PELARGOS JAPAN ALPHA FUND

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM

1 JANUARY 2012
TO
30 JUNE 2012

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2012 to 30 June 2012

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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 Japan Alpha Fund c/o: ANT Trust & Corporate Services N.V. Claude Debussylaan 24 1082 MD Amsterdam The Netherlands
FUND ADMINISTRATOR	Citibank Europe plc 1 North Wall Quay Dublin 1 Ireland
PRIME BROKER	Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom UBS AG 1 Finsbury Avenue London EC2M 2PP United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Tripolis Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
COMPLIANCE	CLCS B.V. Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITORS	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands

FUND PROFILE

Pelargos Japan 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 10 July 2008.

Key Features Document (“Financiële Bijsluiter”) 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. Funds that aim for absolute returns in the long term are characterised by 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 Japanese securities. Pelargos Capital B.V. has defined a Socially Responsible Investing policy with reference to the investments held by the Funds, 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 decide 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 Japan Alpha Fund does not employ any personnel, as all services are provided by the Investment Manager.

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

Trustee
The Trustee is Stichting Bewaarder Pelargos Japan Alpha Fund. The management of the “Stichting” is ANT Custody B.V.

Administrator and Prime Broker
The Fund is administered by Citibank Europe plc (formerly Citi Hedge Fund Services (Ireland), Limited). The Prime Brokers of the Fund are Goldman Sachs International, London, United Kingdom and UBS AG, London, United Kingdom.

INVESTMENT MANAGER'S REPORT
For the period from 1 January 2012 to 30 June 2012

Performance

The Pelargos Japan Alpha Fund returned a positive 0.3% for the first 6 months of 2012. The Fund size increased to EUR 94mln. MSCI Japan Index retuned a positive 5.7% over the same period.

	Jan12	Feb12	Mar12	Apr12	May12	Jun12	2012YTD
Class A	-1.43	3.77	1.31	-1.26	-3.88	1.72	0.05
Class B	-1.38	3.81	1.35	-1.21	-3.83	1.76	0.30

Source: Citi Financial Services.

Review of first half 2012

The MSCI Japan Index had a very strong start to the year, with a solid first quarter return of 17.8% in local currency terms. This was the best start of year since 1988. The market rally started in late January, but accelerated from February 14th, when the Bank of Japan (BOJ) announced a surprise easing move and commitment to a CPI goal of 1%. Many market participants saw this as a first step towards inflation targeting/debt monetization and an indication that the BOJ is now finally responding to politicians' pressure. It has become clear that the Japanese population wants to stop deflation and is more vocal about it.

The BOJ's change in policy action brought about a sharp change in mood in both the currency and equity markets. This set off a weakening in the yen, and gains in equities, driven by overseas investors who had previously been bearish on Japanese equities and now needed to get some exposure. In the first quarter, global sentiment towards equities was good as macro-economic data surprised to the upside due to favorable winter weather. Additionally, central banks kept their accommodative stance. The ECB injected €1 trillion liquidity into the European banking system via their LTRO operation.

In the second quarter, the Japanese equity market completed a full reversal of the strong January to March rally. All initial optimism on BOJ's inflation targeting and weaker currency rhetoric seemed misplaced as the BOJ left their monetary policy unchanged at their May 23rd meeting. The already vulnerable Japanese share prices reacted strongly to signs of a slowing overseas economy. Macro-economic data from the US, Europe and China all came in weaker than consensus expectations. Despite trading at 40-year-low valuations and already oversold conditions in late April, Japanese equities continued to lose ground in May. It had the longest losing streak since 1975; 9 straight weeks of losses. In June, the Japanese equity market recovered somewhat, especially at month-end, when an EU summit finally yielded some results.

Investment policy and attribution

At the start of the year the Fund was positioned defensively, as we expected investors would start to price in a strong cyclical slowdown in China. However, the market started rallying from 2nd half of January on better macro-economic data from US and Europe. We quickly covered shorts in blue chip exporters such as Fanuc, Komatsu, SMC and Advantest and added to undervalued large caps such as Toyota Motor, SMFG and Nitto Denko. From February to mid-March, the portfolio structure containing a mix of cheap cyclicals and reflation beneficiaries worked well.

INVESTMENT MANAGER’S REPORT (Continued)
For the period from 1 January 2012 to 30 June 2012

Late March, we started taking profits in our best performing stocks as we did not believe the strong price momentum could continue. We trimmed positions in Toyota Motor, SMFG, Hitachi High Tech, Acom and Nitto Denko. Long exposure was shifted towards some deep value laggards with a more domestic orientation, such as K’s Holdings, Hajime Construction, Canon Marketing and Namco Bandai. In May and June, we added to cyclical shorts such as Komatsu, Yaskawa Electric and THK as it became more evident that the Chinese slowdown was more profound than many investors appreciated. This portfolio structure was maintained till the end of June.

