Pelargos Asia Alpha Fund

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013

TABLE OF CONTENTS | PAGE

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: SGG Netherlands N.V. Claude Debussylaan 24 1082 MD Amsterdam The Netherlands
FUND ADMINISTRATOR	Citibank Europe plc 1 North Wall Quay Dublin 1 Ireland
PRIME BROKER	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. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
COMPLIANCE	CLCS B.V. Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITORS	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands

FUND PROFILE

Pelargos 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) and Limare B.V. (represented by P.C. Rigter).

Trustee
The Trustee is Stichting Bewaarder Pelargos Asia Alpha Fund. The manager of the “Stichting” is SGG Netherlands N.V.

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

SUMMARY FINANCIAL INFORMATION

	2013	2012	2011	2010	2009
Class A (€ '000)	17	(3)	(15)	13	14
Class B (€ '000)	12,083	(1,692)	(8,486)	2,378	19,169
Income	**12,100**	**(1,695)**	**(8,501)**	**2,391**	**19,183**
Class A (€ '000)	(8)	(7)	(14)	(27)	(6)
Class B (€ '000)	(5,625)	(3,986)	(4,115)	(4,895)	(4,522)
Expenses and withholding taxes	**(5,633)**	**(3,993)**	**(4,129)**	**(4,922)**	**(4,528)**
Class A (€ '000)	9	(10)	(29)	(14)	8
Class B (€ '000)	6,458	(5,678)	(12,601)	(2,517)	14,647
Increase/(decrease)	**6,467**	**(5,688)**	**(12,630)**	**(2,531)**	**14,655**
Net assets (€ '000)	169,986	154,067	135,334	148,496	152,316
Number of units of participation					
Class A	242.63	242.63	242.63	772.73	99.50
Class B	177,987.92	167,916.20	141,729.20	141,712.57	143,644.87
Net asset value per unit of participation					
Class A (in €)	€ 978.18	944.42	987.61	1,084.98	1,108.89
Class B (in €)	€ 953.71	916.16	953.18	1,041.95	1,059.60
Performance (in %)					
Class A (in %)	3.57	(4.37)	(8.97)	(2.16)	10.89
Class B (in %)	4.10	(3.88)	(8.52)	(1.67)	13.96
Ongoing Charges Figure (in %)*					
Class A (in %)	1.61	1.61	1.58	1.81	1.57
Ongoing Charges Figure (in %)*					
Class B (in %)	1.11	1.11	1.08	1.18	1.32

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

INVESTMENT MANAGER'S REPORT

For the year ended 31 December 2013

Performance

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A	2.39	1.53	1.16	0.37	-0.79	-3.32	-0.16	-0.50	-1.05	1.61	2.24	0.17	**3.57**
Class B	2.44	1.58	1.20	0.41	-0.75	-3.28	-0.11	-0.46	-1.01	1.65	2.29	0.22	**4.10**

Source: Citibank Europe plc.

Over 2013 the Pelargos Asia Alpha Fund realized a 3.6% return for Class A shares and a 4.1% return for the Class B shares. The difference in the returns results from a different fee structure.

Since inception in January 2009 (Class A) and June 2008 (Class B) the respective returns amount -/-2.2% (Class A) and -/-4.6% (Class B).

At year end 2013 the funds' assets under management stood at Euro 170 million.

Market review

In the second half of 2013 the same themes as in the first half of the year continued to reign financial markets. Due to the absence of the occurrence of major risk events the markets' focus remained on the stabilization of the global economy and on expectation building around the timing and scaling of tapering by the US Fed. Eventually tapering was initiated in December, which was ahead of earlier expectations.

Growing investors' confidence in the stability of developed economies in combination with the threat of Fed tapering were the major factors that caused a continuous shift in investors' preference from emerging markets to developed markets. Remarkably stability was a more important factor than the level of economic growth, as growth expectations for most developed economies even came down during the year. However, relatively large downward GDP forecast revisions were noticed for the emerging market economies. In Asia the disappointing economic growth trend was caused by a rolling over of the recently upbeat cycle of the domestic economies. Selling pressure by foreign investors led to a downward pressure on currencies and an upward pressure in local interest rates, which had an additional negative impact on domestic growth expectations. The improving outlook for export sectors did largely benefit North Asian economies. A policy driven decline in the high structural growth rates in China, the region's economic locomotive, also influenced the growth outlook in the rest of Asia negatively.

In tandem with the diverging trend in economic growth relative earnings growth estimates worked in favor of developed markets over emerging markets as well. During 2013 developed markets' earnings estimates roughly stabilized while emerging markets' earnings growth maintained its disappointing trend. It must be noted however the developed markets stability resulted to a large extent from capital management at American companies.

The impact of the shift in investor's preference has been huge in 2013. Asia-Pacific (ex Japan) equities markets were up a mere 0.5% in US-dollars, while the MSCI World index (which only includes developed markets) enjoyed a 24% bull run. Asian equity markets faced the largest derating since the Asian financial crisis.

The until recently favored and overvalued ASEAN markets showed the strongest correction. Logically export focused North Asian markets were preferred most of the year. There was no large cyclical versus defensive sector split during 2013. The big divide was within cyclicals: Technology and Consumer Discretionary showed a good performance, while on the other hand Energy and Materials corrected strongly.

Investment policy

Over the year our investment policy remained largely bottom up and value focused. As the Asia-Pacific equity markets saw another year of broad consolidation and as they remained very sensitive to Chinese as well as US policymaking we kept our gross exposure at relative low levels. Most of the year the gross exposure was around 100%. As we saw more alpha opportunities in the second half of the year after the mid year correction the gross exposure has been increased slightly in the second half.

