Pelargos Asia Alpha Fund

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2012

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2012

TABLE OF CONTENTS

FUND INFORMATION

REGISTERED OFFICE	WTC Tower E 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
INVESTMENT MANAGER	Pelargos Capital B.V. WTC, Tower E 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
TRUSTEE	Stichting Bewaarder Pelargos Asia Alpha Fund c/o: ANT Trust & Corporate Services N.V. Claude Debussylaan 24 1082 MD Amsterdam The Netherlands
FUND ADMINISTRATOR	Citibank Europe plc* 1 North Wall Quay Dublin 1 Ireland
PRIME BROKER	UBS AG 1 Finsbury Avenue London EC2M 2PP United Kingdom Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Tripolis Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
COMPLIANCE	CLCS B.V. Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITORS	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands

* Since 1 January 2012, the administration function was transferred from Citi Hedge Fund Services (Ireland) to Citibank Europe plc pursuant to a scheme of arrangement.

FUND PROFILE

Pelargos Asia Alpha Fund
The Fund is an open-ended investment fund. Issue and redemption of units of participation is possible at the instigation of the Participant as described in the Prospectus. Date of commencement of NAV calculation was 20 June 2008.

Key Features Document ("Essentiële Beleggersinformatie") and Prospectus
For this financial product a Key Features Document applies containing Fund information related to its costs and risks. The Key Features Document and Prospectus are available on www.pelargoscapital.com.

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

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

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

Pelargos Capital B.V. was incorporated on 4 March, 2008 and has its registered office in The Hague. The directors of Pelargos Capital B.V. are Orange Dragon Company B.V. (represented by R.A. Dingemans), Emphi B.V. (represented by P.P.J. van de Laar), Limare B.V. (represented by P.C. Rigter) and until 28 September 2012, Pavonis B.V. (represented by R.M. Salomons).

Trustee
The Trustee is Stichting Bewaarder Pelargos Asia Alpha Fund. The manager of the "Stichting" is ANT Custody B.V.

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

SUMMARY FINANCIAL INFORMATION

	2012	2011	2010	2009	2008^
Class A (€ '000)	(3)	(15)	13	14	-
Class B (€ '000)	(1,692)	(8,486)	2,378	19,169	(860)
Income	**(1,695)**	**(8,501)**	**2,391**	**19,183**	**(860)**
Class A (€ '000)	(7)	(14)	(27)	(6)	-
Class B (€ '000)	(3,986)	(4,115)	(4,895)	(4,522)	(336)
Expenses and withholding taxes	**(3,993)**	**(4,129)**	**(4,922)**	**(4,528)**	**(336)**
Class A (€ '000)	(10)	(29)	(14)	8	-
Class B (€ '000)	(5,678)	(12,601)	(2,517)	14,647	(1,196)
Increase/(decrease)	**(5,688)**	**(12,630)**	**(2,531)**	**14,655**	**(1,196)**
Net assets (€ '000)	154,067	135,334	148,496	152,316	13,861
Number of units of participation					
Class A	242.63	242.63	772.73	99.50	-
Class B	167,916.20	141,729.20	141,712.57	143,644.87	14,907.23
Net asset value per unit of participation					
Class A (in €)	944.42	987.61	1,084.98	1,108.89	-
Class B (in €)	916.16	953.18	1,041.95	1,059.60	929.82
Performance (in %)					
Class A (in %)	(4.37)	(8.97)	(2.16)	10.89	-
Class B (in %)	(3.88)	(8.52)	(1.67)	13.96	(7.02)
Ongoing Charges Figure# (in %)					
Class A (in %)	1.6	1.6	1.8	1.6	-
Ongoing Charges Figure# (in %)					
Class B (in %)	1.1	1.1	1.2	1.3	1.1

^ For the period from 17 June 2008 (date of incorporation) to 31 December 2008

Figures for 2008, 2009 and 2010 are based on Total Expense Ratios

INVESTMENT MANAGER'S REPORT

For the year ended 31 December 2012

Performance

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A	-1.00	0.92	-1.67	-0.72	-2.42	-0.51	-0.36	-0.69	1.81	-0.48	1.26	-0.53	**-4.37**
Class B	-0.96	0.96	-1.63	-0.68	-2.38	-0.47	-0.31	-0.64	1.85	-0.43	1.31	-0.48	**-3.88**

Source: Citibank Europe plc.

Over 2012 the Pelargos Asia Alpha Fund realized a negative return. Class A shares lost 4.4% and Class B shares lost 3.9% over the year. The difference in the returns results from a different fee structure.

The return since inception in January 2009 (Class A) and June 2008 (Class B) stands respectively at -5.6% (Class A) and -8.4% (Class B).

At year end the assets under management of the fund amounted to Euro 154 million.

Market review

Financial markets could regain some stability in the second half of 2012 thanks to unlimited policy support provided by the major central banks in the developed markets. As a consequence, fears over a global recession that arose in the second quarter could be contained and the global financial markets could end the year on a positive note.

Also in Asia the economic reality at the end of 2012 was not as bad as feared earlier in the year, as a hard landing could be avoided in China even without substantial policy support that seemed essential until the third quarter. The Asian 6% GDP-growth over the year is only slightly below forecasts made early in the year.

Looking back, it is worth noting that growth in developed economies did not disappoint anymore in 2012 after a drastic reduction in growth forecasts during the second half of 2011. The disappointment over global economic growth in 2012 was largely a result of slower growth in a number of major emerging markets in the second half of the year. The BRIC's as well as the export sensitive 'Asian Tigers' (Hong Kong, Singapore, South-Korea and Taiwan) appeared to be more sensitive to the slowdown in the global economy and the instability in the financial markets than expected earlier. The positive surprises in 2012 were again delivered by the ASEAN economies. Thanks to the robust structural expansion of their domestic economies, growth was close to (in Indonesia and Malaysia) or well ahead (in the Philippines and Thailand) of earlier estimates.

The news flow from all regions contributed to reduced market pessimism in Asia at year end: steadily improving US economic data in combination with reduced inventory levels imply an improving export potential for Asia. In China there are clear signs that the bottom of the economic cycle has been passed thanks to a gradual recovery of the housing market and a revival of halted infrastructural projects. In Europe it is too early to expect an economic recovery, but sovereign debt risk as well as financial systemic risk are, at least for now, less of concern. Also Japan's move towards inflation targeting adds to optimism over some economic rebound in 2013 of which Asia can benefit.

Ultimately 2012 proved to be quite a good year for Asian equities, thanks to the regained optimism over the global and regional economic outlook in the second half of the year. Earnings revisions were clearly negative for most of the year, but the positive spin to be made here is that they started to stabilize in December.

Over 2012 the MSCI Asia-Pacific ex Japan index was up 19% in US dollars. The region roughly recovered the losses incurred over 2011. There were large divergences between markets. Chinese local investors clearly lacked confidence. The local Shanghai A-share market only recovered from early December to end the year up a marginal 3%. Non-Chinese investors were clearly more positive about China as the in Hong Kong listed Chinese shares realized a 19% return. Remarkably, export dependence was the clear dividing line in 2012. Countries depending on domestic demand still delivered the better returns. The Philippines topped the list with a rise of 35%, followed by India (up 28%) and Thailand (up 27%). Within ASEAN, Indonesia and Malaysia lagged. In Indonesia (up 9%) fears over currency weakness resurfaced after weakening trade data and Malaysia (up 7%) was impacted by uncertainties over the 2013 elections. The export dependent markets South-Korea and Taiwan did lag as well with rises of 11% and 9%.

