

PELARGOS JAPAN ALPHA FUND

**UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS**

FOR THE PERIOD FROM

1 JANUARY 2017
TO
30 JUNE 2017

PELARGOS JAPAN ALPHA FUND

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS For the period from 1 January 2017 to 30 June 2017

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PELARGOS JAPAN ALPHA FUND

FUND INFORMATION

REGISTERED OFFICE	WTC, E-Tower, 7 th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapiatal.com
MANAGER	Pelargos Capital B.V. WTC, E-Tower, 7 th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
TITLE HOLDER	Stichting Pelargos Japan Alpha Fund c/o: SGG Custody B.V. Amerika Building Hoogoorddreef 15 1101 BA Amsterdam The Netherlands
ADMINISTRATOR	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
PRIME BROKERS	UBS AG 1 Finsbury Avenue London EC2M 2PP United Kingdom Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom Nomura International plc 1 Angel Lane London EC4R 3AB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands

PELARGOS JAPAN ALPHA FUND

FUND INFORMATION (continued)

INDEPENDENT AUDITOR

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3065 WB Rotterdam
The Netherlands

FINANCIAL REPORTING
TO DNB

Solutional Financial Reporting B.V.
Arentsburghlaan 3
2275 TT Voorburg
The Netherlands

FUND PROFILE

Pelargos Japan Alpha Fund

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

Key Features Document (“Essentiële Beleggersinformatie”) and Prospectus

The Fund’s Key Features Document applies containing Fund information related to its costs and risks. The Key Features Document and Prospectus are available on www.pelargoscapital.com.

Investment objective

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

Dividend

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

Manager

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

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

Depositary

The Manager has appointed The Bank of New York Mellon SA/NV in Amsterdam, trading as The Bank of New York Mellon SA/NV Amsterdam Branch, as Depositary of the Fund.

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

Administrator

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

Prime Brokers

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

MANAGER'S REPORT

For the period from 1 January 2017 to 30 June 2017

Performance

2017	Jan	Feb	Mar	Apr	May	Jun	YTD
Class A EUR	0.49%	-0.93%	-1.67%	-0.61%	0.19%	1.28%	-1.27%
Class B EUR	0.56%	-0.92%	-1.63%	-0.57%	0.23%	1.32%	-1.03%

Source: BNY Mellon Fund Services.

In the first six months of 2017 the Pelargos Japan Alpha Fund returned -1.27% for the class A EUR and -1.03% for the class B EUR shares. This brought the inception-to-date performance of class B shares to 53.98%, which translates into an annualized return of 4.8%.

The MSCI Japan returned +4.9% in the first half of 2017 and is up 17% since the inception of the Fund. The Fund size decreased to €6.8mln, which can mainly be attributed to a rebalancing at our cornerstone investor, Aegon. In July, class C shares will be introduced with a highly competitive fee structure of 0.5% management fee and 15% performance fee. We have received a significant investment from a German institutional investor into this new C share class. Further growth in assets under management is expected for the second half of 2017.

Review of first half 2017

The Japanese market bottomed together with global bond yields in June 2016. With that, the greatest rotation from defensives into cyclicals for the past decade began as President-elect Trump promised a set of strong fiscal spending measures designed to kick start the American economy. In our opinion, the June to December 2016 rally was the initial up-leg in the continuation of the structural bull market in Japanese equities, which has started in 2012. Volatility has collapsed across the globe in 2017. Japanese equities traded in a very narrow range from December 2016 until the end of March as global growth was moderate and inflation expectations came down. Moderating inflation expectations were the result of President Trump's inability to pass significant fiscal reform legislation as well as year-over-year changes in commodity prices turning negative.

In April, Japanese equities sold off as global geopolitical nervousness grew around the French presidential elections and North Korean missile tests. However the draw-down was much less than the usual 20% drop, and the market quickly rebounded once pro-Europe candidate Macron was elected. This low volatility is rather atypical for what historically has been an extremely volatile market. Within that framework, value strategies underperformed significantly during the first half of 2017 and expensive, low volatility strategies outperformed. Household Products and Software and Services performed strongly with double digit gains versus lagging sectors such as Oil & Gas, Banks and Consumer Discretionary that posted small losses for the first half of the year.

Investment policy and attribution

The second half of 2016 saw a sharp revival of cyclical value at the expense of expensive defensives and we were well positioned to benefit from that. In a disciplined manner we took profits during the October to January period as the cyclical value outperformance peaked in mid-December 2016. Therefore we started the year with a slightly cautious positioning. The net exposure had dropped to +20% and gross exposure to 100% by mid-February, which is at the low-end of the historical range. By late February we re-introduced a higher risk allocation and expanded both the long book as well as the short book. We have added to stock specific situations in deeply undervalued domestic cyclicals such as Nishimatsu construction, Maeda Road Construction and travel agent H.I.S. This was further supported by our favorable view of the Japanese domestic economy, where consumption benefits from low unemployment, rising real wages and a recovery of in-bound tourism. However, as our approach was not rewarded, we quickly withdrew and lowered gross and net exposure again. At the end of April, gross exposure stood at 107% and net exposure at 24%. During May and June our indicators supported a higher risk budget, and at the end of June the gross exposure stood at 117% with net exposure at 29%. Despite this higher risk budget, but because of collapsing spot volatility in the market, the ex-ante volatility declined to 4.9%

MANAGER'S REPORT (continued)

For the period from 1 January 2017 to 30 June 2017

Investment policy and attribution (continued)

The five largest positive contributors on a single stock level were all long positions and were either driven by very strong earnings/price momentum or deep value situations that started to re-rate. In decreasing order they were : Pola Orbis (earnings momentum), Imasen (deep value), Technopro (earnings momentum), H.I.S. (deep value) and Sumco (earnings momentum). The five largest negative contributors were a mix of long and short positions, and in increasing order: Sumitomo Metal Mining (long), Honda Motor (long), Nintendo (short), Takara Leben (long) and Ichigo Group (long).