The net exposure of the fund varied during the year between +32% and -/-2%. After reaching the year high early January we realized some profits in the long book after the run up in the fourth quarter of 2012 and trimmed the net exposure to around 20% at the end of February. Encouraging global economic data made us increase our net cyclical exposure from March till mid-May, raising the net exposure back up to 28%. In the market risk off mode from mid-May till the end of June on the back fears for Fed tapering and a China slowdown we trimmed the net exposure to the year low of -/-2% in August. More attractive valuations after the correction, a mini stimulus program in China and indications of delay of Fed tapering eased our concerns to some extent, which led us to increase the net exposure to around 10% in the fourth quarter. Apart from short aberrations around the US government shut down in October and around the China party plenum in November the fourth quarter was rather uneventful. The tapering announcement mid-December was well discounted at the time and did not cause a stir.

In line with our value strategy we shifted focus from a net domestic economic growth exposure to a more export growth orientation. We took profit on part of Chinese financials long exposure early in the year and gradually exited our long ASEAN portfolio between January and August. By choice and by default the net exposure moved to North Asia. The largest net long exposure has been in China for valuation reasons. Bottom up selection resulted in Singapore being our largest net short market. During the year our position in financials moved from net long to net short. We became less positive on banks and property companies. The increase in the cyclical exposure of the fund took place in materials, industrials and consumer discretionary. In the latter sector we focused on Chinese internet related companies. Over the year we held on to a relatively large net long in the IT-sector. Our shorts are still to large extent to be found in overvalued defensives in consumer staples and in utilities, which includes the internet space. Regularly we also shorted cyclicals after up moves that we perceived as unsustainable.

The 2013 fund performance of 3.6% for the A-shares and 4.1% for the B-shares compares well with the 0.5% up move for the MSCI Asia Pacific ex Japan index in US-dollars. After a decent performance until May we lost ground in the mid-year market correction and subsequent market rebound. Thanks to a positive return in the last quarter we ended the year on a positive note.

The positive performance largely resulted from good stock selection in the long book, where we mention Chinese consumer companies Haier (washing machines and water heater manufacturer) and VIP-shop (on line retailing). Again the IT-sector delivered a decent positive performance contribution thanks to longs in Hermes Microvision (electronic testing equipment), SK Hynix (semiconductors) and Varitronix (LCD-panels). As we were able to exit the ASEAN-markets largely in time, longs like Indonesian property developer Alam Sutera and Philippines' Metropolitan Bank & Trust can also be mentioned here. Two longs delivered a sizable negative attribution due to earnings disappointments: gold miner Medusa Mining and IT services company Digital China.

Although a number of shorts worked very well (mining services company Boart Longyear, Yanzhou Coal Mine and property developers City Development and Evergrande) the overall contribution from short selection was negative last year due to large rebounds in Korean shipyard Hyundai Mipo, gold and jewellery retailer Luk Fook and auto dealer Zhongsheng Group.

Table 1 shows the main statistics on our exposure management. It shows average risk levels in the portfolio have been low during 2013 with an average gross exposure of 99%, an average net of 14% and average ex-ante portfolio beta of 0.2.The exposure levels have remained stable over the past year. The absolute levels are still relatively subdued as the current rotational market environment does not reward our investment style. The year end numbers were a 104% gross, a 12% net exposure and a 0.28 ex-ante beta.

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

	High	Low	Average
Net exposure	32%	-2%	14%
Gross Exposure	114%	83%	99%
Ex-Ante Beta*	0.33	0.10	0.20

*Source: Tradespex

The ex-ante beta of the Fund remained in a range of 0.10 to 0.33, averaging 0.20 for the year. The Fund maintained its embedded value bias and the Fund´s liquidity remains very high: 77% of the Fund can be liquidated in 2 days.

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

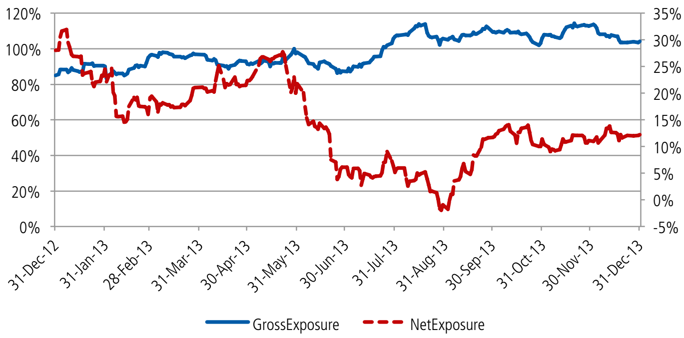
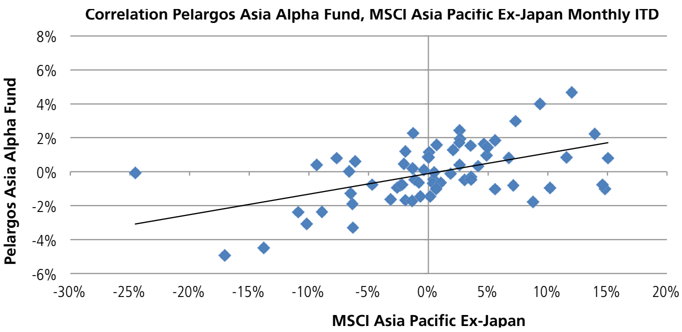


Table 2 and Graph 2 show the correlation of the Fund's monthly return to the MSCI Asia Pacific ex Japan index. The realized correlation of the Fund with the MSCI Asia Pacific ex Japan for 2013 was 0.50 and 0.19 since inception, both based on daily return data.