Sector wise there was no clear cyclical/defensive ranking in 2012, as the cyclicals showed a diverse performance: IT-sector and financials showed the strongest gain of some 25%, while energy and materials only saw mid single digit rises. The relevant defensive sectors were all in the middle ground.

Investment policy

During the first half of the year we became increasingly cautious over the market direction. Before the correction in May we were not comfortable with the uptrend, while the dependence on policy maker's decisions held us back after the correction during the early summer. During that period of uneasiness we neutralized our cyclical positioning and reduced our gross and net exposures to relatively low levels. The low point around mid year had a net exposure of 4% and the gross exposure 54%.

In the second half of the year the incremental support from major policymakers and the improvement of economic data in the US and in China allowed for a more positive portfolio stance. With the increasing signs of stabilization in Europe, the sensitivity to policy risk decreased, which made us decide to increase the fund's exposures again.

In September and October we saw opportunities in adding long exposure in low valued cyclicals especially in China, South-Korea and Taiwan. We especially favored the financials and IT-sector. Additions we can mention here are: Chinese banks ICBC and China Minsheng Bank and property companies China Resources Land and Guangzhou R&F Properties. In South-Korea we added Hana Financial Group. In the IT-sector we increased our position in Samsung Electronics again and added Taiwanese names likes Hermes Microvision and TPK to the portfolio. Towards the end of the year we added long exposure in the attractively valued Chine A-market by adding A-share trackers. We held on to our long exposure in the ASEAN markets, in particular Thailand and Indonesia, largely in banks and property companies.

Our largest short has been in the property sector as well: City Development, as this fully valued company faces incremental policy headwinds in Singapore. After trimming our cyclical shorts in the portfolio most of our shorts at year end were overvalued defensives in Australia, Singapore and Hong Kong.

The added long positions in the second half of the year resulted in an increase of the net exposure to 28%. As we did hold back on increasing our shorts in the second half of the year our gross exposure roughly went up with the net adds in our long book to 85%.

The portfolio maintained a clear value and quality tilt in which the long book has lower price-earnings- and price-to-book ratios with better balance sheet quality than the short book.

Over 2012 the fund disappointingly realized a negative return.
The positive return generated in the second half was insufficient to compensate for the losses over the first half, when the positioning in cyclicals was unfavorable.

The negative return over the year largely resulted from shorts that worked against us in spite of their overvaluation. We mention Belle, Cochlear, Genting Singapore and China Resources Enterprise. A couple of our longs like Esprit, China Resources Cement, Kia Motors and Baidu incurred losses as well. As these holdings did hit stop loss limits, we closed most of these positions.

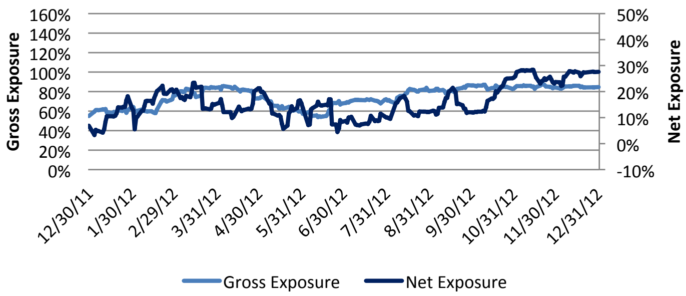
The positives were largely longs generated in telecoms and the cyclical sectors we favored. In telecom space Hong Kong Telecom Trust and Shin Corp from Thailand served us well. Within the IT-sector we can mention Samsung Electronics, AAC Technologies, Hermes Microvision and Digital China. Guangzhou R&F and China Minsheng Banking delivered the best returns for us in the financials. Media Nusantara is one of the decently performing longs in our ASEAN portfolio. Only one short delivered a substantial positive: Li Ning, an overvalued Chinese shoe retailer.

Table 1 shows the main statistics on our exposure management. It shows average risk levels in the portfolio have been low during 2012 with an average gross exposure of 75%, an average net of 16% and average ex-ante portfolio beta of 0.25. The exposure levels have remained fairly stable over the past year. The absolute levels are still relatively subdued as the current rotational market environment does not reward our investment style. The year end numbers were a 85% gross, a 28% net exposure and a 0.35 ex-ante beta.

Table 1. Net- and gross exposure and ex-ante beta of the Fund in 2012

	High	Low	Average
Net exposure	28%	3%	16%
Gross Exposure	88%	54%	75%
Ex-Ante Beta	0.41	0.10	0.25

Graph1. Pelargos Asia Alpha Fund exposure on a daily basis in 2012



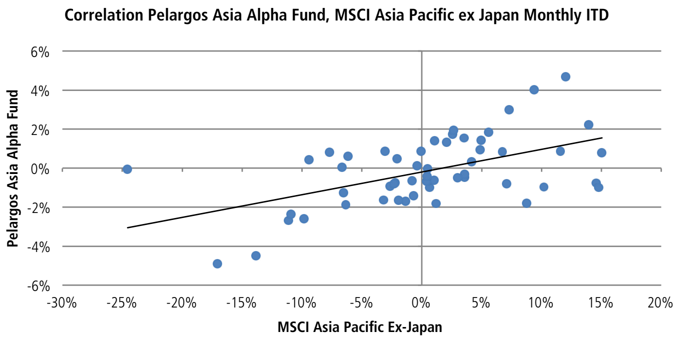
The ex-ante beta of the Fund remained in a range of 0.10 to 0.41, averaging 0.25 for the year. The Fund maintained its embedded value bias and the Fund´s liquidity remains very high: 83% of the Fund can be liquidated in 2 days.

Table 2 and Graph 2 show the correlation of the Fund's monthly return to the MSCI Asia Pacific ex Japan index. The realized correlation of the Fund with the MSCI Asia Pacific ex Japan for 2012 was 0.45 and 0.17 since inception, both based on daily return data.

Table 2. Realized volatility, beta and correlation of Fund and MSCI Asia Pacific ex Japan

Year	Volatility Fund	Volatility Benchmark	Ex-post Beta Fund	Correlation Fund, Benchmark
ITD	6.1%	16.4%	0.04	0.17
2012	4.2%	14.7%	0.13	0.45

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



Outlook

The question for 2013 is what is next, now equity markets discount a more stable global economic setting thanks to the series of successful policy intervention measures taken in 2012. The good thing after avoiding Armageddon outcomes so far, is that financial markets' dependence on policy makers has become less extreme. Investors can take a closer look at fundamentals again. Comforting for the start of the year is that recently Asian exports show signs of strength.

Early 2013, investors are not yet fully positioned for the reduced global recession risk environment. Top down equities are an attractive asset class and valuations are still quite reasonable in spite of the recent run up. Asian equity markets, because of the large dependence on exports, also benefit from an improving global outlook and liquidity creation by the central banks.

We are positive on the short term market outlook, but on the other hand we do not expect we are in the early phase a major bull run. The structural global economic problems have not really been addressed and will show up sooner or later. Moreover, in the present relief phase there seems to be too much complacency with investors, which could increase the risk of technical corrections.

