PELARGOS JAPAN ALPHA FUND

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM

1 JANUARY 2014
TO
30 JUNE 2014

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2013 to 30 June 2014

TABLE OF CONTENTS

FUND INFORMATION

REGISTERED OFFICE	WTC Tower E, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
INVESTMENT MANAGER	Pelargos Capital B.V. WTC Tower E, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	Citibank International Plc Netherlands branch Schiphol Boulevard 257 1118 BH Schiphol The Netherlands
TITLE HOLDER	Stichting Pelargos Japan Alpha Fund c/o: SGG Custody B.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
	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

FUND INFORMATION (Continued)

COMPLIANCE	CLCS B.V. Keizersgracht 433 1017 DJ Amsterdam The Netherlands
INDEPENDENT AUDITORS	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam 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 ("Essentiële Beleggersinformatie") and Prospectus

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

Investment objective

The Fund's objective is to achieve absolute returns in the long term. 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) and Emphi B.V. (represented by P.P.J. van de Laar). Limare B.V. (represented by P.C. Rigter) was until 22 July 2014 director of Pelargos Capital B.V. due to retirement of P.C. Rigter as of 1 August 2014.

Depositary

Under the Alternative Investment Fund Manager Directive (AIFMD), effective as of 22 July 2014, the Fund appointed Citibank International Plc Netherlands branch as Depositary of the Fund.

Effective 22 July 2014 the Stichting Bewaarder Pelargos Japan Alpha Fund has been renamed into Stichting Pelargos Japan Alpha Fund, reflecting its changing role into being a legal owner of the assets of the Fund.

The manager of the "Stichting" is SGG Custody B.V.

Administrator and Prime Broker

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

INVESTMENT MANAGER'S REPORT
For the period from 1 January 2014 to 30 June 2014

Performance

2014	Jan	Feb	Mar	Apr	May	Jun	YTD
Class A EUR	-3.21	-0.64	-0.59	-1.03	-2.28	1.40	-6.25
Class A USD	-3.16	-0.74	-0.68	-1.11	-2.26	1.30	-6.51
Class A JPY	-3.24	-0.80	-0.71	-1.19	-2.27	1.26	-6.81
Class B EUR	-3.16	-0.60	-0.56	-0.99	-2.24	1.44	-6.02

Source: Citibank Europe plc.

Note: Share class B EUR (longer lock-up) was seeded in 2008. Class A EUR (no lock-up) was seeded in January 2009.

In the first six months of 2014, the Pelargos Japan Alpha Fund returned -6.3% for the class A EUR, -6.5% for the class A USD, -6.8% for the class A JPY and -6.0% for the class B EUR shares. This brought the inception-to-date performance of class B EUR shares to 44.1%, which translates into an annualized return of 6.3%. The MSCI Japan index returned -3.9% in the first half of 2014 and has lost -5.2% since the inception of the fund. The Fund size decreased to EUR 110mln which was driven by the investment returns.

Review of first half 2014

After having appreciated 51.9% in 2013 to reach the highest trading levels since the summer of 2008, the MSCI Japan index started to correct late January and quickly lost over 12% into an early February low. Towards the end of 2013 and into early 2014, global equity markets had been ignoring rising risks such as the FOMC's tapering of its asset purchases, increasing geopolitical tensions in countries such as Ukraine, Thailand, Turkey and Colombia and weak economic growth in Asia and the US. However, a weaker than expected flash PMI in China triggered a sell off in global equity markets which had become vulnerable to bad news. Particularly Emerging Market equities sold off sharply on slower economic growth prospects and the US dollar appreciated against most currencies. This created further stress in the system for Emerging Markets which generally rely on US dollar funding. Several Central Banks were forced to increase interest rates; most notably Turkey had to defend the Lira with an overnight rate increase from 4.5% to 10% adding further pressure to their growth outlook.

During the first quarter, global macro news flow was mixed and difficult for the market to interpret. Negative US payrolls, confidence and growth data was explained as being significantly weakened by poor weather and a weaker Japanese Economy Watchers Survey was the result of people being worried about the April 1st consumption tax hike. On the other hand, the Japanese VAT hike triggered rush-demand in February and March, leading to macro economic volatility and adding to short term uncertainty. This weighed on the Japanese equity market which traded sideways with sharp 5-10% price swings till the latter half of May.