The main winning positions were a combination of long and short positions. Our best selection was in undervalued megacap companies such as Toyota and SMFG, in which we took profit near the peak in late March. Positive contributions of shorts were Shikoku Electric Power and Elpida, a DRAM producer which filed for bankruptcy protection late February. The main losing positions in the Fund were long positions in FujiFilm, K’s Holdings and JX Holdings as well as shorts in Shimano and OSG.

The Fund’s net and gross exposure by the end of June were 16% and 135% respectively, averaging roughly 25% and 130% over the first half of 2012. The ex-ante beta of the Fund remained in a wide range of 0.05 to 0.35. The Fund maintained its embedded value bias and liquidity of the Fund is very high: 93% of the Fund can be liquidated within 5 trading days.

Outlook

A 30 year consumer spending binge in developed markets came to an abrupt halt in 2008 and since then government policies have aimed to offset private sector deleveraging by expanding public-debt-financed spending. Slowly but surely, we are reaching the Keynesian endpoint at which government balance sheets cannot be expanded anymore and need to shrink. Market forces will determine the speed at which the reduction occurs, either a gradual process or an abrupt contraction triggered by sovereign debt defaults. Anyhow, it will result in prolonged, sub-par economic growth with short business cycles, which some investors refer to as “The New Normal”.

The Japanese economy has experienced a similar protracted adjustment process for the past 15-20 years and whilst the private sector adjustment has occurred, the government’s balance sheet remains bloated. At this point, it is difficult to assess how Japan’s sovereign debt issues will affect Japanese equities. The 10-year JGB yield remains well below 1% and the debt is still internally financed and Japan is not in a fixed-exchange regime, which gives it more flexibility when it finally needs to address its balance sheet issues. For the time being we expect the JGB yields to remain stable, as the day of reckoning will only arrive when Japan is unable to fund its deficits internally. This is probably still a few years out.

In the short term, the probability of a further growth deceleration has drastically increased. Leading indicators globally are very soft and equity markets have a tendency to crash with Purchasing Manager Indices below 50. Undoubtedly, in such a macro backdrop Japanese equities are at risk, but at current valuations the downside risk should be limited. Japanese equities present excellent value at 0.9x price-to-book and 25% of the market cap consists of cash. Furthermore, the political pressure on the BOJ has increased considerably over the past 12 months and the BOJ is actively supporting the Japanese equity market by buying ETFs and REITs.

12 July 2012,
Pelargos Capital B.V.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Note	30 June 2012	31 December 2011
		€	€
Assets			
Cash and cash equivalents	4	54,320,169	85,540,204
Financial assets at fair value through profit or loss	3&9	69,282,374	51,656,660
Amounts due from brokers	5	6,743,367	8,990,574
Dividends receivable		162,802	170,565
Interest receivable		-	3,345
Total assets		**130,508,712**	**146,361,348**
Liabilities			
Financial liabilities at fair value through profit or loss	3&9	28,487,566	53,854,686
Amounts due to brokers	5	7,997,030	5,606,941
Management fee payable	6	74,511	71,852
Interest payable		987	2,469
Dividends payable		49,920	71,937
Accrued expenses	7	57,518	40,869
Total liabilities		**36,667,532**	**59,648,754**
Net assets attributable to holders of redeemable units of participation		**93,841,180**	**86,712,594**

Net asset value per unit of participation

Class A	**30 June 2012**	**31 December 2011**	**31 December 2010**
Number of units of participation (Note 11)	236.01	1,221.32	1,775.74
Net asset value per unit of participation	€1,037.02	€1,036.49	€1,090.54
Class B	**30 June 2012**	**31 December 2011**	**31 December 2010**
Number of units of participation (Note 11)	81,429.29	74,562.01	96,192.86
Net asset value per unit of participation	€1,149.42	€1,145.98	€1,199.73
Total Net Asset Value	**€93,841,180**	**€86,712,594**	**€117,341,861**

See notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2012 to 30 June 2012

	Note	1 January 2012 to 30 June 2012 €	1 January 2011 to 30 June 2011 €
Investment income			
Interest income	8	25,755	287,767
Gross dividend income		875,847	1,237,170
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	3	(270,733)	(535,886)
Net foreign exchange (loss)/gain		703,536	617,401
		1,334,405	**1,606,452**
Operating expenses			
Interest expense	8	(283,094)	(476,327)
Dividend expense on securities sold short		(309,187)	(639,074)
Management fees	6	(460,231)	(588,170)
Other expenses	6	(39,450)	(19,164)
Legal fee	6	(19,575)	(19,901)
Administration fee	6	(27,458)	(52,729)
Audit fees	6	(9,321)	(18,284)
Trustee's fee	6	(7,946)	(9,997)
		(1,156,262)	**(1,823,646)**
Withholding taxes		(60,952)	(86,602)
Increase/(Decrease) attributable to holders of redeemable units of participation		**117,191**	**(303,796)**

See notes to the financial statements

STATEMENT OF CASH FLOWS
For the period from 1 January 2012 to 30 June 2012

	1 January 2012 to 30 June 2012	1 January 2011 to 30 June 2011
	€	€
Cash flows from operating activities		
Increase /(Decrease) attributable to holders of redeemable units of participation	117,191	(303,796)
Adjustments to reconcile profit attributable to holders of redeemable units of participation to net cash used in operating activities:		
(Increase)/ Decrease in financial assets at fair value through profit or loss	(17,625,714)	12,708,532
Decrease in financial liabilities at fair value though profit or loss	(25,367,120)	(16,219,453)
Decrease in amounts due from brokers	2,247,207	3,723,433
Increase/(Decrease) in amounts due to brokers	2,390,089	(1,372,465)
Decrease/(Increase) in interest receivable	3,661	(1,552)
Decrease in dividends receivable	7,763	13,450
Decrease in performance fees payable	-	(1,802,764)
Increase/(Decrease) in management fees payable	2,659	(4,796)
Increase in accrued expenses	16,649	39,553
Decrease in dividends payable	(22,017)	(72,429)
Decrease in interest payable	(1,798)	(3,563)
Net cash used in operating activities	**(38,231,430)**	**(3,295,850)**
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation,	8,065,000	227,000
Payment from redemption of redeemable units of participation	(1,053,605)	-
Net cash flow provided by financing activities	**7,011,395**	**227,000**
Net decrease in cash and cash equivalents	(31,220,035)	(3,068,850)
Cash and cash equivalents at the beginning of the year	85,540,204	83,192,132
Cash and cash equivalents at the end of the period	**54,320,169**	**80,123,282**

See note 4 to the financial statements

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

For the period from 1 January 2012 to 30 June 2012

	Note	Number of shares	1 January 2012 to 30 June 2012 €
Balance at the beginning of the year		75,784	86,712,594
Decrease attributable to holders of redeemable units of participation resulting from operations for the period		-	117,191
Issue of redeemable units of participation during the period	11	6,875	8,065,000
Proceeds from redeemable units of participation during the period		(993)	(1,053,605)
Net assets attributable to holders of redeemable units of participation at the end of the period		**81,666**	**93,841,180**

	Note	Number of shares	1 January 2011 to 30 June 2011 €
Balance at the beginning of the year		97,969	117,341,861
Increase attributable to holders of redeemable units of participation resulting from operations for the period		-	(303,796)
Issue of redeemable units of participation during the period	11	199	227,000
Proceeds from redeemable units of participation during the period		-	-
Net assets attributable to holders of redeemable units of participation at the end of the period		**98,168**	**117,265,065**

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the period from 1 January 2012 to 30 June 2012

1. FUND INFORMATION

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

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

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

The Fund's objective is to achieve absolute returns in the long term. Funds that aim for absolute returns in the long term are characterised by 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 Japanese securities.

Since its incorporation and until 31 December 2011, the Fund appointed Citi Hedge Fund Services (Ireland) Limited as Administrator. The Administrator provides fund administration and transfer agency services to the Fund. Citi Hedge Funds Services (Ireland) Limited is based in Ireland and adheres to Irish AML rules and regulations.

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

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) *Accounting Policies*
The significant accounting policies and estimation techniques adopted by the Fund for the six months ended 30 June 2012 are consistent with those adopted by the Fund for the annual financial statements for the year end 31 December 2011.