The major fundamental risk is that global growth disappoints again and that there is little room for additional supportive policy measures. In the US, the budget debate in February can create renewed uncertainty over the US economic outlook. In Europe the economic growth has been disappointing recently, while at the same time reform efforts in the peripheral economies need implementation to maintain stability in the sovereign bond markets.

In China there is a delicate balance between the ideal pace of economic growth on the one hand and inflation on the other. Especially now when the leaders are happy to reduce the structural economic growth rate to lower levels. The recent rebound of economic growth has been too much dependent on government spending and needs to spill over to private consumption and private capex. The longer term outlook much depends on the implementation of restructuring measures by the new leadership. South East Asia is in an exceptional position because they need to avoid an overheating of the domestic economies and need to avoid asset bubbles in the medium term.

The Japanese policy of inflation targeting should be well controlled to avoid a destabilization of regional financial markets caused by a severe correction in the Japanese yen. This would severely harm competiveness of the North East Asian economies.

Last but not least Asian politicians should exercise self control in their nationalistic rhetoric, regarding territorial issues in the regional coastal waters, as the economic impact in the interrelated region can be material. This could already be noticed at the end of last year.

Above mentioned concerns are not playing a mayor role yet, but the overhang will probably limit the market upside in 2013.

Risk management

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

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

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

Exposures to markets, currencies or countries are described in Note 9 of the financial statements. The most important risks are described below; a more extensive list of risks is described in the Prospectus.

Risks

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

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

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

The prime broker calculates the maximum amount to be lent on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement.

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

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

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

Other information

Statement related to administrative organisation and internal control

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

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

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

The Hague, April 24 2013

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012	2011
		€	€
Assets			
Cash and cash equivalents	4	122,737,191	125,373,872
Financial assets at fair value through profit or loss	3,9	73,526,062	35,452,966
Amounts due from brokers	5	-	1,259,800
Dividends receivable		89,615	59,271
Interest receivable		12,544	56,920
Total assets		**196,365,412**	**162,202,829**
Liabilities			
Financial liabilities at fair value through profit or loss	3,9	42,025,852	26,669,755
Management fee payable	6	130,702	111,423
Interest payable		71,098	40,458
Accrued expenses	7	44,529	47,570
Dividends Payable		25,982	-
Total liabilities		**42,298,163**	**26,869,206**
Net assets attributable to holders of redeemable units of participation		**154,067,249**	**135,333,623**

Net asset value per unit of participation

Class A	**2012**	**2011**	**2010**
Number of units of participation (Note 11)	242.63	242.63	772.73
Net asset value per unit of participation	€ 944.42	€987.61	€1,084.98
Class B	**2012**	**2011**	**2010**
Number of units of participation (Note 11)	167,916.20	141,729.20	141,712.57
Net asset value per unit of participation	€ 916.16	€953.18	€1,041.95
Total Net Asset Value	**€ 154,067,249**	**€135,333,623**	**€148,496,496**

See notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012	2011
		€	€
Income			
Interest income	8	251,008	1,102,183
Gross dividend income		1,808,748	1,465,421
Net loss on financial assets and liabilities at fair value through profit or loss	3	(2,930,519)	(10,086,649)
Net foreign exchange loss		(824,425)	(981,650)
Total investment expense		**(1,695,188)**	**(8,500,695)**
Expenses			
Management fees	6	(1,504,368)	(1,412,906)
Dividend expense on securities sold short		(1,313,478)	(1,476,722)
Interest expense	8	(924,451)	(1,064,829)
Other expenses	6	(17,197)	(24,403)
Administration fee	6	(89,896)	(65,300)
Trustee's fee	6	(30,277)	(31,426)
Legal fee	6	(19,637)	26,807
Audit fees	6	(17,336)	(23,346)
Total operating expenses		**(3,916,640)**	**(4,072,125)**
Withholding taxes		(76,419)	(57,122)
Decrease attributable to holders of redeemable units of participation		**(5,688,247)**	**(12,629,942)**

See notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	€	€
Cash flows from operating activities		
Decrease attributable to holders of redeemable units of participation	(5,688,247)	(12,629,942)
Adjustments to reconcile decrease attributable to holders of redeemable units of participation to net cash used in operating activities:		
(Increase)/decrease in financial assets at fair value through profit or loss	(38,073,096)	54,901,122
Increase/(decrease) in financial liabilities at fair value though profit or loss	15,356,097	(45,555,537)
Decrease/(increase) in interest receivable	44,376	(17,582)
increase in dividend receivable	(30,344)	(7,146)
Decrease in amounts due to brokers	-	(1,536,909)
Decrease in amounts due from brokers	1,259,800	2,396,897
Increase in dividends Payable	25,982	-
Increase/(decrease) in management fee payable	19,279	(15,161)
Increase/(decrease) in interest payable	30,640	(81,256)
Increase/(decrease) in accrued expenses	(3,041)	(223,467)
Net cash used in operating activities	**(27,058,554)**	**(2,768,981)**
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation	26,143,000	168,000
Payment from redemption of redeemable units of participation	(1,721,127)	(698,244)
Redemption related to equalisation deficit previous year	-	(2,687)
Net cash flow provided by/(used in) financing activities	**24,421,873**	**(532,931)**
Net decrease in cash and cash equivalents	(2,636,681)	(3,301,912)
Cash and cash equivalents at the beginning of the year	125,373,872	128,675,784
Cash and cash equivalents at the end of the year	**122,737,191**	**125,373,872**

See note 4 to the financial statements

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

For the year ended 31 December 2012

	Note	Number of shares	2012
			€
Balance at the beginning of the year		**141,972**	**135,333,623**
Decrease attributable to holders of redeemable units of participation resulting from operations for the year		-	(5,688,247)
Issue of redeemable units of participation during the year	11	28,081	26,143,000
Payments for redeemable units of participation during the year	11	(1,894)	(1,721,127)
Net assets attributable to holders of redeemable units of participation at the end of the year		**168,159**	**154,067,249**

	Note	Number of shares	2011
			€
Balance at the beginning of the year		**142,485**	**148,496,496**
Decrease attributable to holders of redeemable units of participation resulting from operations for the year		-	(12,629,942)
Issue of redeemable units of participation during the year	11	161	168,000
Payments for redeemable units of participation during the year	11	(672)	(698,244)
Redemption related to equalisation deficit previous year		(2)	(2,687)
Net assets attributable to holders of redeemable units of participation at the end of the year		**141,972**	**135,333,623**

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. FUND INFORMATION

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

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

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Investment Manager, the Trustee and the Participant. The Investment Manager was granted the license to manage investment funds under the Financial Supervision Act (Wft) as of 9 December 2010. As of 29 July 2011, the Fund has been registered under this license at The Netherlands Authority for the Financial Markets (AFM).

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

Since its incorporation and until year end 31 December 2012, the Fund appointed Citibank Europe plc as Administrator. The Administrator provides fund administration and transfer agency services to the Fund. Citibank Europe plc is based in Ireland and adheres to Irish AML rules and regulations.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

The financial statements are presented in Euro.

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

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

New accounting standards adopted
The Fund has adopted the amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Details of related parties are included in section Other Notes.