Outlook

For the first half of 2017 we expected that value stocks would continue to outperform as yields needed to adjust higher globally, be it due to better economic growth or central banks' tapering. The timing of this thesis was certainly off and finally in June we saw a distinct improvement in our indicators and somewhat higher yields ignited the long overdue rally in our 'too-cheap-to-be-true' long positions.

Global economic growth is far from buoyant. We expect sub-par growth for the coming years and this continues to put pressure on yields. By association, through indiscriminately designed ETF baskets, bond-like equity outperforms cyclicals as yields head lower. However, this phenomenon offers a great opportunity as we find plenty of long ideas, which are outrageously inexpensive especially compared to the excessive valuations paid for the 'recession-proof' consumer stocks. Even within the Japanese context there are pockets of structural growth. Global IT capex is booming driven by Internet-of-Things and increased chip penetration in everything, most noteworthy cars. The bottom-up research coverage in Japan remains anemic and therefore little attention is paid to the great earnings potential those companies have.

With regards to the outlook for the second half of 2017 it is worth repeating that our long book has tremendous upside. Valuations are still cheap, earnings revisions are trending upwardly and buyback programs are accretive for shareholders, which is supportive from a flow perspective. This is more or less a sweet spot for Japanese equities and despite that Japan is still amongst the worst performing developed equity markets globally. With the headwinds, such as lower yields and strong yen, stabilizing the re-rating potential on a short-term basis is great. Now that value has bottomed out and the performance has recovered, we have started to increase gross and net exposure to optimally benefit from these great opportunities.

The Hague, 31 August 2017

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

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

PELARGOS JAPAN ALPHA FUND

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	30 June 2017	31 December 2016
		€	€
Current assets			
Financial assets at fair value through profit or loss	3,11	63,470,917	65,510,477
Amounts due from brokers	6	5,380,813	2,539,423
Dividends receivable		121,754	170,399
Margin accounts	5	23,541,845	24,494,300
Cash and cash equivalents	4	35,585,345	42,186,173
Total current assets		128,100,674	134,900,772
Current liabilities			
Financial liabilities at fair value through profit or loss	3,11	38,300,546	40,278,204
Amounts due to brokers	6	2,785,915	446,303
Dividends payable		75,451	123,473
Subscriptions received in advance		7,000	20,000
Management fee payable	7	71,530	79,674
Performance fee payable	7	-	241,109
Interest payable		189	2,470
Accrued expenses	8	61,785	124,752
Total current liabilities (excluding net assets attributable to holders of redeemable units of participation)		41,302,416	41,315,985
Net assets attributable to holders of redeemable units of participation		86,798,258	93,584,787
Class A - Euro			
Number of units of participation (Note 13)	30 June 2017	31 December 2016	31 December 2015
	236.27	236.27	236.27
Net asset value per unit of participation	€1,342.93	€1,360.27	€1,336.48
Class B - Euro			
Number of units of participation (Note 13)	56,164.06	59,944.95	59,246.86
Net asset value per unit of participation	€1,539.79	€1,555.82	€1,524.25
Total Net Asset Value		€86,798,258	€93,584,787
		€90,622,724	

The accompanying notes form an integral part of these condensed financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2017 to 30 June 2017

	Note	1 January 2017 to 30 June 2017 €	1 January 2016 to 30 June 2016 €
Investment income			
Interest income	9	-	591
Gross dividend income	10	829,311	1,000,464
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss		(827,105)	2,610,973
Net gain/(loss) on cash and cash equivalents		389,815	(3,970,745)
Total income/(loss)		<u>392,021</u>	<u>(358,717)</u>
Operating expenses			
Dividend expense on securities sold short	10	(357,657)	(468,662)
Performance fee	7	-	(6,415)
Management fee	7	(441,701)	(453,097)
Interest expense and borrowing fee	9	(337,294)	(461,795)
Audit fee		(15,760)	(15,250)
Administration fee		(45,271)	(46,950)
Depository fee	7	(16,015)	(16,421)
Legal fee		-	(5,000)
Costs of supervision	7	(6,000)	(6,000)
Trustee's fee	7	(6,371)	(5,575)
Other expenses		(9,466)	(10,688)
Total operating expenses		<u>(1,235,535)</u>	<u>(1,495,853)</u>
Loss before taxation		(843,514)	(1,854,570)
Withholding taxes		(113,927)	(130,495)
Loss after taxation		(957,441)	(1,985,065)
Other comprehensive income		-	-
Decrease attributable to holders of redeemable units of participation		<u>(957,441)</u>	<u>(1,985,065)</u>

The accompanying notes form an integral part of these condensed financial statements.