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

Year	Volatility Fund	Volatility Benchmark	Ex-post Beta Fund	Correlation Fund, Benchmark
ITD	5.9%	25.7%	0.05	0.19
2013	5.4%	12.9%	0.21	0.50

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



Outlook

The question is whether 2014 can be another lucky year like 2013, in which global investors can again escape major crises, while they can at the same time continue to enjoy a steady recovery in developed economies, which will allow inflation levels to remain within a desired (low) target range. An extrapolation of last years' favourable trends will however continue keep a lid on equity markets in Asia ex Japan because of the sensitivity of Asian equity markets to incremental Fed tapering.

In our view most of the risk scenario's in the regional equity markets for 2014 lie in disappointing global economic growth, with risks coming from both developed as well as emerging markets. If major developed economies see softening economic growth in spite of the unprecedented global monetary stimulus, deflation becomes a real concern. In that case it will be harder to get the global economy back on track as it will show that immense central bank stimulus has failed. In case of more material growth disappointments or major risk events, equities will quickly lose their present status of an attractive asset class. A risk off move out of equities will particularly dent Asian equity markets in spite of its attractive valuations.

Within Asia ex Japan the monetary and fiscal policy framework is still largely in tact. Largely thanks to lessons learned during the Asian financial crisis most countries in region possess sound fundamentals. However, the risk of a further outflow of liquidity restrains the room for policy making as interest hikes may have to be used to defend the currency. In China room for stimulus is also limited as policymakers target to lower its structural growth rate and because of investors' concerns over rising local government debt.

A lower tide in global liquidity will highlight structural weaknesses in a number of emerging markets. Argentina and Turkey are recent examples. Within Asia Indonesia was in the spotlights last year. Convincing market related adjustments have to be implemented to avoid a emerging crisis building. At best these adjustments will suppress short term economic growth in the country. The risk of a slow down in overall emerging market growth could additionally put global growth expectations at risk. If not handled right the country specific risks could spill over into other emerging markets. Fear for contagion would set a downward spiral into motion.

The discount in valuation of Asian markets versus developed markets (in particular versus the US market that re-rated thanks to capital management) has become large. The discount question will however not be topical as long as the sense of global economic stabilization with incremental Fed tightening can be maintained. The discount of Asian equity markets versus developed markets could even grow larger in case pressures on fundamentally weaker emerging markets build as a consequence of incremental tapering.

Risk management

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

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

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

Exposures to markets, currencies or countries are described in Note 10 of the financial statements. The most important risks are described below; a more extensive list of risks is described in the Prospectus.

Risks

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

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

Short selling
The Fund may sell equities with the purpose of buying them back later. As the Fund does not hold those equities, they are borrowed. The 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.

AIFMD
The primary stated aim of the Alternative Investment Fund Managers Directive (AIFMD) was to increase investor protection. One important requirement is to appoint a Depository, who needs to act honestly, fairly professionally and independently, to act in the interests of the Fund and their investors and to avoid conflicts of interest.

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

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

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

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

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

The Hague, 24 April 2014

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 2013

	Note	2013	2012
		€	€
Assets			
Cash and cash equivalents	4	152,273,513	122,737,191
Financial assets at fair value through profit or loss	3	72,335,514	73,526,062
Dividends receivable		216,419	89,615
Interest receivable		3,087	12,544
Total assets		**224,828,533**	**196,365,412**
Liabilities			
Financial liabilities at fair value through profit or loss	3	54,326,103	42,025,852
Dividends Payable		208,185	25,982
Management fee payable	6	149,263	130,702
Interest payable		124,475	71,098
Accrued expenses	7	34,316	44,529
Total liabilities		**54,842,342**	**42,298,163**
Net assets attributable to holders of redeemable units of participation		**169,986,191**	**154,067,249**

Net asset value per unit of participation

	2013	2012	2011
Class A			
Number of units of participation (Note 12)	242.63	242.63	242.63
Net asset value per unit of participation	€ 978.18	€ 944.42	€987.61
Class B	**2013**	**2012**	**2011**
Number of units of participation (Note 12)	177,987.92	167,916.20	141,729.20
Net asset value per unit of participation	€ 953.71	€ 916.16	€953.18
Total Net Asset Value	**€ 169,986,191**	**€ 154,067,249**	**€ 135,333,623**

See notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013	2012
		€	€
Income			
Interest income	8	93,752	251,008
Gross dividend income	9	1,907,150	1,808,748
Net gain/loss on financial assets and liabilities at fair value through profit or loss	3	10,872,753	(2,930,519)
Net foreign exchange loss	3	(773,889)	(824,425)
Total income		**12,099,766**	**(1,695,188)**
Expenses			
Management fees	6	(1,675,998)	(1,504,368)
Dividend expense on securities sold short	9	(2,293,813)	(1,313,478)
Interest expense	8	(1,456,359)	(924,451)
Other expenses	6	(3,556)	(17,197)
Administration fee	6	(100,289)	(89,896)
Trustee’s fee	6	(31,000)	(30,277)
Legal fee	6	(27,700)	(19,637)
Audit fee	6	(18,000)	(17,336)
Total expenses		**(5,606,715)**	**(3,916,640)**
Withholding taxes		(26,565)	(76,419)
Increase/(decrease) attributable to holders of redeemable units of participation		**6,466,486**	**(5,688,247)**

See notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013	2012
		€	€
Cash flows from operating activities			
Increase/(decrease) attributable to holders of redeemable units of participation		6,466,486	(5,688,247)
Adjustments to reconcile increase/(decrease) attributable to holders of redeemable units of participation to net cash provided by/(used in) operating activities:			
Decrease/(increase) in financial assets at fair value through profit or loss		1,190,548	(38,073,096)
Increase/(decrease) in financial liabilities at fair value though profit or loss		12,300,251	15,356,097
Decrease/(increase) in interest receivable		9,457	44,376
(Increase)/decrease in dividend receivable		(126,804)	(30,344)
Decrease/(increase) in amounts due from brokers		-	1,259,800
Increase/(decrease) in dividends payable		182,203	25,982
Increase/(decrease) in management fee payable		18,561	19,279
Increase/(decrease) in interest payable		53,377	30,640
(Decrease)/increase in accrued expenses		(10,213)	(3,041)
Net cash provided by/(used in) operating activities		**20,083,866**	**(27,058,554)**
Cash flows from financing activities			
Proceeds from issue of redeemable units of participation		9,471,000	26,143,000
Payment from redemption of redeemable units of participation		-	(1,721,127)
Redemption related to equalisation deficit previous year		(18,544)	-
Net cash flow provided by financing activities		**9,452,456**	**24,421,873**
Net decrease in cash and cash equivalents		29,536,322	(2,636,681)
Cash and cash equivalents at the beginning of the year		122,737,191	125,373,872
Cash and cash equivalents at the end of the year	**4**	**152,273,513**	**122,737,191**

See notes to the financial statements

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

For the year ended 31 December 2013

	Note	Number of shares	2013
			€
Balance at the beginning of the year		**168,159**	**154,067,249**
Decrease attributable to holders of redeemable units of participation resulting from operations for the year		-	6,466,486
Issue of redeemable units of participation during the year	12	10,092	9,471,000
Redemption related to equalisation deficit previous year		(20)	(18,544)
Net assets attributable to holders of redeemable units of participation at the end of the year		**178,231**	**169,986,191**

	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	12	28,081	26,143,000
Payments for redeemable units of participation during the year	12	(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**

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. FUND INFORMATION

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

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

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Investment Manager, the Trustee and the Participant. The Investment Manager was granted the license to manage investment funds under the Financial Supervision Act (Wft) as of 9 December 2010. As of 29 July 2011, the Fund has been registered under this license at The Netherlands Authority for the Financial Markets (AFM). Granted licenses (non-UCITS) to managers, will be automatically transferred into an AIFM license as of 22 July 2014.

The Fund's objective is to achieve absolute returns in the long term 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 2013, the Fund appointed Citibank Europe plc as Administrator. The Administrator provides fund administration and transfer agency services to the Fund. Citibank Europe plc is based in Ireland and adheres to Irish AML rules and regulations.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

The financial statements are presented in Euro.

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

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

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

IFRS 13: Fair Value Measurement
IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013 has been adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. if an asset or liability measured at fair value has a bid price and an ask price, the standards requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid ask spread.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Redeemable units of participation
The Fund has issued 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.

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

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

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

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

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

(p) Foreign currency translation
Functional and presentation currency
Items included in the Fund's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Euro, which reflects the Fund's domicile, 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.

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

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.

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

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

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

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

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

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

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

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

(t) 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.

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

Equity securities	2013	2012
	€	€
Beginning market value 1 January	31,682,134	8,074,745
Purchase	211,474,375	245,480,918
Sale	(237,124,314)	(219,000,802)
Revaluation	11,873,568	(2,872,727)
Ending market value 31 December	**17,905,763**	**31,682,134**

Contracts for Difference	2013	2012
	€	€
Beginning market value 1 January	(279,714)	473,702
Purchase	1,877,660	168,234
Sale	(550,908)	(952,811)
Revaluation	(1,000,815)	31,161
Ending market value 31 December	**46,223**	**(279,714)**

Futures	2013	2012
	€	€
Beginning market value 1 January	-	319,613
Purchase	-	(230,660)
Sale	-	-
Revaluation	-	(88,953)
Ending market value 31 December	**-**	**-**

FX Forwards	2013	2012
	€	€
Beginning market value 1 January	97,790	(84,849)
Purchase	-	182,639
Sale	(40,365)	-
Unrealised gain/loss on FX Forwards	-	-
Ending market value 31 December	**57,425**	**97,790**

Total	2013	2012
	€	€
Beginning market value 1 January	31,500,210	8,783,211
Purchase	213,352,035	245,601,131
Sale	(237,715,587)	(219,953,613)
Revaluation	10,872,753	(2,930,519)
Ending market value 31 December	**18,009,411**	**31,500,210**

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

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

	2013	2012
Equity securities	70,684,463	72,438,511
Contracts for Difference	1,582,318	977,269
FX Forwards	68,733	110,282
Financial assets at fair value through profit or loss	**72,335,514**	**73,526,062**

	2013	2012
Equity securities	(52,778,700)	(40,756,377)
Contracts for Difference	(1,536,095)	(1,256,983)
FX Forwards	(11,308)	(12,492)
Financial liabilities at fair value through profit or loss	**(54,326,103)**	**(42,025,852)**
Total	**18,009,411**	**31,500,210**

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

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

2013	**Net gain or loss on financial assets and liabilities at fair value through profit or loss**	**Net foreign exchange gain or loss**	**Total**
Realised Gain	23,912,840	4,911,526	28,824,366
Unrealised Gain	17,303,895	4,819,954	22,123,849
Realised Loss	(17,582,402)	(5,255,905)	(22,838,307)
Unrealised Loss	(12,761,580)	(5,249,464)	(18,011,044)
Total	**10,872,753**	**(773,889)**	**10,098,864**

2012	**Net gain or loss on financial assets and liabilities at fair value through profit or loss**	**Net foreign exchange gain or loss**	**Total**
Realised Gain	13,537,297	4,892,244	18,429,541
Unrealised Gain	16,427,753	5,002,467	21,430,220
Realised Loss	(20,535,723)	(6,347,234)	(26,882,957)
Unrealised Loss	(12,359,846)	(4,371,902)	(16,731,748)
Total	**(2,930,519)**	**(824,425)**	**(3,754,944)**

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	2013	2012
	€	€
Cash at broker	152,273,212	122,738,434
Margin accounts	301	(1,243)
	152,273,513	**122,737,191**

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 €30,625,596 (2012: €30,870,751) at 31 December 2013.