Despite solid FY13 earnings, many companies low-balled their 2014 outlook, which often resulted in a sharp decline in the share price. Furthermore, market consensus was hoping for more BOJ easing to offset the negative impact of the VAT hike in April, but the Central Bank's minutes revealed there was no intention of such a move as the economy was performing inline with their expectations. Only after BOJ Governor Kuroda reconfirmed in his speech on May 21st that Japan's economy was rapidly recovering from the tax hike, did investors realize that good economic news was actually good news. Capex and industrial production related data were particularly solid, confirming a stronger economic outlook in Japan for the rest of the year, in addition to recovering growth in the US and Europe.

INVESTMENT MANAGER'S REPORT (Continued)
For the period from 1 January 2014 to 30 June 2014

This boosted domestic investor sentiment, sending the Japanese equity market more than 10% higher in the final five weeks of the June quarter, limiting the first half of 2014 loss of the MSCI Japan index to 3.9%. Interestingly, this rally in Japanese equities was neither supported by a weaker Yen nor higher inflation/growth expectations. We would be inclined to argue that this rally is driven by the corporate governance efforts the Abe administration has put in place. It has encouraged the Japanese Government pension scheme to allocate more funds to equities, requires institutional investors to take a more activist approach toward capital allocation and shareholder return policies of the companies they invest in. And finally, Prime Minister Abe provided constructive comments on some of his 'Third Arrow' policies involving economic zones, tax reform and female labor participation.

Investment policy and attribution

In January and into February we aggressively reduced the overall risk profile of the fund. During March and April the net- and gross-exposure was rather flat. At the end of May into June we reduced our SmartHedge (a basket of securities, which acts as a proxy for the broader market, we compose and use for market risk hedging) and added to our long book. Despite the considerably high net exposure, consisting of mainly low beta stocks, the ex-ante volatility based on our medium term risk model is just 6.9%, whereas the long term risk model indicates a volatility around 6%. The beta remains at 0.22. Style wise, the fund remains heavily tilted towards value factors. Bottom-up we are enthusiastic about the great value opportunities in the long book and therefore carry an elevated net exposure. That said, the globally depressed volatility points towards complacency and extremely positive sentiment which in the longer term has a tendency to mean revert.

The five largest positive contributors on a single stock level were long Gulliver, long Inpex, short Sumco, long Obayashi and long Pola Orbis. The five largest negative contributors were long Iida Group, long NEC Capital Solutions, short Shiseido, short Kikkoman and long Sbi Holdings.

Outlook

The 1st half of 2014 was the 'tug of war' which we expected it to be. The VAT increase heightened real economic volatility and distorted fundamental trends upon which market participants try to base fair value estimates. The positive sentiment of 2013 disappeared and skepticism returned despite noticeable improvements in corporate governance. Most importantly, the global currency was entered its next stage. The Bank of Japan's (BOJ) aggressive monetary stance leads to grand scale capital exports; the carry trade is back. Yields globally will be further depressed and any yield increase will be met with strong demand. Domestic pension funds are 'forced' to buy Japanese equities which are still inexpensive and in addition downside protection is cheap. However, the FED poses a risk as it is working of a different cycle and wants to 'normalize' monetary policy as economic growth seems to pick up. Our hypothesis is that the global cycle is not on a self-sustaining path and equity markets will be hit by a deflation scare once US monetary policy tightens in excess of ECB/BOJ accommodation. Under such a scenario the immediate response will be a stronger JPY and lower equity prices but Japan should be in a better position with the BOJ on high alert and its commitment to end deflation. Corporate Japan seems healthier than ever before from a balance sheet perspective and Japanese households are equally healthy. The excess leverage rests with the government and those debts are owned by its own people and controlled by the BOJ. Opinions on the sustainability of that mechanism vary greatly but in our opinion all major asset prices are manipulated to a large extent as our welfare states deem price finding by market forces unwarranted. As such the discussion on how long the BOJ can control the bond market is rather futile. It will be a jump condition and timing is unknowable.

INVESTMENT MANAGER'S REPORT (Continued)
For the period from 1 January 2014 to 30 June 2014

The effect of the VAT tax increase is slowly dissipating. That said, more time is need to really understand its true implication to the economy and what it means for BOJ policy. Until recently the impact seemed in-line with expectations and more recently a few negative data points have emerged. Japanese households were aggressively pre-buying all kind of goods before the VAT and it will take some time to find out how well underlying economic trends are truly progressing. The sentiment on the ground is clearly better than for the past few years, the labor market is getting tighter and real estate prices are picking up whilst equity valuations remain near 30 year lows. The catalyst for higher stock prices will be bottom-up implementation of the corporate governance guidelines and this might materialize faster than most anticipate.