STATEMENT OF CASH FLOWS

For the period from 1 January 2017 to 30 June 2017

	1 January 2017 to 30 June 2017	1 January 2016 to 30 June 2016
	€	€
Cash flows from operating activities		
Decrease attributable to holders of redeemable units of participation	(957,441)	(1,985,065)
Adjustment for net foreign exchange gain - cash and cash equivalent	389,815	3,970,745
Adjustment for interest income	-	(591)
Adjustment for dividend income	(829,311)	(1,000,464)
Adjustment for interest expense	337,294	461,795
Adjustment for dividend expense	357,657	468,662
Adjustments to reconcile decrease attributable to holders of redeemable units of participation to net cash provided by operating activities:		
Decrease in financial assets at fair value through profit or loss	2,039,559	615,546
(Decrease) in financial liabilities at fair value through profit or loss	(1,977,658)	(3,015,660)
Decrease in margin cash	952,455	4,366,931
(Decrease)/increase in management fee payable	(8,144)	73,191
(Decrease) in performance fee payable	(241,109)	-
Increase in amounts due to brokers	2,339,612	11,482,873
(Increase) in amounts due from brokers	(2,841,390)	(1,282,771)
(Decrease) in subscriptions received in advance	(13,000)	-
(Decrease) in accrued expenses	(62,966)	(28,932)
Cash (used in)/provided by operating activities	(514,627)	14,126,260
Interest received	-	591
Dividend received	877,956	1,065,839
Interest paid	(339,575)	(459,268)
Dividend paid	(405,679)	(422,710)
Net cash (used in)/provided by operating activities	(381,925)	14,310,712
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation	36,000	-
Payments from redemptions of redeemable units of participation	(5,860,000)	(2,242,600)
Cash flow related to equalisation deficit previous period	(5,088)	(11,878)
Net cash flow used in financing activities	(5,829,088)	(2,254,478)
Net (decrease)/increase in cash and cash equivalents	(6,211,013)	12,056,234
Net foreign exchange loss - cash and cash equivalents	(389,815)	(3,970,745)
Cash and cash equivalents at the beginning of the period	42,186,173	27,399,657
Cash and cash equivalents at the end of the period	35,585,345	35,485,146

The accompanying notes form an integral part of these condensed financial statements.

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

For the period from 1 January 2017 to 30 June 2017

	Note	Number of shares	1 January 2017 to 30 June 2017 €
Balance at the beginning of period		60,181	93,584,787
Decrease attributable to holders of redeemable units of participation resulting from operations during the period		-	(957,441)
Issue of redeemable units of participation during the period	13	23	36,000
Proceeds from redeemable units of participation during the period	13	(3,801)	(5,860,000)
Redemption related to equalisation deficit previous period		(3)	(5,088)
Net assets attributable to holders of redeemable units of participation at the end of the period		<u>56,400</u>	<u>86,798,258</u>

	Note	Number of shares	1 January 2016 to 30 June 2016 €
Balance at the beginning of the period		59,483	90,622,724
Decrease attributable to holders of redeemable units of participation resulting from operations for the period		-	(1,985,065)
Proceeds from redeemable units of participation during the period	13	(1,439)	(2,242,600)
Redemption related to equalisation deficit previous period		(8)	(11,878)
Net assets attributable to holders of redeemable units of participation at the end of the period		<u>58,036</u>	<u>86,383,181</u>

The accompanying notes form an integral part of these condensed financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 1 January 2017 to 30 June 2017

1. FUND INFORMATION

General

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

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

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Manager, the Title Holder and the Participant. The Manager has an Alternative Investment Fund Managers Directive (AIFMD) license and is regulated by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank. Per 1 March 2017 the AIFMD license has been extended with the following investment services provided to professional investors only: (i) individual portfolio management, (ii) investment advice and (iii) receiving and transmitting investment orders.

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

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

Classes of participations

The assets of the Fund are divided into several classes of participation, with a specific fee structure, and if applicable lock-up period, for each class of participation. The underlying investments and risk profile of the various classes of participation are identical. Each class of participation may be further segmented in subclasses of participation, each such subclass of participation to be denominated in a different currency.

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) and the Dutch Financial Supervision Act and Title 9 book 2 Dutch Civil Code.

(b) *Accounting policies*

These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”). The significant accounting policies and estimation techniques adopted by the Fund for the six months ended 30 June 2017 are consistent with those adopted by the Fund for the annual financial statements for the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(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. All accounting policies adopted by the Fund are consistent with the audited financial statements for the year ended 31 December 2016.

The financial statements are presented in Euro.

The preparation of financial statements in conformity 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. The Manager believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

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

There are no standards and amendments to existing standards that are effective for the first time for the financial period beginning 1 January 2017 that have a material impact on the Fund.

New standards, amendments and interpretations effective after 1 January 2017 and have not yet been early adopted by the Fund.

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

IFRS 9 Financial Instruments (effective date 1 January 2018)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) *Basis of preparation (continued)*

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- (i) identify contracts with customers
- (ii) identify the separate performance obligation
- (iii) determine the transaction price of the contract
- (iv) allocate the transaction price to each of the separate performance obligations, and
- (v) recognise the revenue as each performance obligation is satisfied.