(c) *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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

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

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

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

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

The effective date for mandatory adoption of IFRS 13 Financial Instruments will depend on the date it is adopted by the European Union. Early adoption will not be allowed before that date. As a result, the Fund has not early adopted this standard for the current reporting period. However, the Standard states that it is applicable for all accounting periods commencing on or after 1 January 2015 with early adoption permitted.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule

Movement schedule investments

Equity securities	**30 June 2012**	**31 December 2011**
	€	**€**
Beginning market value 1 January	(2,231,762)	35,876,538
Purchase	143,471,692	259,812,280
Sale	(98,712,409)	(295,473,343)
Revaluation	(607,933)	(2,447,237)
Ending market value at period end	**41,919,588**	**(2,231,762)**

Futures	**30 June 2012**	**31 December 2011**
	€	**€**
Beginning market value 1 January	5,257	(44,161)
Purchase	(1,296,466)	806,078
Sale	(177,530)	-
Revaluation	282,530	(756,660)
Ending market value at period end	**(1,186,209)**	**5,257**

Options	**30 June 2012**	**31 December 2011**
	€	**€**
Beginning market value 1 January	28,479	103,561
Purchase	264,330	1,328,642
Sale	(286,050)	(313,956)
Revaluation	54,670	(1,089,768)
Ending market value at period end	**61,429**	**28,479**

Total	**30 June 2012**	**31 December 2011**
	€	**€**
Beginning value 1 January	(2,198,026)	35,935,938
Purchase	142,439,556	261,947,000
Sale	(99,175,989)	(295,787,299)
Revaluation	(270,733)	(4,293,665)
Ending market value at period end	**40,794,808**	**(2,198,026)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

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

As at 30 June 2012 and 31 December 2011, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

	30 June 2012	31 December 2011
	€	€
Net gain or loss on financial assets and financial liabilities at fair value through profit or loss:		
Realised	502,015	4,681,057
Unrealised	(772,748)	(8,974,722)
Total	**(270,733)**	**(4,293,665)**

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

There are two forms of options, put and call options. Put options are contracts sold for a premium that gives one party (the buyer) the right, but not the obligation, to sell to the other party (the seller) of the contract, a specific quantity of a particular product or financial instrument at a specified price. Call options are similar contracts sold for a premium that gives the buyer the right, but not the obligation, to buy from the seller of the option. Options may also be cash settled.

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	30 June 2012	31 December 2011
	€	€
Cash at broker	52,221,732	85,166,691
Margin accounts	2,098,437	373,513
	54,320,169	**85,540,204**

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

The minimum amount to be held for holding securities at the prime broker is called the total margin requirement. The total amount of margin requirements with the Fund's Prime Broker were €22,078,971 (31 December 2011: €24,236,696) at 30 June 2012.

5. AMOUNTS DUE (TO)/FROM 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

5. AMOUNTS DUE (TO)/FROM BROKERS (continued)

	30 June 2012	31 December 2011
	€	€
Balances due to brokers	(7,997,030)	(5,606,941)
Balances due from brokers	6,743,367	8,990,574
Amounts due (to)/from brokers	**(1,253,663)**	**3,383,633**

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 net asset value for Class A units of participation and 1.0% of the net asset value 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 net asset value 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 payable as at 30 June 2012 and 31 December 2011, and Management fees incurred during the periods ended 30 June 2012 and 30 June 2011 are shown on the Statement of Financial Position and Statement of Comprehensive Income respectively.

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.

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 (GAV) per participation. If the GAV 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

6. FEES AND EXPENSES (continued)

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 NAV at the time of issue. 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 at an earlier point in time during that year.

Other costs charged to the assets of the Fund

	1 January 2012 to 30 June 2012 €	1 January 2011 to 30 June 2011 €
Administration fees	27,458	52,729
Legal and tax advice fees	19,575	19,901
Audit fees	9,321	18,284
Trustee's fees	7,946	9,997
Other expenses	39,450	19,164
	103,750	**120,075**

Other expenses	**1 January 2012 to 30 June 2012 €**	**1 January 2011 to 30 June 2011 €**
Printing and stationary	4,880	4,959
Miscellaneous expenses	7,757	6,018
Subtotal other expenses (included in TER)	**12,637**	**10,977**
Brokerage fees	26,813	8,187
Other expenses	**39,450**	**19,164**

Subscription and redemption fees
The Fund may upon issue and redemption of a unit of Participation charge a fee up to 1.0% of the then current Gross or Net Asset Value of a unit of Participation. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During the period from 1 January 2012 to 30 June 2012, the Fund did not charge any subscription or redemption fees.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

6. FEES AND EXPENSES (continued)

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 have an impact. Transaction costs incurred with an opening position in equities and CFD's (*opening buy* in case of a long position or *opening sale* in case of a short position) are included in the net consideration. Transaction costs incurred with the closing of a position in equities and CFD's (*closing sale* in case of a long position or *closing buy* in case of a short position) are included in the net consideration.

Until 30 June 2012, the transaction costs amounted to €312,987 (30 June 2011: €352,553).