New standards, amendments and interpretations to existing standards which are relevant to the Fund and not yet effective
On 12 May 2011, the International Accounting Standards Board ("IASB") issued IFRS 13 Fair Value Measurement. This standard defines fair value, provides guidance for fair value measurement and sets out disclosure requirements. IFRS 13 does not change when an entity is required to use fair value measurements but explains how to measure fair value when it is required by other IFRS's. Some of the disclosures required, including the fair value hierarchy, were already introduced in March 2009 through an amendment to IFRS 7 Financial Instruments: Disclosures. Those disclosures have been relocated to IFRS 13.

The effective date for mandatory adoption of IFRS 13 Financial Instruments will depend on the date it is adopted by the European Union. Early adoption will not be allowed before that date. As a result, the Fund has not early adopted this standard for the current reporting period. However, the Standard states that it is applicable for all accounting periods commencing on or after 1 January 2013 with early adoption permitted.

No impact on the net asset value and the results of the Fund is expected from adoption of IFRS 13.

IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities
On 16 December 2011, the IASB and FASB issued common disclosure requirements that are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new requirements are set out in Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). As part of that project the IASB also clarified aspects of IAS 32 Financial Instruments: Presentation. The amendments address inconsistencies in current practice when applying the requirements.

The amendments to IFRS 7 apply to annual periods beginning on or after 1 January 2013 and interim periods within those periods.

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

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

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

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

Initial measurement
Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out ("FIFO") method. Financial instruments categorised at fair value through profit or losses are measured initially at fair value. Transaction costs incurred with an opening position in equities and CFD's (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 CFD's (closing sale in case of a long position or closing buy in case of a short position) are included in the net consideration.

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

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

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

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

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

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

(e) 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.

(f) Derecognition
The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

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

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

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

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

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

(k) Redeemable units of participation
The Fund has issued two classes of redeemable units of participation, Class A units and Class B units, which are redeemable at the participant's option. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

The participants of Class B units of participation are not entitled to request the Fund to redeem all or part of their redeemable units of participation during the "lock-up" period of one year from the acceptance of subscriptions. After the "lock-up" period, the redeemable units of participation can be put back to the Fund on any dealing day for cash equal to a proportionate share of the Fund's net asset value.

(l) Subscription and redemption fees
A fee is charged upon each issue, transfer or redemption of a unit of Participation of up to 1.0%. The actual fee charged is set by the Investment Manager, is credited to the Fund and is charged to cover transaction related costs. In 2012, no subscription and redemption fees were charged.

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

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

(o) 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.

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

(q) 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 primary trading activity, including the subscription into and redemption out of the Fund.

Foreign currency transactions
Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the closing rates of exchange at each period end. Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in realised and unrealised gain and loss on investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

(u) Events after statement of financial position date
The financial statements are adjusted to reflect material events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the statement of financial position date. Material events that are indicative of conditions that arose after the statement of financial position date are disclosed, but do not result in an adjustment of the financial statements themselves.

Since year end there were no material events.

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

Equity securities	2012	2011
	€	€
Beginning market value 1 January	8,074,745	16,935,553
Purchase	245,480,918	243,306,754
Sale	(219,000,802)	(239,438,395)
Revaluation	(2,872,727)	(12,729,167)
Ending market value 31 December	**31,682,134**	**8,074,745**

Contracts for Difference	2012	2011
	€	€
Beginning market value 1 January	473,702	1,832,461
Purchase	168,234	(1,000,694)
Sale	(952,811)	131,148
Revaluation	31,161	(489,213)
Ending market value 31 December	**(279,714)**	**473,702**

Futures	2012	2011
	€	€
Beginning market value 1 January	319,613	-
Purchase	(230,660)	(2,812,118)
Sale	-	-
Revaluation	(88,953)	3,131,731
Ending market value 31 December	**-**	**319,613**

FX Forwards	2012	2012
	€	€
Beginning market value 1 January	(84,849)	(639,218)
Purchase	182,639	554,369
Sale	-	-
Unrealised gain/loss on FX Forwards	-	-
Ending market value 31 December	**97,790**	**(84,849)**

Total	2012	2011
	€	€
Beginning market value 1 January	8,783,211	18,128,796
Purchase	245,601,131	240,048,311
Sale	(219,953,613)	(239,307,247)
Revaluation	(2,930,519)	(10,086,649)
Ending market value 31 December	**31,500,210**	**8,783,211**

As at 31 December 2012 and 2011, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

	2012 €	2011 €
Net gain or loss on financial assets and financial liabilities at fair value through profit or loss*:		
Realised	(6,998,862)	(1,615,440)
Unrealised	4,068,343	(8,471,209)
Total	**(2,930,519)**	**(10,086,649)**

*The movement of €44,977 between the 2011 figures in comparison with the 2011 annual report within the unrealised and realised gain/losses relates to the fact that the fund has a new fund administration system which employed a different methodology for the disposal of financial instruments and the calculation of realised and unrealised gains and losses. This has no impact on the net asset value per unit of participation.

For CFD financial instruments, fair value is determined using a valuation technique. 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 which are quoted in an active market and are therefore market observable. The fair value of a CFD equals the unrealised result of the underlying financial instrument.

Futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Forward contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The underlying financial instrument is the currency being bought or sold forward.

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2012 €	2011 €
Cash at broker	122,738,434	125,389,479
Margin accounts	(1,243)	(15,607)
	122,737,191	**125,373,872**

Cash at broker relates to cash balances with the Fund's Prime Broker. Margin accounts represent cash deposits with brokers, transferred as collateral against open futures or other securities.

The prime broker calculates the maximum amount to be lent on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Broker were €30,870,751 (2011: €18,526,324) at 31 December 2012.

5. AMOUNTS DUE FROM/(TO) BROKERS

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

	2012 €	2011 €
Balances due from brokers	-	1,259,800
Balances due to brokers	-	-
Balances due (to)/from brokers	**-**	**1,259,800**

6. FEES AND EXPENSES

Management fee

The management fee is charged to the Fund and is credited to the Investment Manager. The management fee is levied once a month. The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation and 1.0% of the GAV for Class B units of participation (before deduction of the accrued performance fee). The management fee is calculated each month as one twelfth (1/12) part of the annual management fee on the GAV of the Class in question on the last business day of each month. The fee is payable, in arrears following the completion and finalisation of each month end net asset value. Management fees of €1,504,368 (2011: €1,412,906) were incurred for the year ended 31 December 2012, of which €130,702 (2011: €111,423) was payable at 31 December 2012.

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

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

There were no performance fees incurred or payable at year end 2011 and 2012.

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

Conversely, a participant that acquires participations at a time that the HW exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the subscription price. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing Participations. The Investment Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 31 December 2012 amounted €18,544 (31 December 2011: €Nil).

Other costs charged to the assets of the Fund

	2012	2011
	€	€
Administration fees	89,896	65,300
Legal and tax advice fees	19,637	(26,807)
Audit fees	17,336	23,346
Trustee's fees	30,277	31,426
Other expenses	17,197	24,403
	174,343	**117,668**

Other expenses

	2012	2011
	€	€
Start-up expenses	-	12,773
Printing and stationary	-	(15,171)
Miscellaneous expenses	2,432	(12,172)
Subtotal other expenses (included in OCF)	**2,432**	**(14,570)**
Brokerage fees	14,765	38,973
Other expenses	**17,197**	**24,403**

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 then current Gross or Net Asset Value of a unit of Participation. 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 2012, the Fund did not charge any subscription or redemption fees.

Ongoing Charges Figure
The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets 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.