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

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2017 and 31 December 2016, financial assets and liabilities at fair value through profit or loss were as follows:

Financial assets at fair value through profit or loss:	30 June 2017	31 December 2016
	€	€
Equity securities	63,185,085	65,486,790
Options	285,832	23,687
Financial assets at fair value through profit or loss	<u>63,470,917</u>	<u>65,510,477</u>
Financial liabilities at fair value through profit or loss:		
Equity securities	<u>(38,300,546)</u>	<u>(40,278,204)</u>
Financial liabilities at fair value through profit or loss	<u>(38,300,546)</u>	<u>(40,278,204)</u>
Total financial assets and financial liabilities at fair value through profit or loss	<u>25,170,371</u>	<u>25,232,273</u>

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

As at 30 June 2017 and 31 December 2016, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund excluding margin requirement.

	30 June 2017	31 December 2016
	€	€
Cash at broker	15,728,558	42,186,173
Money Market Fund	19,856,787	-
Total	<u>35,585,345</u>	<u>42,186,173</u>

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

The Fund held a Money Market fund managed by Goldman Sachs that is the Goldman Sachs Euro Liquid Reserves Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

5. MARGIN ACCOUNTS

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

The Prime Brokers calculate the maximum amount to be loaned on the basis of all long and short securities held at the Prime Broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Brokers was €23,194,327 (31 December 2016: €23,934,160) with Goldman Sachs International, €347,518 (31 December 2016: €560,140) with UBS AG and €Nil (31 December 2016: €Nil) with Nomura International plc as at 30 June 2017.

The total amount of margin requirements with the Fund's Prime Brokers as at 30 June 2017 and 31 December 2016 was as follows:

	30 June 2017	31 December 2016
	€	€
Margin accounts	23,541,845	24,494,300
Total	<u>23,541,845</u>	<u>24,494,300</u>

6. AMOUNTS DUE FROM/(TO) BROKERS

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

As at 30 June 2017 and 31 December 2016, the following were held as amounts due to or from brokers:

	30 June 2017	31 December 2016
	€	€
Balances due from brokers	5,380,813	2,539,423
Balances due to brokers	(2,785,915)	(446,303)
Net amounts due to/from brokers	<u>2,594,898</u>	<u>2,093,120</u>

7. FEES AND EXPENSES

Management fee

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

The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation and 1.0% of the GAV for Class B units of participation (before deduction of the accrued performance fee). The management fee is accrued on a monthly basis. The fee is payable, in arrears following the completion and finalization of each month end net asset value. Management fees of €441,701 (30 June 2016: €453,097) were incurred for the period ended 30 June 2017, of which €71,530 (31 December 2016: €79,674) was payable at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

7. FEES AND EXPENSES (continued)

Performance fee

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

The performance fee is equal to 20% of the annual increase in the net asset value of the capital of Class A units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class B units of participation. The performance fee will be calculated on the basis of an annual period from calendar year-end to calendar year-end. In a year of introduction of a new Class in a specific currency, the performance fee will be based on the period from introduction date to calendar year-end. A high watermark applies. Performance fees of €Nil (30 June 2016: €6,415) were incurred for the period ended 30 June 2017, of which €Nil (31 December 2016: €241,109) was payable at 30 June 2017.

Performance fee – equalisation

The performance fee is calculated according to the “equalisation” method, which means that each participant pays a fee that truly corresponds to the increase in value of the units of participation that he/she holds. Participations are subscribed to against the gross asset value per unit of participation. If the subscription price exceeds the high water mark (HWM) on a dealing day, an equalisation credit is granted to the participant. Following the date of grant, the value of the equalisation credit fluctuates with the increase and decrease of the NAV. The equalisation credit will at no time turn into a negative value, and it will not increase beyond the value at the time of issue. By issuing participations against the value of the participant’s equalisation credit at the ultimate valuation day of the financial year of the Fund, the credit will be finally settled. The equalisation credit as of 30 June 2017 amounted to €Nil (30 June 2016 €Nil).

Conversely, a participant that acquires participations at a time that the HWM exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the NAV at the time of issue. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing participations. The Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 30 June 2017 amounted to €1 (30 June 2016: €Nil).

Other costs charged to the assets of the Fund

	1 January 2017 to 30 June 2017	1 January 2016 to 30 June 2016
	€	€
Administration fee	45,271	46,950
Audit fee	15,760	15,250
Costs of supervision	6,000	6,000
Depositary fee	16,015	16,421
Legal fee	-	5,000
Trustee's fee	6,371	5,575
Other expenses	9,467	10,688
Total	98,884	105,884

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

The Depositary charges a fee as an annual percentage of 0.03% of the NAV at each month end, subject to a minimum fee of €25,000 per annum.

The Title Holder receives a trustee fee of €1,000 on an annual basis, excluding VAT and indexation starting in 2015.