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

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

7. ACCRUED EXPENSES

Accrued expenses	**30 June 2012 €**	**31 December 2011 €**
Administration fee	8,564	8,869
Legal and tax advice fees	26,074	6,500
Audit fees	7,185	15,000
Trustee's fees	4,696	6,000
Other accrued expenses	10,999	4,500
	57,518	**40,869**

Other accrued expenses	**30 June 2012 €**	**31 December 2011 €**
Start-up costs payable	-	-
Printing and stationery	5,095	1,500
Miscellaneous expenses	5,904	3,000
	10,999	**4,500**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

8. INTEREST INCOME/EXPENSE AND BORROWING FEE

	1 January 2012 to 30 June 2012 €	1 January 2011 to 30 June 2011 €
Interest income	25,755	287,767
	25,755	**287,767**

	1 January 2012 to 30 June 2012 €	1 January 2011 to 30 June 2011 €
Interest expense	145,121	278,160
Borrowing Fee	137,973	198,167
	283,094	**476,327**

Borrowing fee at 30 June 2012 and 30 June 2011 is paid fee related to stock loan activities.

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

The Fund is exposed to 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Equity risk
Equity risk is the risk that the Fund is exposed to the volatility of the fair value of the equity securities it holds. The fair value of individual securities may fluctuate as a result of e.g. company specific news, broad market movements, interest rate risk or foreign currency movements. The 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.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Equity risk (continued)
The fair values of investments valued under Levels 1 to 3 are as follows:

Financial assets at fair value through profit or loss	**30 June 2012 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	69,202,376	69,202,376	-	-
Derivatives	79,998	-	79,998	-
Total	**69,282,374**	**69,202,376**	**79,998**	**-**

Financial liabilities at fair value through profit or loss	**30 June 2012 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	(27,282,788)	(27,282,788)	-	-
Derivatives	(1,204,778)	-	(1,204,778)	-
Total	**(28,487,566)**	**(27,282,788)**	**(1,204,778)**	**-**

Financial assets at fair value through profit or loss	**31 December 2011 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	51,620,872	51,620,872	-	-
Derivatives	35,788	-	35,788	-
Total	**51,656,660**	**51,620,872**	**35,788**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2011 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	(53,852,634)	(53,852,634)	-	-
Derivatives	(2,052)	-	(2,052)	-
Total	**(53,854,686)**	**(53,852,634)**	**(2,052)**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

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

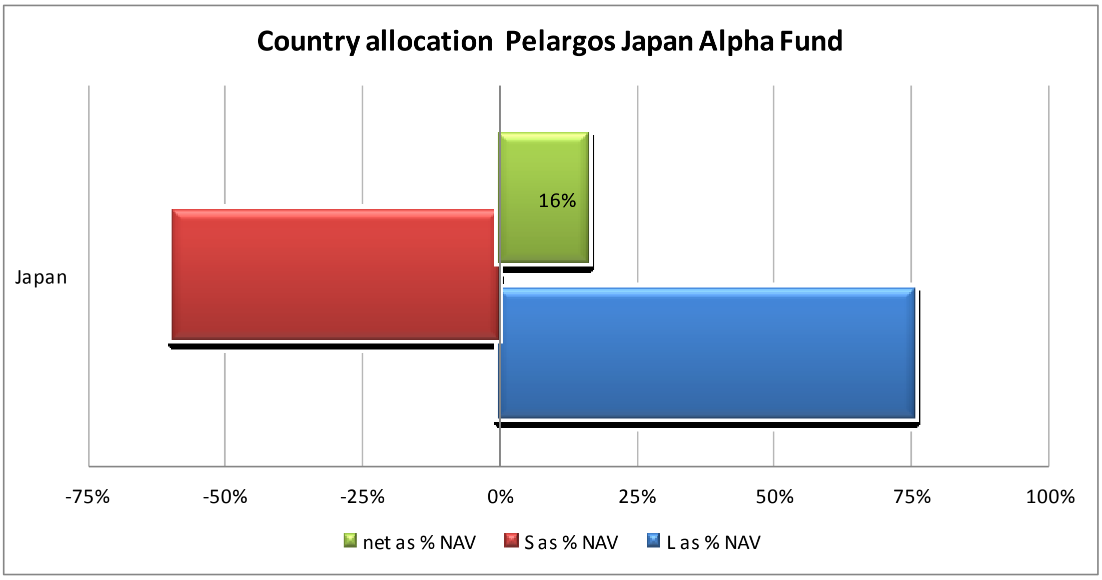
The Fund has the possibility to hold and to manage currency exposures, but in principle will hedge significant exposures.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

