December 2014: Nil) were incurred for the year ended 31 December 2015, no amount was payable in relation to performance fees at 31 December 2015 (31 December 2014: Nil).

Performance fee – Equalisation
The performance fee is calculated according to the "equalisation" method, which means that each Participant pays a fee that truly corresponds to the increase in value of the units of participation that he/she holds. Participations are subscribed to against the gross asset value per unit of Participation. If the subscription price exceeds the high water mark (HWM) on a dealing day, an equalisation credit is granted to the Participant. Following the date of grant, the value of the equalisation credit fluctuates with the increase and decrease of the NAV. The equalisation credit will at no time turn into a negative value, and it will not increase beyond the value at the time of issue. By issuing Participations against the value of the Participant's equalisation credit at the ultimate valuation day of the financial year of the Fund, the credit will be finally settled. There was no equalisation credit settled during the year ended 31 December 2015 and 31 December 2014.

Conversely, a Participant that acquires Participations at a time that the HWM exceeds the NAV per Participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per Participation exceeds the NAV at the time of issue. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing Participations. The Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalization deficit as of 31 December 2015 amounted to €11,878 (31 December 2014: €7).

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

For the period to 13 April 2015, the Depositary charged a fee as an annual percentage of 0.05% of the GAV at each month end. Effective 13 April 2015, the Depositary charged a fee as an annual percentage of 0.03% of the NAV at each month end subject to a minimum fee of €25,000 per annum.

Due to the changed role of the Title Holder since 22 July 2014, the Title Holder received a trustee fee of €11,000 on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

7. FEES AND EXPENSES (continued)

Other expenses

	2015	2014
	€	€
Miscellaneous expenses	1,494	3,206
Brokerage fee (excluded in Ongoing Charges Figure)	17,142	18,236
Total other expenses	**18,636**	**21,442**

Subscription and redemption fees
The Fund may upon issue and redemption of a unit of Participation charge a fee up to 1.0% of the subscription and redemption amount. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During the year ended 31 December 2015, the Fund did charge a redemption fee of € 51,009 (31 December 2014: €Nil).

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 2015 and 2014 is as follows:

	Ongoing Charges %	
	2015	**2014**
Class A (EUR)	1.76%	1.69%
Class B (EUR)	1.26%	1.19%
Class A (JPY)	1.76%	1.69%
Class A (USD)	1.76%	1.69%

Performance fee ratio
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 2015 and 2014 the ratio percentage was nil across all Classes due to the low level of performance fees paid during the year.

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 €920,517 in 2015 (2014: €916,251).

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

7. FEES AND EXPENSES (continued)

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

31 December 2015

	Actual Costs	Estimated costs Prospectus
Management fee	€941,701	% of GAV: Class A=1.5% and Class B=1.0%
Performance fee	€7,288	% of annual increase GAV: Class A=20% and Class B=15%
Administrator fee	€91,773	+/- 0.10% of NAV
Trustee's fee*	€13,550	Annual fee €11,000
Independent auditor's and advisor**	€92,935	Not Specified
Depositary fee	€43,573	0.036% of the GAV
Other costs***	€1,494	Not Specified

31 December 2014

	Actual Costs	Estimated costs Prospectus
Management fee	€1,116,083	% of GAV: Class A=1.5% and Class B=1.0%
Performance fee	-	% of annual increase GAV: Class A=20% and Class B=15%
Administrator fee	€66,295	Max 0.08% of NAV
Trustee's fee*	€25,000	Annual fee €11,000
Independent auditor's and advisor**	€88,999	17,500
Depositary fee	€29,889	0.05% of the GAV
Other costs***	€3,206	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 applies, excluding VAT and indexation starting as of 2015.

** Independent auditor's and advisor's costs include audit fee, legal fee and cost of supervision. Audit fee refers to services provided by the independent auditor and relate to the audit of the Financial Statements. No other services were provided by the independent auditor or its member firms.