Global generalists are still highly skeptical that there is true change. However, as specialists we see a lot of evidence that significant improvement is happening and more is to come. Despite our optimism on Japan, dark clouds are gathering on the investment horizon. Volatility, in all major asset classes has collapsed to multi year lows. Despite increased geopolitical risk complacency is surprisingly high. Sentiment seems rather one sided positive with many equity indices at multi year highs and with no noteworthy correction in the US for the past 3 years.

The Hague, 21 August 2014

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	30 June 2014 €	31 December 2013 €
Assets			
Cash and cash equivalents	4	64,171,324	48,407,924
Financial assets at fair value through profit or loss	3,10	96,793,938	110,921,979
Amounts due from brokers	5	3,862,094	5,546,452
Dividends receivable		230,521	192,980
Interest receivable		526	832
Total assets		**165,058,403**	**165,070,167**
Liabilities			
Financial liabilities at fair value through profit or loss	3,10	50,220,838	41,037,285
Management fee payable	6	94,322	106,683
Interest payable		6,198	4,661
Dividends payable		123,980	45,085
Accrued expenses	7	44,274	32,464
Performance fee payable	6	-	3,543,379
Equalisation credit payable		-	2,133
Amounts due to brokers	5	3,824,980	2,503,803
Total liabilities		**54,314,592**	**47,275,493**
Net assets attributable to holders of redeemable units of participation		**110,743,811**	**117,794,674**

Net asset value per unit of participation

Class A - Euro	**30 June 2014**	**31 December 2013**	**31 December 2012**
Number of units of participation (Note 12)	236.27	236.27	236.02
Net asset value per unit of participation	€1,273.21	€1,358.08	€1,142.61
Class B - Euro			
Number of units of participation (Note 12)	76,559.01	76,533.77	76,492.23
Net asset value per unit of participation	€1,440.81	€1,533.07	€1,271.51
Class A – Japanese Yen			
Number of units of participation (Note 12)	100.00	100.00	-
Net asset value per unit of participation	¥93,513.83	¥100,346.19	-
Class A – US Dollar			
Number of units of participation (Note 12)	100.00	100.00	-
Net asset value per unit of participation	$938.90	$1,004.33	-
Total Net Asset Value	**€110,743,811**	**€117,794,674**	**€97,530,308**

See notes to the financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2014 to 30 June 2014

	Note	1 January 2014 to 30 June 2014 €	1 January 2013 to 30 June 2013 €
Investment income			
Interest income	8	42,584	14,112
Gross dividend income	9	1,024,338	1,113,963
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	3	(6,292,135)	20,194,708
Net foreign exchange loss		(174,365)	(347,725)
Total income		**(5,399,578)**	**20,975,058**
Operating expenses			
Management fees	6	(556,763)	(552,159)
Dividend expense on securities sold short	9	(551,214)	(300,244)
Interest expense	8	(443,459)	(328,711)
Administration fee	6	(33,422)	(35,114)
Legal fee	6	(21,000)	(5,000)
Other expenses	6	(12,517)	(22,797)
Trustee's fees	6	(12,500)	(10,000)
Audit fees	6	(10,500)	(9,000)
Costs of supervision	6	(6,000)	(5,000)
Performance fees	6	-	(2,947,104)
Total expenses		**(1,647,375)**	**(4,215,129)**
Withholding taxes		(41,043)	(77,804)
(Decrease)/increase attributable to holders of redeemable units of participation		**(7,087,996)**	**16,682,125**

See notes to the financial statements

STATEMENT OF CASH FLOWS
For the period from 1 January 2014 to 30 June 2014

	Note	1 January 2014 to 30 June 2014 €	1 January 2013 to 30 June 2013 €
Cash flows from operating activities			
(Decrease)/increase attributable to holders of redeemable units of participation		(7,087,996)	16,682,125
Adjustments to reconcile (decrease)/increase 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		14,128,041	16,269,705
Increase/(decrease) in financial liabilities at fair value though profit or loss		9,183,553	(14,167,647)
Decrease in amounts due from brokers		5,237,131	1,587,020
(Decrease)/increase in amounts due to brokers		(2,231,596)	497,945
Decrease in interest receivable		306	5
(Decrease)/increase in dividends receivable		(37,541)	32,430
(Decrease)/increase in management fees payable		(12,361)	6,487
Increase/(decrease) in interest payable		1,537	(186)
Increase/(decrease) in dividends payable		78,895	(46,772)
Increase/(decrease) in accrued expenses		11,810	(4,455)
(Decrease)/increase in performance fees payable		(3,543,379)	1,975,408
(Decrease)/increase in equalisation credit payable		(2,133)	1,195
Net cash provided by operating activities		**15,726,267**	**22,833,260**
Cash flows from financing activities			
Proceeds from issue of redeemable units of participation		35,000	75,000
Movement related to equalisation credit/deficit		2,133	(29,206)
Net cash flow provided by financing activities		**37,133**	**45,794**
Net increase in cash and cash equivalents		15,763,400	22,879,054
Cash and cash equivalents at the beginning of the period		48,407,924	41,884,033
Cash and cash equivalents at the end of the period	4	**64,177,324**	**64,763,087**