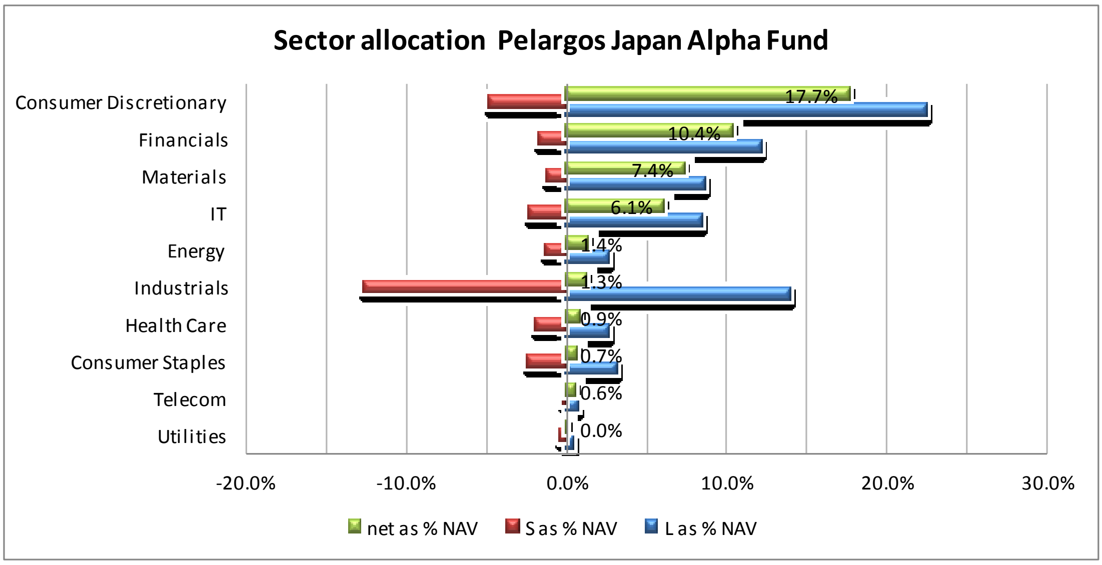
9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk

The country allocation as a percentage of the NAV at 30 June 2012 was as follows:



The sector allocation as a percentage of the NAV at 30 June 2012 was as follows:

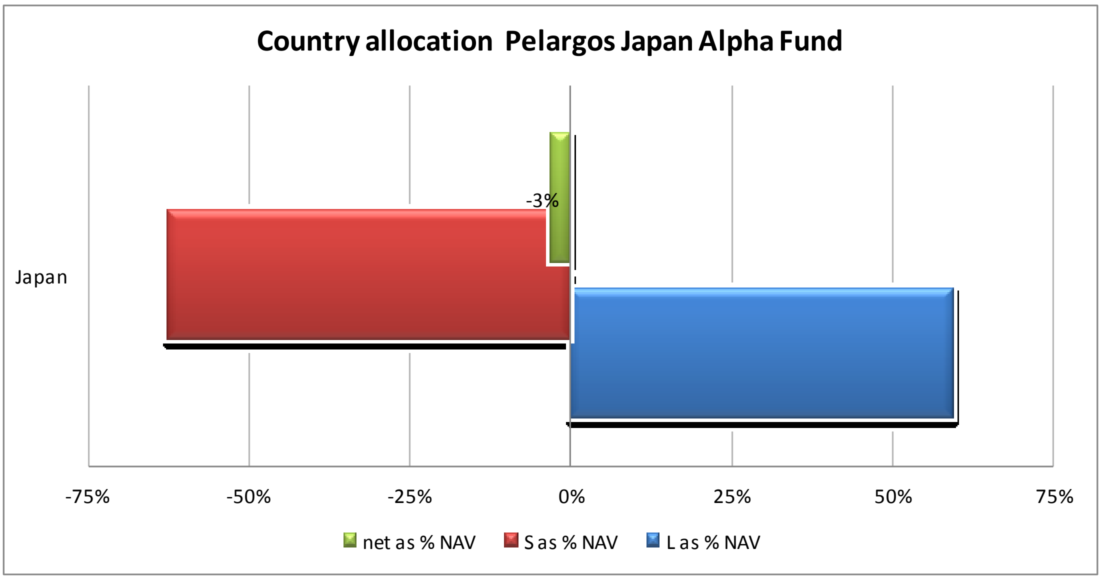


NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

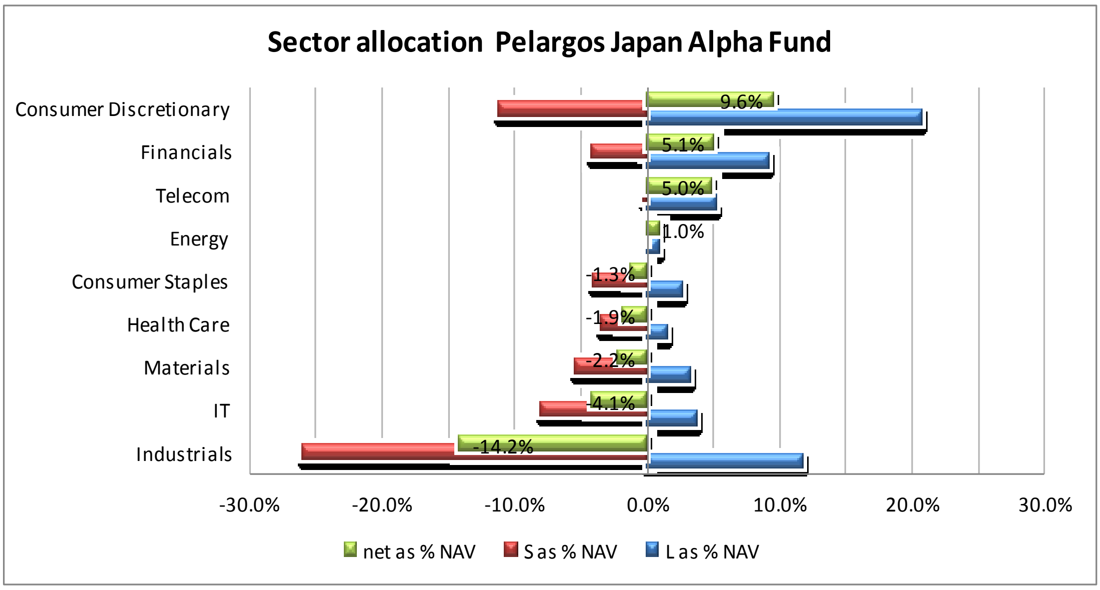
9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

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



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



NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

The top long and top short positions as a percentage of the NAV at 30 June 2012 were as follows:

TOP LONG POSITIONS	As % NAV
Nitto Denko	3.2%
Sankyo	2.8%
Ichigo Group	2.6%
JX Holdings	2.6%
Sumitomo Mitsui Financial	2.5%
Hajime Construction	2.4%
Acom	2.4%
Pola Orbis Holding	2.3%
Fuji Media Holdings	2.3%
Lixil Group Corporation	2.1%

TOP SHORT POSITIONS	As % NAV
Toto	2.1%
Yaskawa Electric	1.7%
Yamato Holdings	1.3%
Shimano	1.3%
Showa Shell Sekiyu	1.3%
THK	1.3%
All Nippon Airways	1.2%
Kawasaki Heavy Ind	1.1%
Kirin Holdings	1.1%
Hino Motors	0.8%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

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

TOP LONG POSITIONS	
	As % NAV
NTT	5.0%
Toyota Motor	3.0%
Pola Orbis Holding	2.8%
Ichigo Group Holdings	2.7%
United Urban Investment	2.5%
Sankyo	2.5%
K'S Holdings	2.1%
East Japan Railway	2.1%
Sumitomo Mitsui Financial	1.9%
Autobacs Seven	1.8%

TOP SHORT POSITIONS	
	As % NAV
Shiseido	3.5%
OSG	3.0%
Fanuc	3.0%
TOTO	2.9%
Toray Industries	2.5%
Hino Motors	2.5%
All Nippon Airways	2.5%
Nikon Corp	2.5%
Komatsu	2.3%
Yaskawa Electric	2.3%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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.

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

Most of the Fund's derivative contracts are listed or traded on one or more recognised exchanges where a Clearing House acts as regulator. OTC derivative transactions are executed with the Fund's Prime Brokers Goldman Sachs International and UBS AG. Long term ratings for Goldman Sachs at year end were A3 (2011: A1 (Moody's)) and A- (2011: A- (S&P)). Long term ratings for UBS AG at year end were A2 (2011: AA3) at Moody's and A (2011: A) at S&P.

To mitigate credit risk, two prime brokers have been legally appointed. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties

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

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

To enable to short securities, the Fund borrows securities. At 30 June 2012, the Fund borrowed securities for an amount of €24,459,764 (31 December 2011: €49,673,186).

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 Japanese stock exchanges.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)
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.