*** Other costs include miscellaneous expenses.

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

The Turnover Rate is calculated as follows:

$$[(\text{Total } 1 - \text{Total } 2) / X] * 100$$

Total 1: the total amount of investment transactions (purchase and sale of all cash equity, CFD, options and futures investments)
Total 2: the total amount of subscriptions and redemptions by Participants
X: average net asset value of the Fund.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

7. FEES AND EXPENSES (continued)

Portfolio Turnover Rate (continued)

Portfolio Turnover Rate

	2015	2014
	€	€
Securities purchase	554,155,895	465,718,850
Securities sale	582,311,927	480,714,688
Total securities transactions	**1,136,467,822**	**946,433,538**
Subscriptions participants	3,000	75,000
Redemptions participants	25,299,542	69,360
Total movement in participations	**25,302,542**	**144,360**
Average net asset value	96,695,323	112,804,499
Turnover Rate	**1,149%**	**839%**

8. ACCRUED EXPENSES

	2015	2014
	€	€
Administration fee	26,018	8,044
Legal and tax advice fees	14,434	106
Audit fee	34,512	9,474
Costs of Supervision	11,985	12,726
Trustee's fee	5,261	7,109
Depositary fee	14,819	16,784
Other accrued expenses	6,307	5,507
	113,336	**59,750**

9. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2015	2014
	€	€
Interest income	34,193	63,406
Interest expense	(701,110)	(638,662)
Borrowing fee	(270,402)	(322,066)
Total	**(937,319)**	**(897,322)**

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

10. DIVIDEND INCOME/EXPENSE

	2015	2014
	€	€
Dividend income	2,029,021	2,136,001
Dividend expense on securities sold short	(790,896)	(1,057,832)
Total	**1,238,125**	**1,078,169**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Fair value estimation (continued)
The following tables analyse the fair value hierarchy of the Fund's financial assets and liabilities measured at fair value at the year ended 31 December 2015 and as at 31 December 2014:

Financial assets at fair value through profit or loss	**31 December 2015 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	72,247,268	72,247,268	-	-
Derivatives	1,367,558	-	1,367,558	-
Total	**73,614,826**	**72,247,268**	**1,367,558**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2015 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	(41,415,581)	(41,415,581)	-	-
Derivatives	(993,638)	-	(993,638)	-
Total	**(42,409,219)**	**(41,415,581)**	**(993,638)**	**-**

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

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

For the year ended 31 December 2015 and 2014, there were no transfers between Levels.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

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

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

The ex-post Beta for the Fund was 0.18 (2014: 0.21), calculated from a regression of the daily returns of the Fund on the MSCI Japan index, from 1 January up to 31 December. The ex-ante Beta measured at year end 2015 is 0.09 (2014: 0.41). (Source: Nomura TradeSpex.)

31 December 2015

Market index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Japan Index	0.09	25%	3,902,305	-25%	(3,902,305)

31 December 2014

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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 2015 and 2014; currency exposures continuously change.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)
The total economic exposure to different currencies at 31 December 2015 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liabilities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	%	€	€
JPY	31,205,607	(32,559,670)	1,976,451	622,388	0.69	62,239	(62,239)
USD	-	(84,884)	-	(84,884)	(0.09)	(8,488)	8,488
Total	**31,205,607**	**(32,644,554)**	**1,976,451**	**537,504**	**0.60**	**53,751**	**(53,751)**

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

The currency rate as of 31 December 2015 is as follows:

	JPY	**USD**
FX/EUR	130.68	1.09

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

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

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

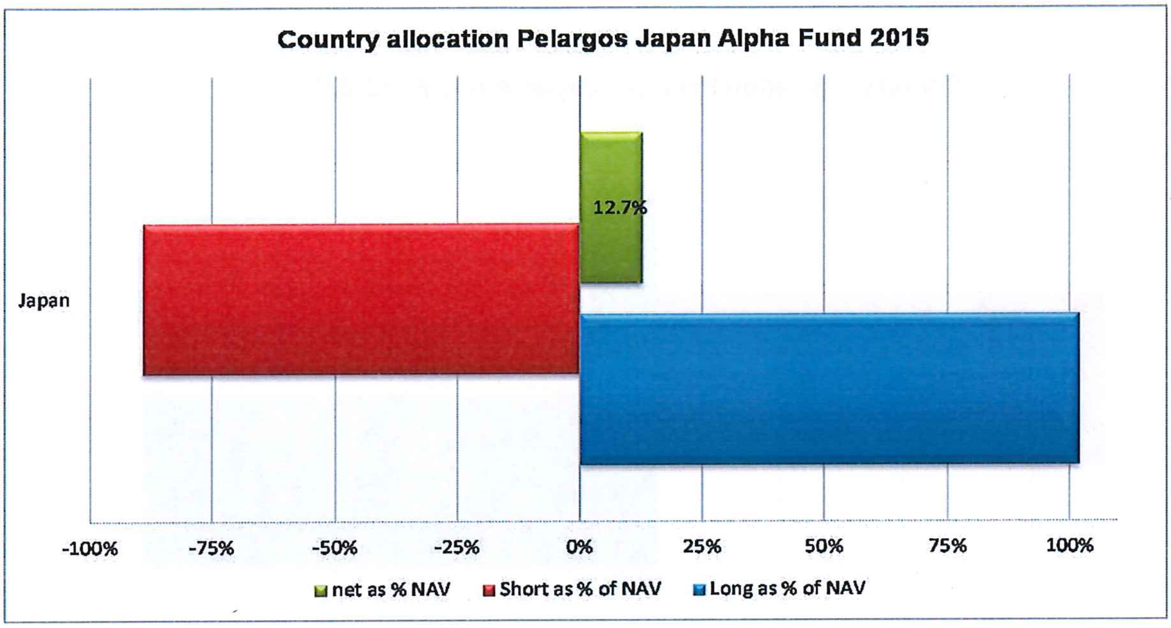
The currency rate as of 31 December 2014 is as follows:

	JPY	**USD**
FX/EUR	145.08	1.21

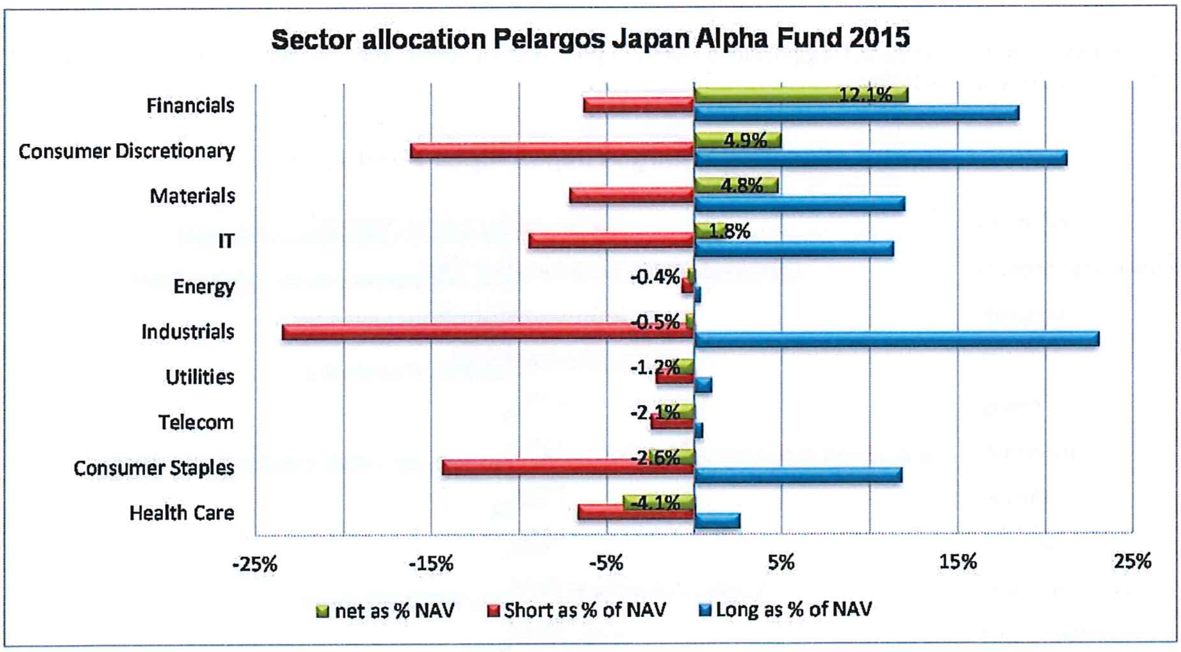
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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