Subscription and redemption fees

The Fund may upon issue and redemption of a unit of Participation charge a fee up to 1.0% of the subscription and redemption amount. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During the period from 1 January 2017 to 30 June 2017, the Fund charged a fee of €Nil (30 June 2016: €Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

7. FEES AND EXPENSES (continued)

Soft dollar arrangement

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

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

8. ACCRUED EXPENSES

	30 June 2017	31 December 2016
	€	€
Administration fee	25,619	57,893
Audit fee	15,958	31,973
Costs of supervision	6,321	321
Depositary fee	4,993	14,595
Legal and tax advice fees	5,274	16,524
Trustee's fee	3,020	3,446
Other accrued expenses	600	-
Total	61,785	124,752

9. INTEREST INCOME/EXPENSE AND BORROWING FEE

	1 January 2017 to 30 June 2017	1 January 2016 to 30 June 2016
	€	€
Interest income	-	591
Interest expense	(238,465)	(348,529)
Borrowing fee	(98,829)	(113,266)
Total	(337,294)	(461,204)

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

10. DIVIDEND INCOME/EXPENSE

	1 January 2017 to 30 June 2017	1 January 2016 to 30 June 2016
	€	€
Gross dividend income	829,311	1,000,464
Dividend expense on securities sold short	(357,657)	(468,662)
Total	471,654	531,802

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

Financial instruments and associated risks

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

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

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

Fair value estimation

IFRS 13 Fair Value Measurement 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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are 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); and
- Level 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Fair value estimation (continued)

The following tables analyses the fair value hierarchy of the Fund's financial assets and liabilities measured at fair value at the period ended 30 June 2017 and as at 31 December 2016:

Financial assets at fair value through profit or loss	30 June 2017	Level 1	Level 2	Level 3
	€	€	€	€
Equity securities	63,185,085	63,185,085	-	-
Derivatives	285,832	285,832	-	-
Total	63,470,917	63,470,917	-	-

Financial assets at fair value through profit or loss	30 June 2017	Level 1	Level 2	Level 3
	€	€	€	€
Equity securities sold short	(38,300,546)	(38,300,546)	-	-
Derivatives	-	-	-	-
Total	(38,300,546)	(38,300,546)	-	-

Financial assets at fair value through profit or loss	31 December 2016	Level 1	Level 2	Level 3
	€	€	€	€
Equity securities	65,486,790	65,486,790	-	-
Derivatives	23,687	23,687	-	-
Total	65,510,477	65,510,477	-	-

Financial assets at fair value through profit or loss	31 December 2016	Level 1	Level 2	Level 3
	€	€	€	€
Equity securities sold short	(40,278,204)	(40,278,204)	-	-
Derivatives	-	-	-	-
Total	(40,278,204)	(40,278,204)	-	-

For the period ended 30 June 2017 and the year ended 31 December 2016, there were no transfers between Levels.

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

Equity risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk

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

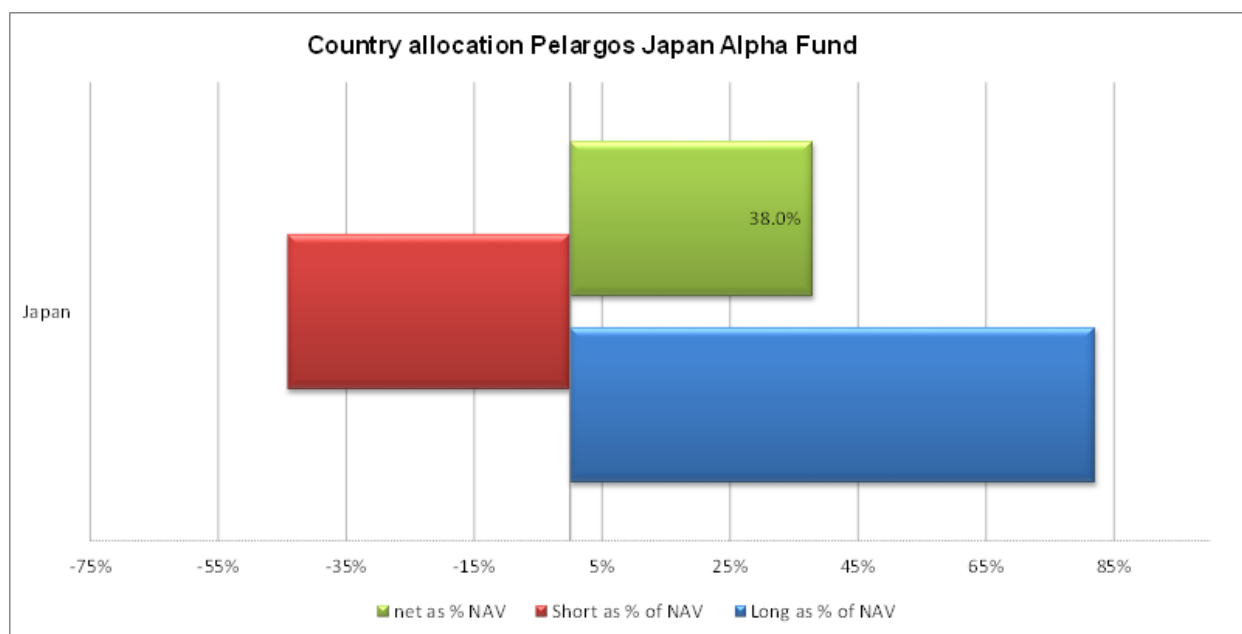
Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Euro.

IFRS 7 considers the foreign exchange exposure related to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Fund however monitors the exposure on all foreign currency denominated assets and liabilities.