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.

As at 31 December 2013 and 31 December 2012, there were no amounts due to or from brokers.

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 €1,675,998 (2012: €1,504,368) were incurred for the year ended 31 December 2013, of which €149,263 (2012: €130,702) was payable at 31 December 2013.

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

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

There were no performance fees incurred or payable at year end 2012 and 2013.

Performance fee – Equalisation
The performance fee is calculated according to the "equalisation" method, which means that each Participant pays a fee that truly corresponds to the increase in value of the units of participation that he/she holds. Participations are subscribed to against the gross asset value per participation. If the subscription price exceeds the high water mark (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.

There were no equalization credits settled at year end 2012 and 2013.

Conversely, a participant that acquires participations at a time that the HW exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the subscription price. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing Participations. The Investment Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 31 December 2013 amounted €100,084 (31 December 2012: €18,544).

Audit Fee
These fees refer to services provided by EY and relate to the audit of the Financial Statements of €18,000 (2012: €17,336). No other services were provided by EY or its member firms.

Other costs charged to the assets of the Fund

	2013 €	2012 €
Administration fees	100,289	89,896
Legal fees / costs of supervision	27,700	19,637
Audit fees	18,000	17,336
Trustee's fees	31,000	30,277
Other expenses	3,556	17,197
	180,545	**174,343**

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

Other expenses

	2013 €	2012 €
Miscellaneous expenses	2,992	2,432
Brokerage fees (excluded in Ongoing Charges Figure)	564	14,765
Other expenses	**3,556**	**17,197**

Subscription and redemption fees
The Fund may upon issue and redemption of a unit of Participation charge a fee up to 1.0% of the subscription and redemption amount. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During 2013, the Fund did not charge any subscription 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. The OCF will be calculated once a year, the figure as of end of 2013 is as follow:

31 December 2013	**Share Class A**	**Share Class B**
Ongoing Charges Figure	1.61%	1.11%

31 December 2012	**Share Class A**	**Share Class B**
Ongoing Charges Figure	1.61%	1.11%

Transaction costs
The costs charged by brokers in relation to the purchase or sale of financial instruments form the main component of the cost of a transaction. In addition, transaction-related taxes and duties such as registration tax and stamp duties may apply. Transaction costs incurred with an opening position in equities and CFDs (opening buy in case of a long position or opening sale in case of a short position) are included in the net consideration. Transaction costs incurred with the closing of a position in equities and CFDs (closing sale in case of a long position or closing buy in case of a short position) are included in the net consideration.

The transaction costs amounted to €1,646,285 in 2013 (2012: €1,809,521).

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 and Starmine.

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

31 December 2013

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

31 December 2012

	Actual Costs	Estimated costs Prospectus
Management fee	€1,504,368	% of GAV: Class A=1.5% and Class B=1.0%
Administrator fee	€89,896	Max 0.08% of NAV
Trustee fee*	€30,277	Maximum Fee €32,500
Auditor's and advisor's 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's and advisor's costs include audit fee, legal fee and cost of supervision. Audit fee refers to services provided by EY and relate to the audit of the Financial Statements. No other services were provided by EY or its member firms.
*** Other costs include miscellaneous expenses.

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

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

Portfolio Turnover Rate	**2013**	**2012**
	€	**€**
Securities purchase	267,674,206	389,718,864
Securities sale	301,186,895	352,272,652
Total securities transactions	**568,861,101**	**741,991,516**
Subscriptions participants	9,471,000	26,143,000
Redemptions participants	-	1,721,127
Total movement in participations	**9,741,000**	**27,864,127**
Average net asset value	164,979,759	148,371,174
Turnover Rate	**339%**	**481%**

7. ACCRUED EXPENSES

Accrued expenses	**2013**	**2012**
	€	**€**
Administration fee	13,561	12,870
Legal and tax advice fees	1,207	4,800
Audit fees	12,200	15,200
Trustee's fees	3,302	7,000
Other accrued expenses	4,046	4,659
	34,316	**44,529**

8. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2013	**2012**
	€	**€**
Interest income	93,752	251,008
	93,752	251,008

	2013	**2012**
	€	**€**
Interest expense	(673,510)	483,547
Borrowing fee	(782,849)	440,904
	(1,456,359)	**924,451**

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

9. DIVIDEND INCOME/EXPENSE

	2013	**2012**
	€	**€**
Dividend income	1,907,150	1,808,748
	1,907,150	**1,808,748**

	2013	**2012**
	€	**€**
Dividend expense on securities sold short	2,293,813	1,313,478
	2,293,813	**1,313,478**

10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

The Fund's investment objective is to preserve capital and then achieve absolute returns for Participants by investing in securities of 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
IFRS 13 states that when measuring fair value, the objective is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. to estimate an exit price).

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

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

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

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

The following tables analyse the fair value hierarchy of the Company's financial assets and liabilities measured at fair value at 31 December 2013:

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

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

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)**	**-**

Equity risk

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

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

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

The ex-post Beta for the Fund was 0.21 (2012: 0.13), calculated from a regression of the daily Return of the Fund on the MSCI Asia Pacific ex Japan Index, from 1 January up to 31 December. The ex-ante Beta measured at year end 2013 is 0.28 (2012: 0.35). (The ex-ante Beta is measured against the MSCI Asia Pacific ex Japan Index. Source: Goldman Sachs.)