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

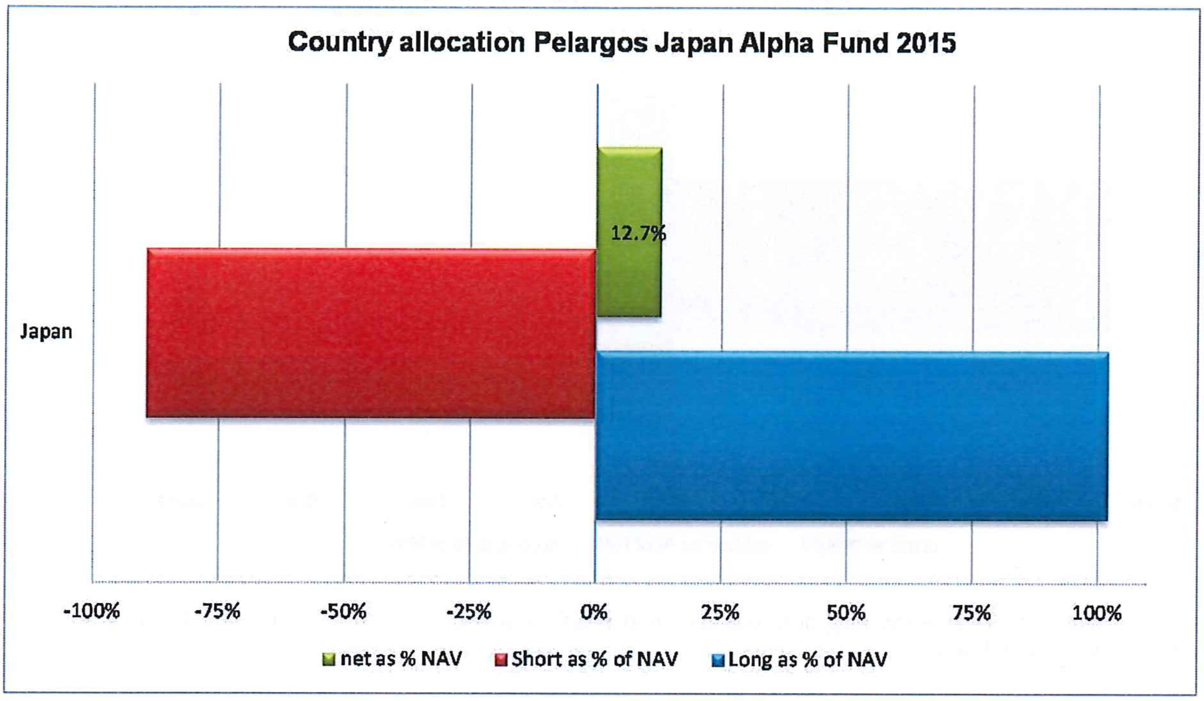


NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

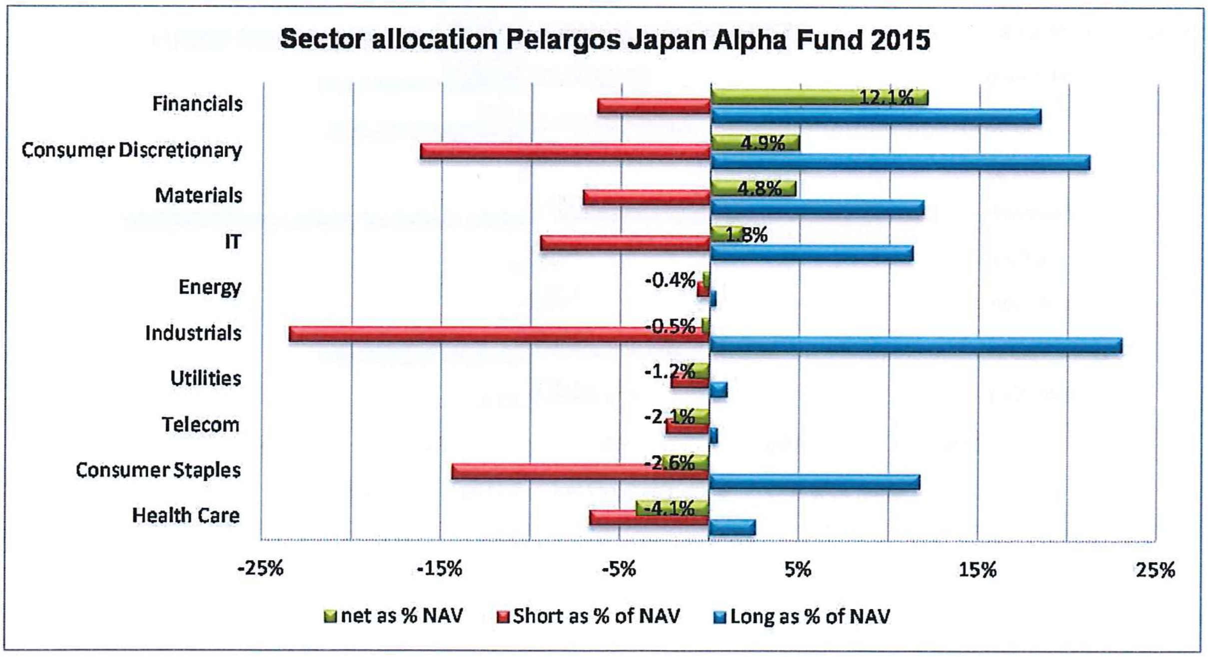
11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk

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



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



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

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

TOP LONG POSITIONS 2015	
	As % NAV
Ryosan Co Ltd	4.0%
Ichigo Inc	3.3%
Relia Inc	3.0%
Honda Motor Co Ltd	3.0%
Pola Orbis Holdings Inc	2.9%
Chiyoda Co Ltd	2.9%
METAWATER Co Ltd	2.8%
Seven & i Holdings Co Ltd	2.8%
Mitsui-Soko Holdings Co Ltd	2.6%
Kaneka Corp	2.6%

TOP SHORT POSITIONS 2015	
	As % NAV
Kikkoman Corp	3.6%
Komatsu Ltd	3.4%
THK Co Ltd	3.1%
Nissin Foods Holdings Co Ltd	2.7%
Hino Motors Ltd	2.6%
Nippon Express Co Ltd	2.4%
Keyence Corp	1.5%
Sanrio Co Ltd	1.1%
Ibiden Co Ltd	1.0%
Aeon	0.8%

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

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

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. 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 2015 was:

Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial assets at fair value through profit or loss	-	1,195,092	-	-	72,419,734	73,614,826
Amounts due from brokers	2,735,020	-	-	-	-	2,735,020
Margin accounts	30,234,085	-	-	-	-	30,234,085
Cash and cash equivalents	27,399,657	-	-	-	-	27,399,657
Total	**60,368,762**	**1,195,092**	**-**	**-**	**72,419,734**	**133,983,588**

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	-	-	-	-	42,409,219	42,409,219
Amounts due to brokers	864,981	-	-	-	-	864,981
Total	**864,981**	**-**	**-**	**-**	**42,409,219**	**43,274,200**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

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

Assets	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	82,163,025	82,163,025
Amounts due from brokers	2,042,979	-	-	-	-	2,042,979
Margin accounts	29,609,861	-	-	-	-	29,609,861
Cash and cash equivalents	31,119,326	-	-	-	-	31,119,326
Total	**62,772,166**	**-**	**-**	**-**	**82,163,025**	**144,935,191**

Liabilities	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial liabilities at fair value through profit or loss	-	-	-	-	33,821,961	33,821,961
Amounts due to brokers	904,427	-	-	-	-	904,427
Total	**904,427**	**-**	**-**	**-**	**33,821,961**	**34,726,388**

Credit risk

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

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

	2015	**2014**
	€	**€**
Derivatives	1,367,558	131,212
Amounts due from brokers	2,735,020	2,042,979
Dividends & Interest receivable	162,144	284,124
Margin accounts	30,234,085	29,609,861
Cash at broker	27,399,657	31,119,326
Total	**61,898,464**	**63,187,502**

For the year ended 31 December 2015, OTC derivative transactions were executed with the Fund's Prime Brokers Goldman Sachs International, UBS AG and Nomura International. The Fund's derivative contracts held were equity CFD's, forward foreign currency contracts, futures and options.