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

Concentration risk

The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 30 June 2017 was as follows:



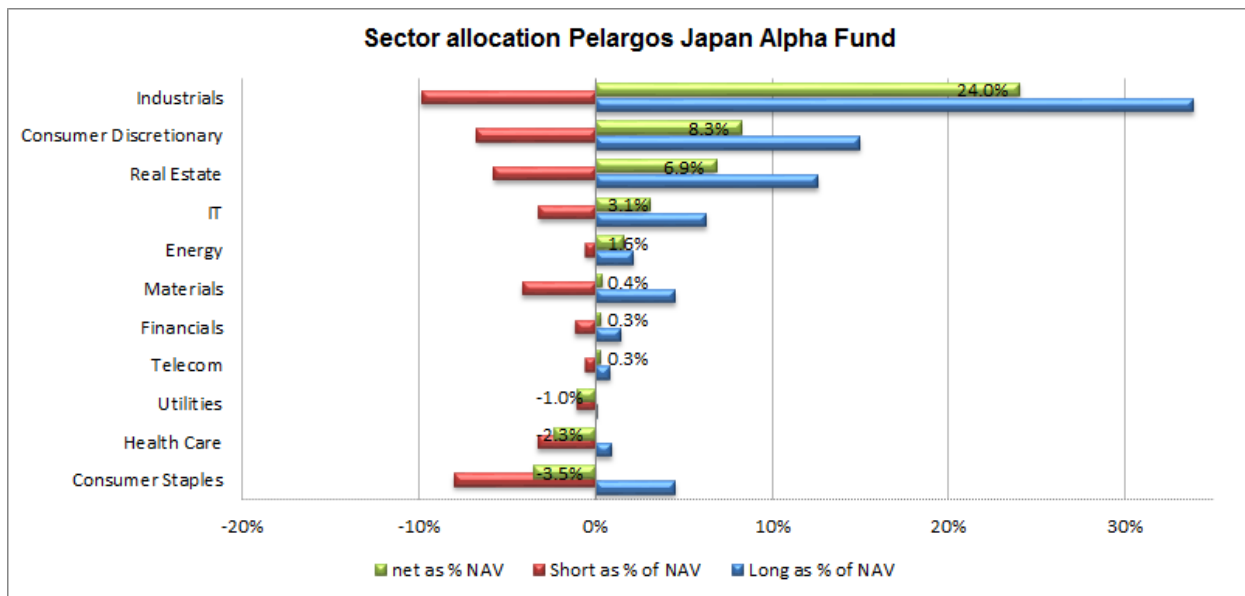
NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

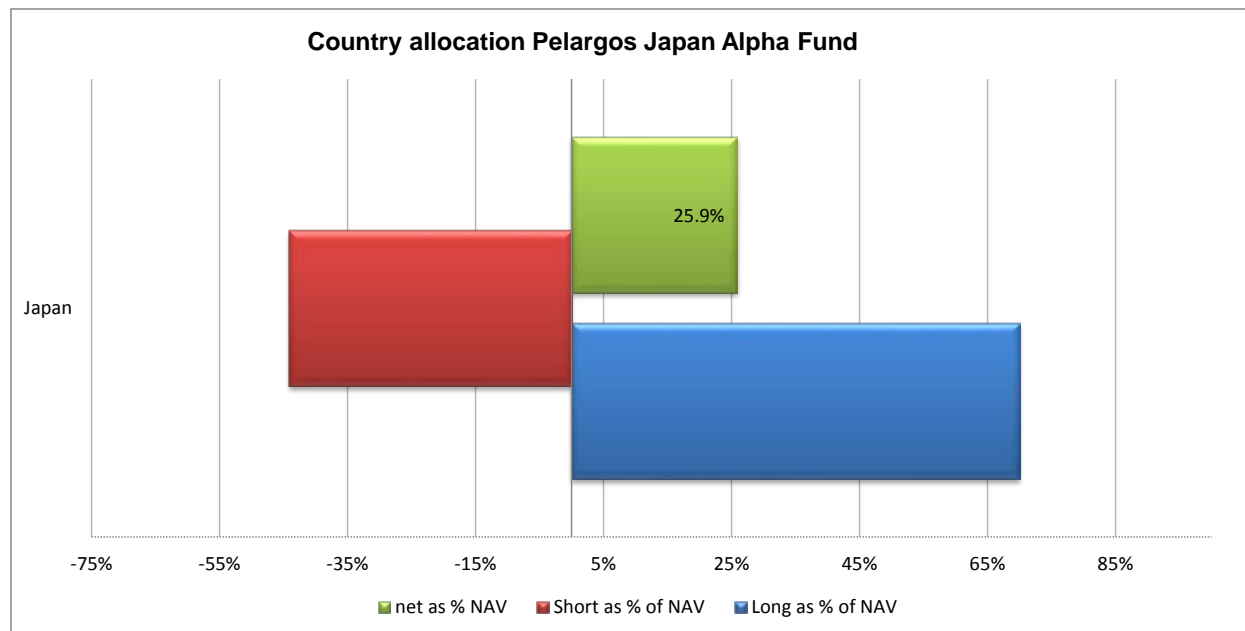
11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 30 June 2017 was as follows:



The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 31 December 2016 was as follows:



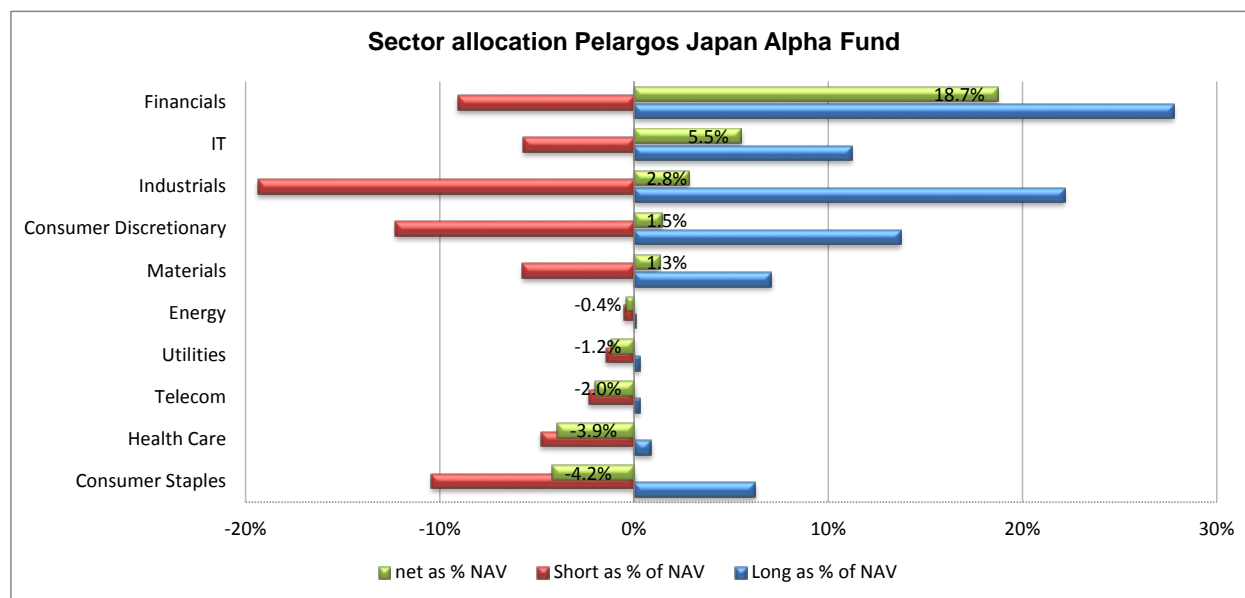
NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2016 was as follows:



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. The Fund invested in a Money Market Fund, which invests in papers in interest bearing securities. As a result, the Fund is subject to limited direct exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Fund is subject to cash flow interest rate risk; however the effect is not considered material due to the short-term nature.

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 held a Money Market Fund, the Goldman Sachs Euro Liquid Reserves Fund.

For the period ended 30 June 2017, OTC derivative transactions were executed with the Fund's Prime Brokers Goldman Sachs International, UBS AG and Nomura International plc. The Fund's derivative contracts held were options.

To mitigate credit risk, three Prime Brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long-term ratings for Goldman Sachs International at 30 June 2017 were A1 (31 December 2016: A3) at Moody's and A+ (31 December 2016: BBB+) at S&P. Long-term ratings for UBS AG at 30 June 2017 were A1 (31 December 2016: Aa3) at Moody's and A+ (31 December 2016: A+) at S&P. Long-term ratings for Nomura International plc at 30 June 2017 were AA- (31 December 2016: AA-) at Japan Credit Rating Agency and A- (31 December 2016: A-) at S&P.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

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

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

To enable to short securities, the Fund borrows securities. At 30 June 2017, the Fund borrowed securities for an amount of €38,299,458 (31 December 2016: €39,157,770).

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

Liquidity risk

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

The Fund is exposed to cash redemptions of redeemable units of participation for a monthly valuation day, with 15 business day's previous notice.

The Fund invests the majority of its assets in investments that are listed and traded in active markets, all listed on major Japanese stock exchanges. The liquidity of all securities will be continuously monitored by the Manager, who aims to be able to exit 50% of the assets in the Fund within one week and 95% in one month time.

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

12. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Fund's investment strategies and are utilized primarily to structure and hedge investments to enhance performance and reduce risk to the Fund. The derivative contracts that the Fund held or issued, were equity contracts for difference, futures and options.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

12. DERIVATIVE CONTRACTS (continued)

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.

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

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

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

As at 30 June 2017 and 31 December 2016, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets	Fair value liabilities
	30 June 2017	30 June 2017
	€	€
Options	<u>285,832</u>	<u>-</u>
Total derivative contracts	<u>285,832</u>	<u>-</u>
	Fair value assets	Fair value liabilities
	31 December 2016	31 December 2016
	€	€
Options	<u>23,687</u>	<u>-</u>
Total derivative contracts	<u>23,687</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

12. DERIVATIVE CONTRACTS (continued)

The table below details the total derivatives exposure at 30 June 2017 and 31 December 2016. 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 2017 the Fund held an equity index option (31 December 2016: 1).

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 30 June 2017 the leverage is 126.20% (31 December 2016: 114%).