	Share Class	Share Class
2012	A	B
Ongoing Charges Figure	1.6%	1.1

	Share Class	Share Class
2011	A	B
Ongoing Charges Figure	1.6%	1.1%

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 CFD's (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 CFD's (closing sale in case of a long position or closing buy in case of a short position) are included in the net consideration.

The transaction costs amounted to €1,809,521 in 2012 (2011: €1,723,999).

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

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

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.

	Actual Costs	**Estimated costs Prospectus**
Management fee	€1,504,368	% of GAV: Class A=1.5% and Class B=1.0%
Administrator fees	€89,896	Max 0.08% of NAV
Trustee fees*	€30,277	Maximum Fee €32,500
Auditor's and advisor costs**	€36,973	Not Specified
Other costs***	€2,432	Not Specified

* Maximum charge amounts to €32,500 excluding VAT and indexation starting as of 2008.
** Auditor and advisor costs include audit fee, legal fee and cost of supervision. In 2012, the Fund is charged cost of supervision for the first time and these amounted €10,789.
*** Other costs include miscellaneous expenses.

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

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

Portfolio Turnover Rate

	2012	**2011**
	€	**€**
Securities purchase	389,718,864	445,618,939
Securities sale	352,272,652	448,493,247
Total securities transactions	**741,991,515**	**894,112,186**
Subscriptions participants	26,143,000	168,000
Redemptions participants	1,721,127	698,244
Total movement in participations	**27,864,127**	**866,244**
Average net asset value	148,371,174	141,655,088
Turnover Rate	**481%**	**631%**

7. ACCRUED EXPENSES

Accrued expenses	**2012**	**2011**
	€	**€**
Administration fee	12,870	13,670
Legal and tax advice fees	4,800	7,200
Audit fees	15,200	15,000
Trustee's fees	7,000	7,200
Other accrued expenses	4,659	4,500
	44,529	**47,570**

Other accrued expenses	**2012**	**2011**
	€	**€**
Printing and stationery	-	1,500
Miscellaneous expenses	4,659	3,000
	4,659	**4,500**

8. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2012	2011
	€	€
Interest income	251,008	1,102,183
	251,008	**1,102,183**

	2012	2011
	€	€
Interest expense	483,547	546,099
Borrowing fee	440,904	518,730
	924,451	**1,064,829**

Borrowing fee in 2011 and 2012 is paid fee related to stock loan activities.

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

Risk management is an integral part of the investment and the operational process. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow us to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events.

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

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

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

The Fund is exposed to market risk (which includes equity risk, currency risk and interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds. Each type of risk is discussed in turn below and qualitative and quantitative analyses are provided where relevant to give the reader an understanding of the risk management methods used by the Investment Manager.

Fair Value Estimation
Effective 1 January 2009 the Fund adopted the Amendments to IFRS 7 Financial Instruments: Disclosures, requires enhanced disclosures about financial instruments carried at fair value and liquidity risk.

Investments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring its fair value:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the valuation date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets.
b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
c. Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rate and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates).
d. Inputs that are derived principally from or corroborated by observable market data statistical by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Fund's own assumptions about how market participants would be expected to value the asset or liability. Unobservable inputs are developed based on the best information available in the circumstances, other than market data obtained from sources independent of the Fund and might include the Fund's own data.

An investment is always categorised as level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and is specific to the investment.

The fair values of investments valued under Levels 1 to 3 are as follows:

Financial assets at fair value through profit or loss	31 December 2012 €	Level 1 €	Level 2 €	Level 3 €
Equity securities	72,438,511	72,438,511	-	-
Derivatives	1,087,551	-	1,087,551	-
Total	**73,526,062**	**72,438,511**	**1,087,551**	**-**

Financial liabilities at fair value through profit or loss	31 December 2012 €	Level 1 €	Level 2 €	Level 3 €
Equity securities sold short	(40,756,377)	(40,756,377)	-	-
Derivatives	(1,269,475)	-	(1,269,475)	-
Total	**(42,025,852)**	**(40,756,377)**	**(1,269,475)**	**-**

Financial assets at fair value through profit or loss	31 December 2011 €	Level 1 €	Level 2 €	Level 3 €
Equity securities	34,206,019	34,206,019	-	-
Derivatives	1,246,947	-	1,246,947	-
Total	**35,452,966**	**34,206,019**	**1,246,947**	**-**

Financial liabilities at fair value through profit or loss	31 December 2011 €	Level 1 €	Level 2 €	Level 3 €
Equity securities sold short	(26,131,273)	(26,131,273)	-	-
Derivatives	(538,482)	-	(538,482)	-
Total	**26,669,755**	**(26,131,273)**	**(538,482)**	**-**

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

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

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

The ex-post Beta for the Fund was 0.13 (2011: 0.05), calculated from a regression of the daily Return of the Fund on the MSCI Asia Pacific ex Japan Index, from January 1st up to December 31st. The ex-ante Beta measured at year end 2012 is 0.35 (2011: 0.17). (The ex-ante Beta is measured against the MSCI Asia Pacific ex Japan Index. Source: Goldman Sachs.)

31 December 2012

Market index	**Ex-ante Beta**	**Change**	**Effect on net assets and profit**	**Change**	**Effect on net assets and profit**
		%	**€**	**%**	**€**
MSCI Asia Pacific Ex Japan	0.35	25	11,402,831	(25)	(11,402,831)

31 December 2011

Market index	Ex-ante Beta	Change	Effect on net assets and profit	Change	Effect on net assets and profit
		%	€	%	€
MSCI Asia Pacific Ex Japan	0.17	25	3,160,089	(25)	(3,160,089)

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

Currency risk

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

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

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.

This 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 2012 and 2011; currency exposures continuously change.

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

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

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

The total economic exposure to different currencies risk at 31 December 2012 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liablities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	€	€	€
HKD	29,750,244	(27,993,561)	(12,783)	1,743,900	1.13%	174,390	(174,390)
USD	4,485,468	(9,590,261)	(4,140)	(5,108,933)	(3.32)%	(510,893)	510,893
AUD	(7,010,842)	5,749,633	8,922	(1,252,287)	(0.81)%	(125,229)	125,229
SGD	(13,785,797)	12,123,348	(13,828)	(1,676,277)	(1.09)%	(167,628)	167,628
TWD	5,166,251	1,134,713	-	6,300,964	4.09%	630,096	(630,096)
KRW	5,672,077	-	-	5,672,077	3.68%	567,208	(567,208)
CHF	1,965,864	(1,538,850)	(386)	426,628	0.28%	42,663	(42,663)
THB	8,678,441	(9,000,158)	-	(321,717)	(0.21)%	(32,172)	32,172
IDR	5,435,171	-	6,298	5,441,469	3.53%	544,147	(544,147)
PHP	2,260,939	-	-	2,260,939	1.47%	226,094	(226,094)
Total	**42,617,816**	**(29,115,136)**	**(15,917)**	**13,486,763**	**8.75%**	**1,348,676**	**(1,348,676)**