To mitigate credit risk, three prime brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long term ratings for Goldman Sachs at year end were A3 (2014: Baa1 (Moody's)) and BBB+ (2014: A- (S&P)). Long term ratings for UBS AG at year end were A1 (2014: A2) at Moody's and BBB+ (2014: A) at S&P. Long term ratings for Nomura International at year end were AA- (2014: AA-) at Japan Credit Rating Agency and BBB+ (2014: BBB+) at S&P.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

The financial assets and liabilities which are subject to offsetting as of 31 December 2015 and as of 31 December 2014, are as follows:

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instrument	Net amount
2015		-	-		-
Investments pledged* GS	28,953,464	-	28,953,464	-	28,953,464
Derivative assets GS	765	-	765	-	765
Investments pledged Nomura	-	-	-	-	-
Derivative assets Nomura	172,466	-	172,466	172,466	-
2014		-	-		-
Investments pledged GS	9,831,911	-	9,831,911	-	9,831,911
Derivative assets GS	3,366	-	3,366	-	3,366
Investments pledged Nomura	-	-	-	-	-
Derivative assets Nomura	127,846	-	127,846	127,846	-

* rehypothecated equity long

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instrument	Net amount
2015					
Derivative liabilities GS	-	-	-	-	-
Derivative liabilities Nomura	993,638	-	993,638	172,466	821,172
2014					-
Derivative liabilities GS	-	-	-	-	-
Derivative liabilities Nomura	667,850	-	667,850	127,846	540,004

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

To enable to short securities, the Fund borrows securities. At 31 December 2015, the Fund borrowed securities for an amount of €58,168,666 (2014: €48,820,432).

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

Liquidity risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

2015	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
Assets						
	€	€	€	€	€	€
Financial assets at fair value through profit or loss	-	-	-	-	72,247,268	72,247,268
Derivatives	-	1,195,092	-	-	172,466	1,367,558
Other receivables	162,144	-	-	-	-	162,144
Amounts due from brokers	2,735,020	-	-	-	-	2,735,020
Margin accounts	30,234,085	-	-	-	-	30,234,085
Cash and cash equivalents	27,399,657	-	-	-	-	27,399,657
Total	**60,530,906**	**1,195,092**	**-**	**-**	**72,419,734**	**134,145,732**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	41,415,581	41,415,581
Derivatives	-	-	-	-	993,638	993,638
Other liabilities and accrued expenses	248,808	-	-	-	-	248,808
Amounts due to brokers	864,981	-	-	-	-	864,981
Total	**1,113,789**	**-**	**-**	**-**	**42,409,219**	**43,523,008**
Redeemable units of participation	-	90,622,724	-	-	-	90,622,724
Total	**-**	**90,622,724**	**-**	**-**	**-**	**90,622,724**
Liquidity gap	**59,417,117**	**(89,427,632)**	**-**	**-**	**30,010,515**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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	-	-	-	-	82,031,813	82,031,813
Derivatives	-	-	-	-	127,846	127,846
Other receivables	284,124					284,124
Amounts due from brokers	2,042,979	-	-	-	-	2,042,979
Margin accounts	29,609,861	-	-	-	-	29,609,861
Cash and cash equivalents	31,119,326	-	-	-	-	31,119,326
Total	**63,056,290**	**-**	**-**	**-**	**82,159,659**	**145,215,949**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	33,154,111	33,154,111
Derivatives	-	-	-	-	667,850	667,850
Other liabilities and accrued expenses	369,825	-	-	-	-	369,825
Amounts due to brokers	904,427	-	-	-	-	904,427
Total	**1,274,252**	**-**	**-**	**-**	**33,821,961**	**35,096,213**
Redeemable units of participation	-	110,123,102	-	-	-	110,123,102
Total	**1,274,252**	**110,123,102**	**-**	**-**	**33,821,961**	**145,219,315**
Gross settled derivatives						
Forward currency contracts	-	-	-	-	-	-
Gross cash inflow	-	3,366	-	-	-	3,366
Total undiscounted gross						
Settled derivatives inflow	-	3,366	-	-	-	3,366
Liquidity gap	**61,782,038**	**(110,119,736)**	**-**	**-**	**48,337,698**	**-**

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity analysis (continued)
The following tables relate all equity and CFD positions of the Fund to the average daily trading volumes (ADV). The average and maximum ADVs are based on the average daily trading volume over the last 3 months of 2015. The average long position of the Fund was 60% of the ADV. Liquidity of the Fund remains high as can be seen from below table: within 3 days, 78% of our long book can be closed. The whole short book can be closed within 1 day. The max ADV was the value of the most illiquid position as a percentage of 3-months average ADV.