10. DERIVATIVE CONTRACTS

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

The Fund records its derivative activities on a mark-to-market basis. Unrealised gains or losses are valued in accordance with the accounting policy adopted by the fund and the resulting movement in the unrealised gain or loss is recorded in the Statement of Comprehensive Income.

As of 30 June 2012 and 31 December 2011, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets 30 June 2012 €	**Fair value liabilities 30 June 2012 €**
Options	79,998	(18,569)
Futures contracts	-	(1,186,209)
Total derivative contracts	79,998	(1,204,778)

	Fair value assets 31 December 2011 €	**Fair value liabilities 31 December 2011 €**
Options	28,479	-
Futures contracts	7,309	(2,052)
Total derivative contracts	35,788	(2,052)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

10. DERIVATIVE CONTRACTS (continued)

The table below details the total derivatives exposure at 30 June 2012 and 31 December 2011 in euro. 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 30 June 2012, the Fund held short positions in futures contract and long positions in options.

30-Jun-12	Net exposure	Gross exposure	Gross as % NAV
Equity	41,919,534	96,485,040	102.8%
Options	1,847,530	1,847,530	2.0%
Futures	(28,546,741)	28,546,741	30.4%
Total exposure	*15,220,323*	*126,879,311*	
Total as % of NAV	16%	135%	135%

31-Dec-11	Net exposure	Gross exposure	Gross as % NAV
Equity	(2,231,752)	105,473,001	121.6%
Options	(379,821)	379,821	0.4%
Futures	5,280,079	5,280,079	6.1%
Total exposure	*2,668,506*	*111,132,900*	
Total as % of NAV	3%	128%	128%

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

11. REDEEMABLE UNITS OF PARTICIPATION

At inception of the Fund Class A and Class B units of participation were issued, both only in Euro. The initial investment required of a Participant in Class A is Euro 25,000. Subsequent subscriptions and redemptions have a minimum size of Euro 10,000.

Class B has a "lock up" of one year (to be waived or shortened by the Investment Manager) and is only available for the 'seeding investor', employees and employees of the directors. 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 period ended 30 June 2012 and period ended 30 June 2011 were as follows:

	Number of units of participation 30 June 2012	**Number of units of participation 30 June 2011**
Class A		
Units of participation balance at the beginning of the year	1,221.32	1,775.74
Issue of redeemable units of participation	-	136.21
Redemption of redeemable units of participation	(985.31)	-
Units of participation at the end of the period	**236.01**	**1,911.95**

	Number of units of participation 30 June 2012	**Number of units of participation 30 June 2011**
Class B		
Units of participation balance at the beginning of the year	74,562.01	96,192.86
Issue of redeemable units of participation	6,874.95	63.70
Redemption of redeemable units of participation	(7.67)	-
Units of participation at the end of the period	**81,429.29**	**96,256.56**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2012 to 30 June 2012

11. REDEEMABLE UNITS OF PARTICIPATION (continued)

Capital management

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

The Fund's objectives for managing capital are:

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

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

OTHER NOTES
For the period from 1 January 2012 to 30 June 2012

1. DIVIDEND AND ALLOCATION OF RESULT

During the period from 1 January 2012 to 30 June 2012, the Fund did not pay dividends. The result is included in the Net assets attributable to holders of redeemable units of participation.

2. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 324.22 (31 December 2011: 318.81) Units of Participation Class B in the Fund. AEGON Levensverzekering N.V. is participant in the Fund with 9,950 (31 December 2011: 9,950) Units of Participation. 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 2 investment funds 71,155.04 (31 December 2011: 64,293.17) Units of Participation Class B and 99.80 (31 December 2011: 99.80) Units of Participation Class A. AEGON Investment Management B.V. is a 100% subsidiary of AEGON Asset Management B.V., which is a 100% subsidiary of AEGON N.V.

AEGON N.V. holds 100% of the shares in AEGON Asset Management B.V., which holds 68% (31 December 2011: 68%) of the shares in Pelargos Capital B.V.

3. VOTING POLICY

The Fund does not pursue an active voting policy.

4. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 30 June 2012.

5. APPROVAL OF THE FINANCIAL STATEMENTS

The Trustee and the Investment Manager approved the financial statements on 23 August 2012.

OTHER NOTES (Continued)
For the period from 1 January 2012 to 30 June 2012

The accompanying Statement of Financial Position as at 30 June 2012 and the Statement of Comprehensive Income and Statement of Changes in Net Assets Attributable to Holders of Redeemable Units of Participation for the period then ended have been compiled from the records of the Pelargos Japan Alpha Fund and from other information supplied to us by the Fund. There has not been an audit performed and consequently, there is not an opinion expressed on these accounts.

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