31 December 2013

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

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)

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.

The following table demonstrates management's best estimate of the sensitivity to a reasonable change in the foreign exchange rates, with all other variables being constant, of the most representative Fund's foreign currency exposures. The currency sensitivity below is based upon a movement of exchange rates and the direct currency exposures as a result of Fund holdings which are denominated in currencies other than Euro, the functional currency of the Fund. Please note that the table below is based upon the holdings as at the end of December 2013 and 2012; currency exposures continuously change.

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

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

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

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

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

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

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

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

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

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due (to)/from brokers	Other assets/ (liabilities)	Net currency exposure	in % of total net assets	+10% movement	-10% movement
	€	€	€	€	%	€	€
HKD	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)**

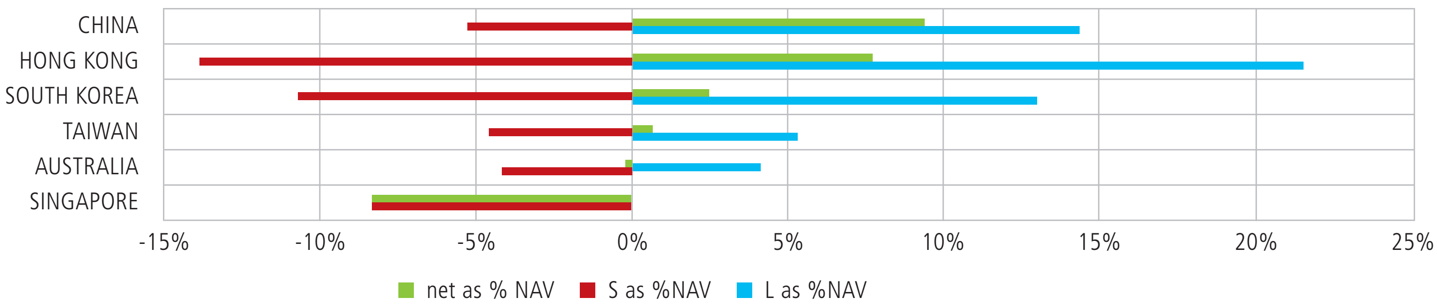
Amounts in the table are based on the financial assets and financial liabilities.

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	12,706.0767

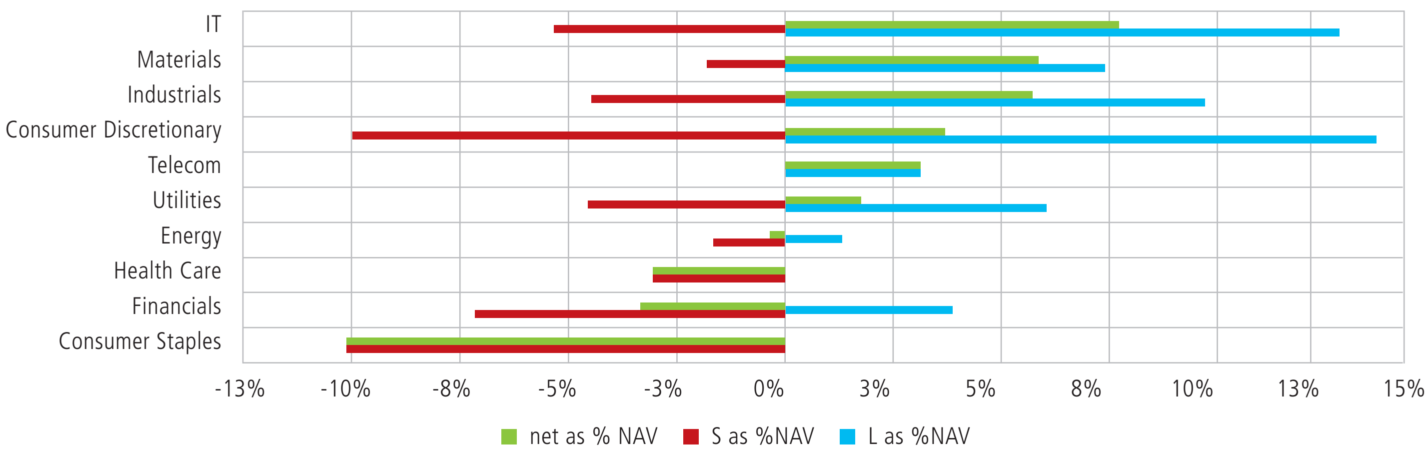
Concentration risk
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 2013 was as follows:

COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND



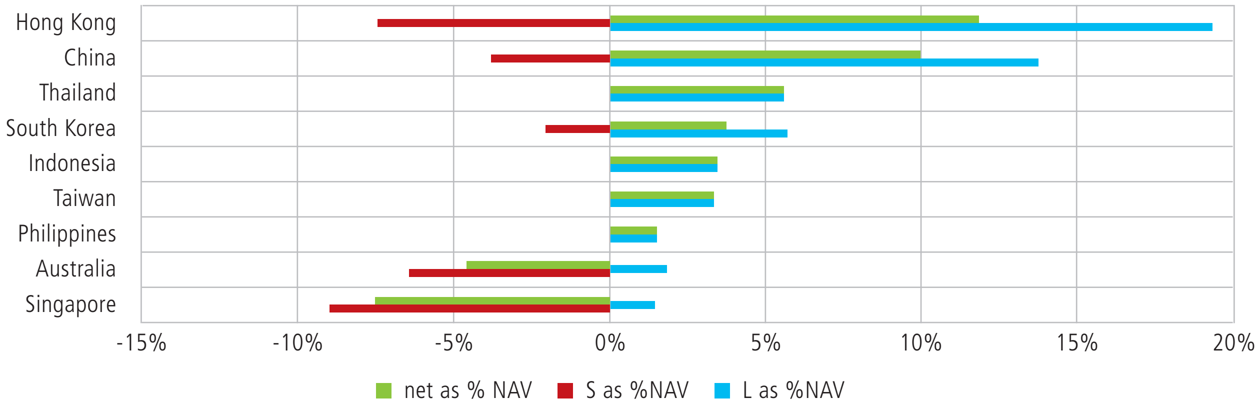
The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 2013 was as follows:

SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND



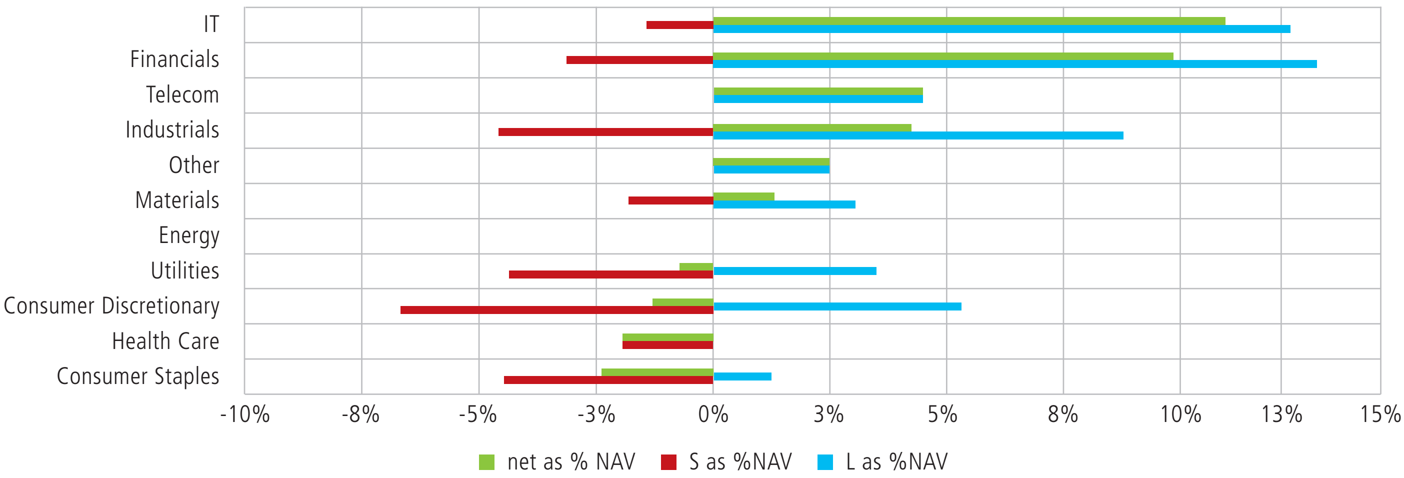
The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 2012 was as follows:

COUNTRY ALLOCATION PELARGOS ASIA ALPHA FUND



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

SECTOR ALLOCATION PELARGOS ASIA ALPHA FUND



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

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

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

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

TOP LONG EXPOSURES 2012	As % NAV
Samsung Electronics Preferred	3.1%
Hutchison Whampoa	3.1%
Digital China Holdings	2.9%
Ind & Comm Bk Of China	2.9%
HKT Trust And HKT	2.4%
China Minsheng Banking	2.3%
Shin Corporation Foreign share	2.2%
TPK Holding	2.0%
Guangzhou R&F Properties	2.0%
Kia Motors Corporation	1.9%

TOP SHORT EXPOSURES 2012	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%

Interest Rate Risk

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

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

2013 Assets	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Non-interest Bearing**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	72,335,514	72,335,514
Cash and cash equivalents	152,273,513	-	-	-	-	152,273,513
Total	**152,273,513**	**-**	**-**	**-**	**72,335,514**	**224,609,027**

2013 Liabilities	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Non-interest Bearing**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial liabilities at fair value through profit or loss	-	-	-	-	(54,326,103)	(54,326,103)
Total	**-**	**-**	**-**	**-**	**(54,326,103)**	**(54,326,103)**

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)**

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

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

	2013	2012
	€	€
Derivatives	1,651,051	1,087,551
Dividends & Interest receivable	219,506	102,159
Cash at broker	152,273,513	122,737,191
Total	**154,144,070**	**123,926,901**

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 2013 OTC derivative transactions were only executed with the Fund's Prime Broker UBS AG (In 2012 OTC derivative transactions were only executed with the Fund's Prime Broker UBS AG).

To mitigate credit risk, two prime brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long term ratings for UBS AG at 31 December 2013 were A2 (2012: A2) at Moody's and A (2012: A) at S&P. Long term ratings for Goldman Sachs at 31 December 2013 were Baa1 (2012: A3) at Moody's and A- (2012: A-) at S&P.

The Prime Brokers may acquire legal title to the Fund's assets up to an amount of more than 100% (max 140%) of the value of the (i) liabilities or (ii) net indebtedness, as the case may be, of the Fund towards the relevant Prime Brokers (rehypothecation). The Fund will have a right to the redelivery of equivalent assets from the Prime Brokers. In the event of an insolvency of either party, the obligation to redeliver will be given a cash value and will form part of a set off calculation against the amount the Fund owes the Prime Brokers. To the extent that the Prime Brokers have rehypothecated assets in excess of the amount that the Fund owes, the Fund ranks as a general creditor for the excess following the operation of set-off, with the risk that such excess may not be reclaimed. The Fund continuously monitors the creditworthiness of its Prime Brokers and has appointed multiple Prime Brokers.