Those tables stated the percentage of the assets held in five different classes of market liquidity. For example: 53% of the Fund's long positions can be sold within a day, under the assumption that we trade maximum 25% of daily volume.

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 December 2015	60%	343%	53%	11%	14%	14%	8%
31 December 2014	59%	400%	57%	16%	6%	14%	7%

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 December 2015	5%	27%	100%	0%	0%	0%	0%
31 December 2014	5%	23%	100%	0%	0%	0%	0%

12. DERIVATIVE CONTRACTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

12. DERIVATIVE CONTRACTS (continued)

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

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

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

As of 31 December 2015 and 2014, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets 2015 €	**Fair value liabilities 2015 €**
Options	1,194,327	-
Contracts-for-difference	172,466	(993,638)
Futures	765	-
Total derivative contracts	**1,367,558**	**(993,638)**

	Fair value assets 2014 €	**Fair value liabilities 2014 €**
Forward foreign currency contracts	3,366	-
Contracts-for-difference	127,846	(667,850)
Total derivative contracts	**131,212**	**(667,850)**

The table below details the total derivatives exposure at 31 December 2015 and 31 December 2014. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At 31 December 2015 the Fund held long and short positions in CFD's, long equity index futures and long in equity index put options.

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 2015 the leverage is 191% (31 December 2014: 136%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

12. DERIVATIVE CONTRACTS (continued)

2015	Net exposure	Gross exposure	Gross as % NAV
Equity	30,829,722	113,655,605	125.4%
Contracts-for-Difference	(35,248)	37,568,883	4.5%
Futures	1,456,459	1,456,459	1.6%
Options	(20,754,833)	20,754,833	22.9%
Total exposure	11,496,100	173,435,780	
Total as % of NAV	12.7%	191.4%	191.4%

2014	Net exposure	Gross exposure	Gross as % NAV
Equity	48,877,720	115,185,924	105%
Contracts-for-Difference	523,175	34,883,981	31%
Total exposure	49,400,895	150,069,905	
Total as % of NAV	45%	136%	136%

13. REDEEMABLE UNITS OF PARTICIPATION

Since inception of the Fund, Class A and Class B units of participation were issued; Class B is only nominated in Euro. Class A is nominated in Euro, US Dollar and Japanese Yen. The (initial) investment required for a participant in Class A is Euro 10,000, JPY 10,000,000 and USD 100,000. Subsequent subscriptions and redemptions have a minimum size of Euro 1,000, JPY 100,000 and USD 1,000. Class A units of participation in US Dollar and in Japanese Yen were closed as of 2 November 2015.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

13. REDEEMABLE UNITS OF PARTICIPATION (continued)

Transactions in units of participation for Class A and Class B for the year ended 31 December 2015 and year ended 31 December 2014 were as follows:

	Number of units of participation 2015	Number of units of participation 2014
Class A (EUR)		
Units of participation balance at the beginning of the year	236.27	236.27
Issue of redeemable units of participation	-	-
Units of participation at the end of the year	**236.27**	**236.27**

	Number of units of participation 2015	Number of units of participation 2014
Class B (EUR)		
Units of participation balance at the beginning of the year	76,538.46	76,533.77
Issue of redeemable units of participation	2.09	51.61
Redemption of redeemable units of participation	(17,293.69)	(48.31)
Issue/Redemption related to equalisation credit/(deficit)	-	1.39
Units of participation at the end of the year	**59,246.86**	**76,538.46**

	Number of units of participation 2015	Number of units of participation 2014
Class A (JPY)		
Units of participation balance at the beginning of the year	100.00	100.00
Issue of redeemable units of participation	(100.00)	-
Units of participation at the end of the year	**-**	**100.00**

	Number of units of participation 2015	Number of units of participation 2014
Class A (USD)		
Units of participation balance at the beginning of the year	100.00	100.00
Issue of redeemable units of participation	(100.00)	-
Units of participation at the end of the year	**-**	**100.00**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

13. REDEEMABLE UNITS OF PARTICIPATION (continued)

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 285.31 (31 December 2014: 283.23) Units of Participation Class B in the Fund. Pelargos Capital B.V. held 136.47 (31 December: 2014: 136.47) Units of Participation Class A Euro, no Units of Participation Class A USD (31 December 2014: 100) and no Units of Participation Class A JPY (31 December 2014:100) in the Fund. Aegon Levensverzekering N.V. was participant in the Fund, at 31 December 2015 it held no Units of Participation (31 December 2014: 9,950). 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 58,930 (31 December 2014: 66,252.01) Units of Participation Class B and 99.80 (31 December 2014: 99.80) Units of Participation Class A.