30 June 2017	Net exposure	Gross exposure	Gross as % NAV
	€	€	€
Equities	24,883,832	101,482,749	116.9%
Options	8,098,468	8,098,468	9.3%
Total exposure	32,982,300	109,581,217	
Total as % of NAV	38.0%	126.2%	126.2%

31 December 2016	Net exposure	Gross exposure	Gross as % NAV
	€	€	€
Equities	25,209,489	105,768,782	113.0%
Options	(973,957)	973,957	1.0%
Total exposure	24,235,532	106,742,739	
Total as % of NAV	25.9%	114.0%	114.0%

13. REDEEMABLE UNITS OF PARTICIPATION

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

The minimum (initial) investment in Class A and B for the ‘seeding’ investor, employees and employees of the directors is Euro 1,000 and for other participants Euro 10,000. Subscriptions and redemptions have a minimum size of Euro 1,000.

On 11 May 2017, a new Class C units of participation was introduced. The Class C units of participation may be issued in two subclasses denominated in US Dollars and in Euro. Class C units of participation in USD have been issued as of 3 July 2017.

The minimum (initial) investment in Class C for the ‘seeding’ investor, employees and employees of the directors is Euro 1,000 and USD 1,000 and for other participants Euro 100,000 and USD 100,000. Subscriptions and redemptions have a minimum size of Euro and USD 1,000.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

13. REDEEMABLE UNITS OF PARTICIPATION (continued)

Transactions in units of participation for Class A and Class B for the period ended 30 June 2017 and 30 June 2016 were as follows:

	Number of units of participation 30 June 2017	Number of units of participation 30 June 2016
Class A (EUR)		
Units of participation balance at the beginning of the period	236.27	236.27
Units of participation at end of period	<u>236.27</u>	<u>236.27</u>
	Number of units of participation 30 June 2017	Number of units of participation 30 June 2016
Class B (EUR)		
Units of participation balance at the beginning of the period	59,944.95	59,246.86
Issue of redeemable units of participation	23.32	-
Redemption of redeemable units of participation	(3,800.94)	(1,439.11)
Issue/Redemption related to equalisation credit/(deficit)	(3.27)	(7.79)
Units of participation at end of period	<u>56,164.06</u>	<u>57,799.96</u>

Capital management

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

The Fund's objectives for managing capital are:

1. To achieve long-term capital appreciation;

The Fund aims for returns which have a low correlation with the returns of the market index. To achieve this objective the Fund uses investment instruments and applies an investment and risk management policy as described in the prospectus.

2. To maintain sufficient liquidity to meet redemption requests as they arise.

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

14. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 251.06 (31 December 2016: 240.63) units of participation Class B in the Fund. Pelargos Capital B.V. held 136.47 (31 December 2016: 136.47) units of participation Class A Euro.

Two investment funds managed by Aegon Investment Management B.V. (AIM B.V.) held 55,868.61 (31 December 2016: 59,672.78) units of participation Class B and 99.80 (31 December 2016: 99.80) units of participation Class A Euro.

AIM B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V. Aegon Asset Management Holding B.V. holds 73.34% (31 December 2016: 73.34%) of the shares in Pelargos Capital B.V.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2017 to 30 June 2017

15. PERSONAL INTERESTS OF DIRECTORS

In accordance with article 122 paragraph 2 Bgfo the Fund is required to list the total holdings in securities by the (employees of) directors in investments, which are also held by the Fund as of 30 June 2017.

As of 30 June 2017 and 31 December 2016 there are no personal interests of the employees of directors in investments, which were also held by the Fund.

As of 30 June 2017 and 31 December 2016 the personal interests of employees of directors and non-executive director of the Fund are as follows:

	Market Value 30 June 2017	Market Value 31 December 2016
	€	€
Pelargos Japan Alpha Fund	386,578	374,326
Total	<u>386,578</u>	<u>374,326</u>

16. DIVIDEND AND ALLOCATION OF RESULT

During the period from 1 January 2017 to 30 June 2017, the Fund did not pay dividends. The result is included in the net assets attributable to holders of redeemable units of participation.

17. VOTING POLICY

The Manager adheres to the Japan Stewardship Code (the “Code”) as of September 2016. The Code, published in 2014, sets out best practice principles for responsible institutional investors. The Manager has a voting policy to support the Code and will in the best interest of the participants engage with Japan listed companies in which the Fund invests.

18. INVESTOR MONEY REGULATIONS

In response to the Central Bank of Ireland publishing the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers (the “Investor Money Regulations” or “IMR”) in March 2015 (effective from 1 July 2016), the Manager undertook, together with BNY Mellon Fund Services (Ireland) Designated Activity Company, a review of the way in which subscription, distribution and redemption monies are channelled to and from the Fund. As a result of this review, subscription and redemption monies are (effective from 1 July 2016), channelled through a cash collection account in the name of the Fund. Pending issue of the units and / or payment of subscription proceeds to an account in the name of the Fund, and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Fund in respect of amounts paid by or due to it. At 30 June 2017, the value of such subscriptions amounted to €7,000 (31 December 2016: €20,000) and is included within cash and cash equivalents.

19. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 30 June 2017 up to the date of approval of these financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The Manager approved the financial statements on 31 August 2017.

OTHER NOTES

For the period from 1 January 2017 to 30 June 2017

The accompanying Statement of Financial Position as at 30 June 2017 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.