To enable to short securities, the Fund borrows securities. At 31 December 2013, the Fund borrowed securities for an amount of €78,143,463 (2012: €43,890,176).

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 assets and liabilities based on undiscounted contractual maturities is illustrated as follows:

2013 **Assets**	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
	€	**€**		**€**	**€**	**€**
Cash and cash equivalents	152,273,513	-	-	-	-	152,273,513
Financial assets at fair value through profit or loss	-	-	-	-	70,684,463	70,684,463
Derivatives	-	-	-	-	1,582,318	1,582,318
Total	**152,273,513**	**-**	**-**	**-**	**72,266,781**	**224,540,294**

2013 **Liabilities**	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
	€	**€**		**€**	**€**	**€**
Financial liabilities at fair value through profit or loss	-	-	-	-	52,778,700	52,778,700
Derivatives	-	-	-	-	1,536,095	1,536,095
Total	**-**	**-**	**-**	**-**	**54,314,795**	**54,314,795**
Redeemable units of participation	-	-	169,986,191	-	-	169,986,191
Total	**-**	**-**	**169,986,191**	**-**	**54,314,795**	**224,300,986**
Gross settled derivatives						
Forward currency contracts						
Gross cash inflow	-	68,733	-	-	-	68,733
Gross cash outflow	-	(11,308)	-	-	-	(11,308)
Total undiscounted gross						
Settled derivatives outflow	-	57,425	-	-	-	57,425
Liquidity gap	**152,273,513**	**57,425**	**(169,986,191)**	**-**	**17,951,986**	**296,733**

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**

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

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

The following tables relate all equity positions of the Fund to the average daily trading volumes (ADV). It shows average and maximum daily volumes based on the average daily trading volume as at the end of 2013. The table below shows that the total long exposure of the Fund was 24% of the 3-month ADV as of December 2013. The equivalent percentage of the short book is 31%. In the same table we also mention the value of the most illiquid position as a percentage of 3-month ADV. The most illiquid position of the Fund can be closed within 3 days.

Those tables also state the percentage of the assets held in five different classes of market liquidity. For example: 68% of the Fund's long positions can be sold within a day, using less than 25% of ADV based on a 3-month moving average.

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	24%	102%	68%	16%	13%	3%	0%

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	31%	105%	48%	35%	12%	5%	0%

11. DERIVATIVE CONTRACTS

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

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

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

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

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

As of 31 December 2013 and 31 December 2012, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

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

	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)**

The table below details the total exposure per asset class at 31 December 2013 and 2012. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At year end 2013 the Fund held long and short positions in CFDs.

The leverage of the Fund is a ratio between the total gross exposure and the net asset value of the Fund. The maximum leverage the Fund may have is 250%. At 31 December 2013 the leverage is 104% (2012: 85%).

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

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%**

12. REDEEMABLE UNITS OF PARTICIPATION

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

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

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

Transactions in units of participation for Class A and Class B for the year ended 31 December 2013 and year ended 31 December 2012 were as follows:

Class A	**Number of units of participation 31 December 2013**	**Number of units of participation 31 December 2012**
Units of participation balance at the beginning of the year	242.63	242.63
Issue of redeemable units of participation	-	-
Redemption of redeemable units of participation	-	-
Redemption related to equalisation deficit	-	-
Units of participation at the end of the year	**242.63**	**242.63**

Class B	**Number of units of participation 31 December 2013**	**Number of units of participation 31 December 2012**
Units of participation balance at the beginning of the year	167,916.20	141,729.20
Issue of redeemable units of participation	10,091.96	28,080.66
Redemption of redeemable units of participation	-	(1,893.66)
Redemption related to equalisation deficit	(20.24)	-
Units of participation at the end of the year	**177,987.92**	**167,916.20**

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

13. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 125.67 (31 December 2012: 123.87) Units of Participation Class B in the Fund. Pelargos Capital B.V. held 143.13 (31 December 2012: 143.13) Units of Participation Class A in the Fund. AEGON Levensverzekering N.V. is a participant in the Fund with 14,850 (31 December 2012: 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 163,014.05 (31 December 2012: 152,942.33) Units of Participation Class B and 99.50 (31 December 2012: 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% (31 December 2012: 68%) of the shares in Pelargos Capital B.V.

14. PERSONAL INTERESTS OF DIRECTORS

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

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

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

		Market Value
		€
Pelargos Asia Alpha Fund	2012	112,391
	2013	116,998

15. SUBSEQUENT EVENTS

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

16. APPROVAL OF THE FINANICAL STATEMENTS

Approved on behalf of the Trustee:	Approved on behalf of the Investment Manager:
Stichting Bewaarder Pelargos Asia Alpha Fund	Director Pelargos Capital B.V
Date: 24 April 2014	Date: 24 April 2014

OTHER NOTES

For the year ended 31 December 2013

1. DIVIDEND AND ALLOCATION OF RESULT

The Fund did not pay dividends in 2013. The result is included in the Net assets attributable to holders of redeemable units of participation.

2. VOTING POLICY

The Fund does not pursue an active voting policy.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The Trustee and the Investment Manager, approved the financial statements on 24 April 2014.

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

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements
We have audited the financial statements 2013 of Pelargos Asia Alpha Fund, The Hague, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to holders of redeemable units of participation for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

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

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

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

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

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

Opinion with respect to the financial statements
In our opinion, the financial statements give a true and fair view of the financial position of Pelargos Asia Alpha Fund as at 31 December 2013, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union, the Dutch Financial Supervision Act and with Title 9 Book 2 of the Dutch Civil Code.

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

The Hague, 24 April 2014

Ernst & Young Accountants LLP

signed by T. de Kuijper