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

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

	AUD	HKD	SGD	THB	TWD	USD	CHF	IDR
FX/EUR	1.2699	10.2187	1.6104	40.3364	38.2850	1.3184	1.2068	12706.0767

The total economic exposure to different currencies risk at 31 December 2011 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liablities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	€	€	€
HKD	7,666,912	(6,319,202)	(29,008)	1,318,702	0.97%	131,870	(131,870)
USD	10,109,103	(11,953,089)	(6,361)	(1,850,347)	(1.37)%	(185,035)	185,035
AUD	(4,192,252)	4,225,384	10,931	44,063	0.03%	4,406	(4,406)
SGD	(2,013,381)	2,626,436	39,348	652,403	0.48%	65,240	(65,240)
TWD	1,891,281	1,105,213	-	2,996,494	2.21%	299,649	(299,649)
KRW	(1,413,152)	-	-	(1,413,152)	(1.04)%	(141,315)	141,315
THB	397,635	2,080,892	14,833	2,493,360	1.84%	249,336	(249,336)
Total	**12,446,146**	**(8,234,366)**	**29,743**	**4,241,523**	**3.12%**	**424,151**	**(424,151)**

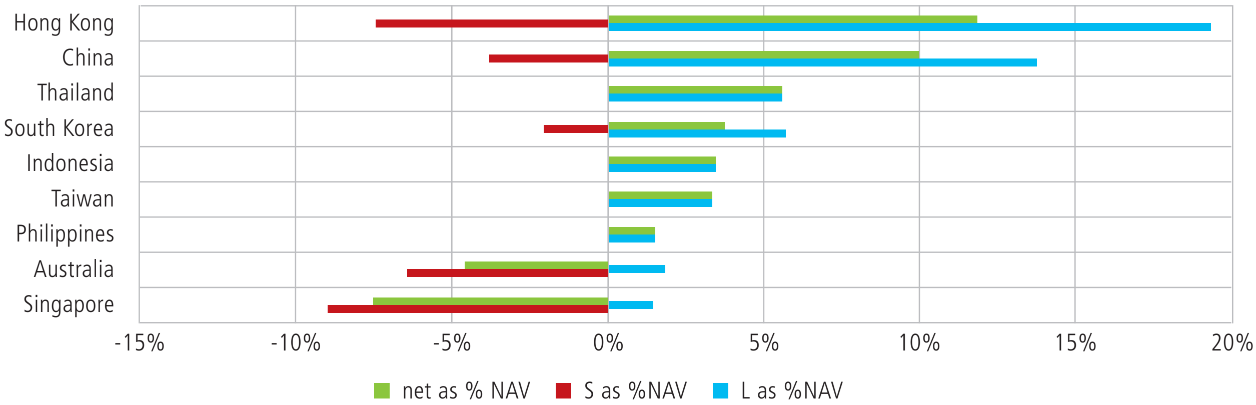
Amounts in the table are based on the financial assets and financial liabilities.

The currency rate as of 31 December 2011 is as follows:

	HKD	USD	AUD	SGD	TWD	KRW	THB
FX/EUR	10.08	1.30	1.27	1.68	39.31	1,495.46	40.96

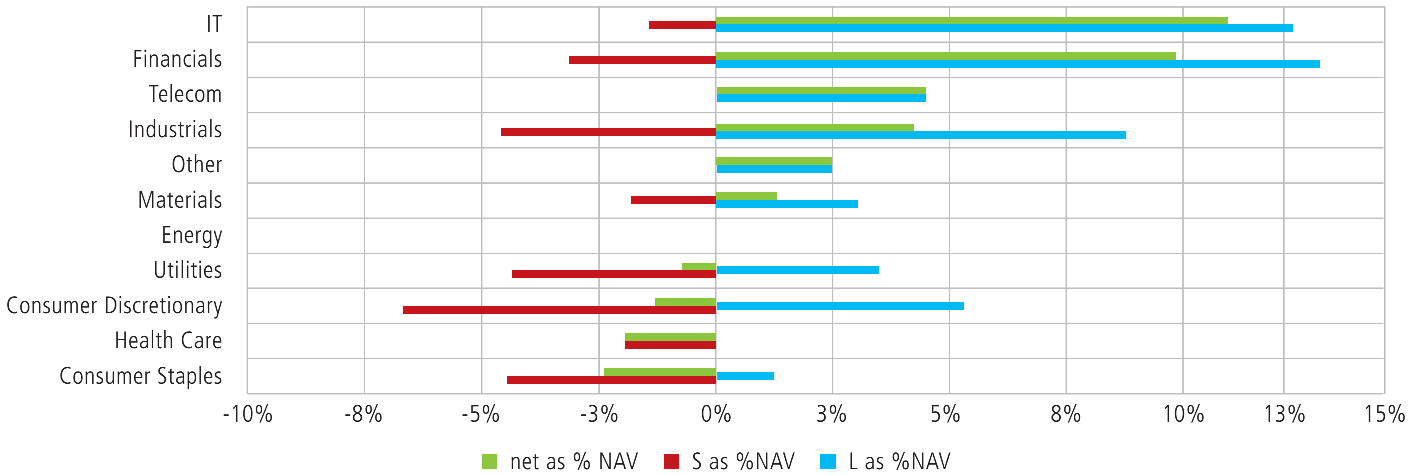
Concentration risk
The country allocation as a percentage of the NAV at the end of 2012 was as follows:

COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND



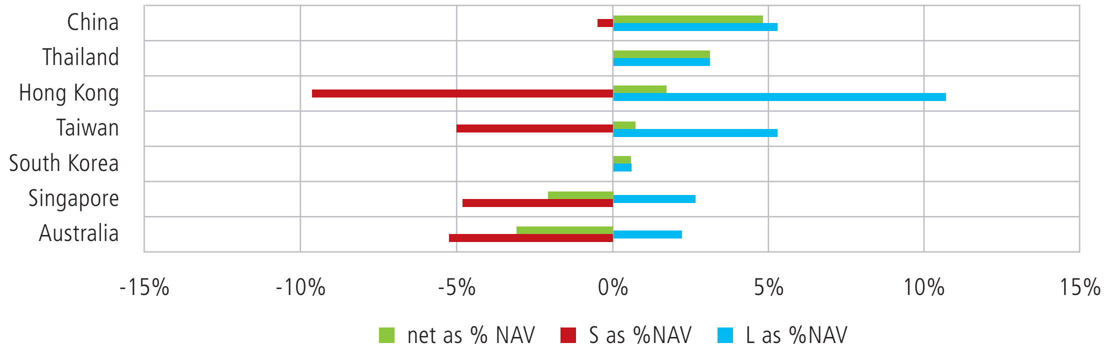
The sector allocation as a percentage of the NAV at the end of 2012 was as follows:

SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND



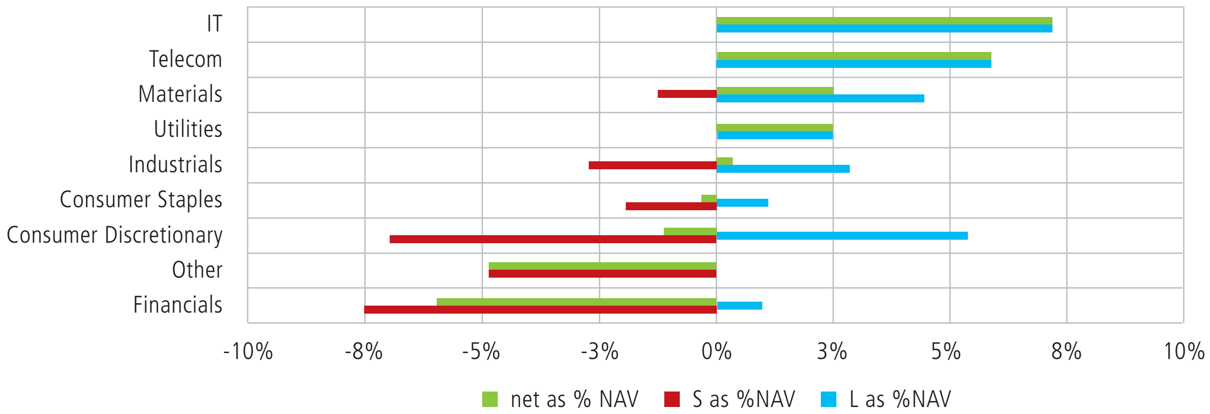
The country allocation as a percentage of the NAV at the end of 2011 was as follows:

COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND



The sector allocation as a percentage of the NAV at the end of 2011 was as follows:

SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND



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

TOP LONG POSITIONS	As % NAV
Samsung Electronics Preferred	3.1%
Hutchison Whampoa	3.1%
Digital China Holdings	2.9%
Ind & Comm Bk Of China H share	2.9%
HKT Trust And HKT	2.4%
China Minsheng Banking H share	2.3%
Shin Corporation Foreign share	2.2%
TPK Holding	2.0%
Guangzhou R&F Properties H share	2.0%
Kia Motors Corporation	1.9%

TOP SHORT POSITIONS	As % NAV
City Developments	3.1%
CLP Holdings	2.9%
Cochlear	2.4%
Singapore Airlines	2.4%
Fortescue Metals Group	1.8%
Singapore Press Holdings	1.6%
Amorepacific Corp	1.4%
Genting Singapore	1.4%
Computershare	1.4%
Hong Kong & China Gas	1.3%

The top long and top short positions as a percentage of the NAV at the end of 2011 were as follows:

TOP LONG POSITIONS	As % NAV
Digital China Holdings	2.5%
China Unicom Hong Kong	2.2%
Guangdong Investment	2.1%
Samsung Electronics	2.1%
Dongfeng Motor Group	2.0%
Newcrest Mining	1.9%
Singapore Telecom	1.5%
GS Home Shopping	1.4%
Simplo Technology	1.4%
Shandong Chenming Paper	1.3%

TOP SHORT POSITIONS	As % NAV
Commonwealth Bank Of Australia	2.0%
Cathay Pacific Airways	2.0%
Singapore Press Holdings	1.9%
Myer Holdings	1.8%
Hong Kong Exchanges & Clearing	1.4%
Hang Seng Bank	1.4%
Geely Automobile Holdings	1.2%
Duluxgroup	1.2%
China Foods	1.1%
Sino Land	1.1%

Interest Rate Risk

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

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

2012 Assets	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Non-interest Bearing**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	73,526,062	73,526,062
Cash and cash equivalents	122,737,191	-	-	-	-	122,737,191
Total	**122,737,191**	**-**	**-**	**-**	**73,526,062**	**196,263,253**

2012 Liabilities	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Non-interest Bearing**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial liabilities at fair value through profit or loss	-	-	-	-	(42,025,852)	(42,025,852)
Total	**-**	**-**	**-**	**-**	**(42,025,852)**	**(42,025,852)**

Fund exposure to interest rate risk in Euro at 31 December 2011 was:

2011 Assets	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Non-interest Bearing**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	35,452,966	35,452,966
Amounts due from brokers	1,259,800	-	-	-	-	1,259,800
Cash and cash equivalents	125,373,872	-	-	-	-	125,373,872
Total	**126,633,672**	**-**	**-**	**-**	**35,452,966**	**162,086,638**

2011 Liabilities	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Non-interest Bearing**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial liabilities at fair value through profit or loss	-	-	-	-	(26,669,755)	(26,669,755)
Amounts due to brokers	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**(26,669,755)**	**(26,669,755)**

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.

Most of the Fund's derivative contracts are listed or traded on one or more recognised exchanges where a Clearing House acts as regulator. In 2012 OTC derivative transactions were only executed with the Fund's Prime Broker UBS AG. The Fund's exposure in relation to financial derivative instruments and other debtors is as follows at year end:

	2012	**2011**
	€	**€**
Derivatives	1,087,551	1,246,947
Dividends & Interest receivable	102,159	116,191
Amounts due from brokers	-	1,259,800
Cash at broker	122,737,191	125,389,479
Total	**123,926,901**	**128,012,417**

To mitigate credit risk, two prime brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long term ratings for UBS AG at year end were A2 (2011: AA3) at Moody's and A (2011: A) at S&P. Long term ratings for Goldman Sachs at year end were A3 (2011: A1) at Moody's and A- (2011: A-) at S&P.

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

To enable to short securities, the Fund borrows securities. At 31 December 2012, the Fund borrowed securities for an amount of €43,890,176 (2011: €26,262,907).

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

The Fund is exposed to cash redemptions of redeemable units of participation for a monthly valuation day, with twenty business days previous notice. With regard to Class B units of participation this relates to redemption requests received after the one year lock up period. The Fund invests the majority of its assets in investments that are listed and traded in active markets and can be readily realisable as they are all listed on major Asian stock exchanges.

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

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

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

2012 Assets	**Within 1 month €**	**1 to 3 months €**	**3 to 12 months**	**1 to 5 years €**	**No stated maturity €**	**Total €**
Cash and cash equivalents	122,737,191	-	-	-	-	122,737,191
Financial assets at fair value through profit or loss	-	-	-	-	72,438,511	72,438,511
Derivatives	-	-	-	-	977,269	977,269
Total	**122,737,191**	**-**	**-**	**-**	**73,415,780**	**196,152,971**

2012 Liabilities	**Within 1 month €**	**1 to 3 months €**	**3 to 12 months**	**1 to 5 years €**	**No stated maturity €**	**Total €**
Financial liabilities at fair value through profit or loss	-	-	-	-	40,756,377	40,756,377
Derivatives	-	-	-	-	1,256,983	1,256,983
Total	**-**	**-**	**-**	**-**	**42,013,360**	**42,013,360**
Redeemable units of participation	-	-	154,067,249	-	-	154,067,249
Total	**-**	**-**	**154,067,249**	**-**	**42,013,360**	**196,080,609**
Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	110,282	-	-	-	110,282
Gross cash outflow	-	(12,492)	-	-	-	(12,492)
Total undiscounted gross						
Settled derivatives outflow	-	97,790	-	-	-	97,790
Liquidity gap	**122,737,191**	**97,790**	**(154,067,249)**	**-**	**31,402,420**	**170,152**

2011 Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€		€	€	€
Cash and cash equivalents	125,373,872	-	-	-	-	125,373,872
Financial assets at fair value through profit or loss	-	-	-	-	34,206,019	34,206,019
Derivatives	-	-	-	-	1,142,140	1,142,140
Amounts due from brokers	1,259,800	-	-	-	-	1,259,800
Total	**126,633,672**	**-**	**-**	**-**	**35,348,159**	**161,981,831**

2011 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	-	-	-	-	26,131,274	26,131,274
Derivatives	-	-	-	-	348,826	348,826
Amounts due to brokers	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**26,480,100**	**26,480,100**
Redeemable units of participation	-	-	135,333,623	-	-	135,333,623
Total	**-**	**-**	**135,333,623**	**-**	**26,480,100**	**161,813,723**

Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	104,807	-	-	-	104,807
Gross cash outflow	-	(189,655)	-	-	-	(189,655)

Total undiscounted gross						
Settled derivatives outflow	-	(84,848)	-	-	-	(84,848)
Liquidity gap	**126,633,672**	**(84,848)**	**(135,333,623)**	**-**	**8,868,059**	**83,260**

As can be seen the liquidity of our short positions is higher than the longs. The major reason is our risk management. Given the lower liquidity, small caps face the risk of a short squeeze once unexpected positive news flow comes out.