AIM B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V. Aegon Asset Management Holding B.V. holds 73.34% (31 December 2014: 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 31 December 2015.

As of 31 December 2015 and 31 December 2014 there are no personal interests of the employees of directors in investments, which were also held by the Fund.

As of 31 December 2015 and 31 December 2014 the personal interests of employees of directors and non-executive director of the Fund are as follows:

	Market Value 31 December 2015	Market Value 31 December 2014
	€	€
Pelargos Japan Alpha Fund	434,891	405,880
	434,891	**405,880**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

16. REMUNERATION

Pelargos Capital B.V. has defined a remuneration policy. This includes among other things provisions on the deferral of at least 40% of the bonus over 2015. The directors discuss the proposed budgeted amount for variable pay with the shareholders. The directors decide on the assessment of performances of members of personnel and the amount of variable pay allocated to each member of personnel. The amount of variable pay for each employee is dependent on several weighted criteria, a.o. the performance of the relevant fund, the contribution to the (improvement) of the investment process, the contribution to (the improvement of) other company processes among which risk management, the contribution to marketing and sales, as well as the quality of activities in the execution of existing company processes.

In line with the ESMA Guidelines, Pelargos Capital B.V. applies the AIFMD remuneration rules in relation to the publication of variable remuneration as of 2015. Comparable previous year figures for the remuneration split by directors and other personnel will be included in next year's report.

Senior management relates to the two statutory directors and other key risk taker. Other personnel include portfolio managers and all other (non-investment) staff. All employees are eligible to receive variable pay, and for all employees deferral of at least 40% of variable applies. On average the company had 9.7 FTE employed in 2015 (2014: 10.6).

Though the portfolio managers and analysts have specific areas to focus at, Pelargos Capital B.V. works as one team with two consistent policies for the two funds managed. Therefore, the presentation of the allocation of FTE, Positions and remuneration to the funds is based on a pro rata division of the assets under management in 2015.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 (continued)

17. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 31 December 2015 up to the date of approval of these financial statements.

18. APPROVAL OF THE FINANCIAL STATEMENTS

Approved on behalf of the Manager:

Director Pelargos Capital B.V.

Date: 26 April 2016

OTHER NOTES
For the year ended 31 December 2015

1. DIVIDEND AND ALLOCATION OF RESULT

During the year ended 31 December 2015, the Fund did not pay dividends. 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 Manager approved the financial statements on 26 April 2016.

OTHER NOTES
For the year ended 31 December 2015 (continued)

The accompanying Statement of Financial Position as at 31 December 2015 and the Statement of Comprehensive Income and Statement of Changes in Net Assets Attributable to Holders of Redeemable Units of Participation for the year then ended have been compiled from the records of the Pelargos Japan Alpha Fund and from other information supplied to us by the Fund. There has not been an audit performed and consequently, there is not an opinion expressed on these accounts.

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

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT (Continued)

Independent auditor's report

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

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Pelargos Japan Alpha Fund as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), the Dutch Financial Supervision Act and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Pelargos Japan Alpha Fund, The Hague ('the Fund').

The financial statements comprise:
- the statement of financial position as at 31 December 2015;
- the following statements for 2015: statements of comprehensive income, cash flow and changes in net assets attributable to holders of redeemable units of participation;
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Ref.: e0378635

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Investment Manager

The investment manager is responsible for:

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

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

Our responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Our report on the investment manager's report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the investment manager's report and the other information):

- 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 by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

- We report that the investment manager's report, to the extent we can assess, is consistent with the financial statements.

Amsterdam, 26 April 2016
PricewaterhouseCoopers Accountants N.V.

M.D. Jansen RA

Appendix to our auditor's report on the financial statements 2015 of Pelargos Japan Alpha Fund

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

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

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

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

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