The liquidity of the securities is continuously monitored by the investment manager, who strives for being able to exit 50% of the assets in the Fund within three days, 95% in two weeks and 100% in one month time.

The following tables relate all equity positions of the Fund to the average daily trading volumes (ADV). It shows average and maximum daily volumes as calculated over last 30 trading days in 2012. The table below shows that the total long exposure of the Fund was 72% of the average daily volume traded as measured over last 30 days. The equivalent percentage of the short book is significantly lower at 25%. In the same table we also mention the value of the most illiquid position as a percentage of the average daily trading volume. The high maximum level in the table relates to one small cap in which market liquidity has been reduced sharply after the first quarter of the year. The total portfolio weight of this position is less than 1% of the Fund's NAV.

Those tables also state the percentage of the assets held in five different classes of market liquidity. For example: 60% of the Fund's long positions can be sold within a day, using less than 25% of ADV based on 30 days average trading volume.

Table 3: Liquidity profile of the Long book

	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV				
			0%-25%	25%-50%	50%-100%	100%-200%	>200%
Percentage of the past 30-days ADV	72%	1825%	60%	16%	23%	0%	1%

Table 4: Liquidity profile of the Short book

	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV				
			0%-25%	25%-50%	50%-100%	100%-200%	>200%
Percentage of the past 30-days ADV	25%	80%	56%	25%	19%	0%	0%

10. 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 CFDs, futures contracts and forward contracts.

The Fund records its derivative activities on a mark-to-market basis. The Fund uses widely recognised valuation models for determining fair values of 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. Forward contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. 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. The valuation of the future contracts is disclosed in Note 2.

As of 31 December 2012 and 31 December 2011, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets 2012	Fair value liabilities 2012
	€	€
Forward foreign currency contracts	110,282	(12,492)
Contracts for difference	977,269	(1,256,983)
Total derivative contracts	**1,087,551**	**(1,269,475)**

	Fair value assets 2011	Fair value liabilities 2011
	€	€
Forward foreign currency contracts	104,807	(189,655)
Futures contracts	319,612	-
Contracts for difference	822,528	(348,826)
Total derivative contracts	**1,246,947**	**(538,481)**

The table below details the total derivatives exposure at 31 December 2012 and 2011. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At year end 2012 the Fund held long and short positions in CFDs.

31-Dec-12	Net exposure	Gross exposure	Gross as % of NAV
Equity	31,681,698	113,194,453	74%
Contract for Difference	10,838,328	17,123,611	11%
Total exposure	**42,520,026**	**130,318,064**	
Total as % of NAV	**28%**	**85%**	**85%**

31-Dec-11	Net exposure	Gross exposure	Gross as % of NAV
Equity	8,074,730	60,337,269	44.6%
Contract for Difference	7,636,637	7,636,637	5.6%
Futures	(6,381,118)	6,381,118	4.7%
Total exposure	**9,330,249**	**74,355,024**	
Total as % of NAV	**7%**	**55%**	**55%**

CFDs represent agreements that obligate two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise determined notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Therefore amounts required for the future satisfaction of the CFD may be greater or less than the amount recorded. The realised gain or loss depends upon the prices at which the underlying financial instruments of the CFD is valued at the CFD settlement date and is included in the Statement of Comprehensive Income.

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

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

11. REDEEMABLE UNITS OF PARTICIPATION

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

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

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

Transactions in units of participation for Class A and Class B for the year ended 31 December 2012 and year ended 31 December 2011 were as follows:

	Number of units of participation 31 December 2012	**Number of units of participation 31 December 2011**
Class A		
Units of participation balance at the beginning of the year	242.63	772.73
Issue of redeemable units of participation	-	143.14
Redemption of redeemable units of participation	-	(671.73)
Redemption related to equalisation deficit	-	(1.51)
Units of participation at the end of the year	**242.63**	**242.63**

	Number of units of participation 31 December 2012	**Number of units of participation 31 December 2011**
Class B		
Units of participation balance at the beginning of the year	141,729.20	141,712.57
Issue of redeemable units of participation	28,080.66	17.64
Redemption of redeemable units of participation	(1,893.66)	-
Redemption related to equalisation deficit		(1.01)
Units of participation at the end of the year	**167,916.20**	**141,729.20**

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

Approved on behalf of the Trustee:

Stichting Bewaarder
Pelargos Asia Alpha Fund

Date: 24 April 2013

Approved on behalf of the Investment Manager:

Director
Pelargos Capital B.V

Date: 24 April 2013

OTHER NOTES

For the year ended 31 December 2012

1. DIVIDEND AND ALLOCATION OF RESULT

The Fund did not pay dividends in 2012. The result is included in the Net assets attributable to holders of redeemable units of participation.

2. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 123.87 (2011: 198.58) Units of Participation Class B in the Fund. AEGON Levensverzekering N.V. is a participant in the Fund with 14,850 (2011: 14,850) Units of Participation Class B. AEGON Levensverzekering N.V. is a 100% subsidiary of AEGON Nederland N.V., which is a 100% subsidiary of AEGON N.V.

AEGON Investment Management B.V. held on behalf of 4 investment funds 152,942.33 (2011: 126,680.59) Units of Participation Class B and 99.50 (2011: 99.50) Units of Participation Class A. AEGON Investment Management B.V. is a 100% subsidiary of AEGON Asset Management Holding B.V., which is a 100% subsidiary of AEGON N.V. AEGON N.V. holds 100% of the shares in AEGON Asset Management Holding B.V., which holds 68% (2011: 68%) of the shares in Pelargos Capital B.V.

3. PERSONAL INTERESTS OF DIRECTORS

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

As of 31 December 2012 and 31 December 2011, the personal interests of the employees of directors in the Fund are as follows:

		Market Value
		€
Pelargos Asia Alpha Fund	2011	159,698
	2012	112,391

As of 31 December 2012 and 31 December 2011 there are no personal interests of the employees of directors, which were also held by the Fund.

4. VOTING POLICY

The Fund does not pursue an active voting policy.

5. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 31 December 2012

6. APPROVAL OF THE FINANCIAL STATEMENTS

The Trustee and the Investment Manager, approved the financial statements on 24 April 2013.

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

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements
We have audited the financial statements 2012 of Pelargos Asia Alpha Fund, The Hague, which comprise the statement of financial position as at December 31, 2012, the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to holders of redeemable units of participation for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion with respect to the financial statements
In our opinion, the financial statements give a true and fair view of the financial position of Pelargos Asia Alpha Fund as at December 31, 2012, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union, the Dutch Financial Supervision Act and with Title 9 Book 2 of the Dutch Civil Code.

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

The Hague, April 24, 2013

Ernst & Young Accountants LLP

signed by R.J. Bleijs