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 2014 to 30 June 2014

	Note	Number of shares	1 January 2014 to 30 June 2014 €
Balance at the beginning of the period		76,970	117,794,674
Decrease attributable to holders of redeemable units of participation resulting from operations for the period		-	(7,087,996)
Issue of redeemable units of participation during the period	12	24	35,000
Movement related to equalisation credit		1	2,133
Net assets attributable to holders of redeemable units of participation at the end of the period		**76,995**	**110,743,811**

	Note	Number of shares	1 January 2013 to 30 June 2013 €
Balance at the beginning of the period		76,728	97,530,308
Increase attributable to holders of redeemable units of participation resulting from operations for the period		-	16,682,125
Issue of redeemable units of participation during the period	12	51	75,000
Proceeds from redeemable units of participation during the period	12	(22)	(29,206)
Net assets attributable to holders of redeemable units of participation at the end of the period		**76,757**	**114,258,227**

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the period from 1 January 2014 to 30 June 2014

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 (Euro) units of participation was on trade date 11 July 2008. Initial subscriptions for Class A (Euro) units of participation were received on trade date 27 January 2009. Initial subscriptions for Class A (Japanese Yen) units of participation were received on trade date 25 July 2013. Initial subscriptions for Class A (US Dollar) units of participation were received on trade date 25 July 2013. The Fund is not listed on any stock exchange. The units of participation are registered per investor.

The Fund will, under certain conditions, be able to issue and purchase units of participation. Issue and redemption of units of participation is possible on a dealing date, which is the first business day of each month. The 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 Title Holder and the Participant. The Investment Manager was granted the license to manage investment funds under the Financial Supervision Act (Wft) as of 9 December 2010. As of 29 July 2011, the Fund has been registered under this license at The Netherlands Authority for the Financial Markets (AFM). Granted license (non-UCITS) to managers, is automatically transferred into an AIFM license as of 22 July 2014. Under AIFMD the Fund appointed Citibank International Plc Netherlands branch as Depositary to be an independent custodian responsible for safekeeping of the Fund's assets. Due to the appointment of the Depositary, the role of Stichting Bewaarder Pelargos Japan Alpha Fund has been limited into only being a legal owner of the assets of the Fund. As of 22 July 2014 the name of Stichting Bewaarder Pelargos Japan Alpha Fund has been changed into Stichting Pelargos Japan Alpha Fund.

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 period end 30 June 2014, the Fund appointed Citibank Europe plc as Administrator. The Administrator provides fund administration and transfer agency services to the Fund. Citibank Europe plc is based in Ireland and adheres to Irish AML rules and regulations.

2. PRINCIPAL ACCOUNTING POLICIES

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

(b) *Accounting Policies*
The significant accounting policies and estimation techniques adopted by the Fund for the six months ended 30 June 2014 are consistent with those adopted by the Fund for the annual financial statements for the year end 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

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.

The financial statements are presented in Euro.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Investment 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 Investment 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.

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, 'Financial Instruments' ("IFRS 9") as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to recognition, derecognition, classification and measurement of financial assets and financial liabilities. Its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The requirements of IFRS 9 relating to derecognition are unchanged from IAS 39. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after 1 January 2018. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Fund will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule

Movement schedule investments

Equity securities	**30 June 2014**	**31 December 2013**
	€	**€**
Beginning market value 1 January	69,568,508	55,587,337
Purchase	165,136,873	411,445,425
Sale	(182,731,114)	(428,220,055)
Revaluation	(5,282,804)	30,755,801
Ending market value at period end	**46,691,463**	**69,568,508**

FX Forward	**30 June 2014**	**31 December 2013**
	€	**€**
Beginning market value 1 January	170	170
Purchase	-	-
Sale	(442)	-
Revaluation	-	-
Ending market value at period end	**(272)**	**170**

Futures	**30 June 2014**	**31 December 2013**
	€	**€**
Beginning market value 1 January	-	(4,540)
Purchase	-	4,057,117
Sale	-	-
Revaluation	(66,690)	(4,052,577)
Ending market value at period end	**(66,690)**	**-**

Options	**30 June 2014**	**31 December 2013**
	€	**€**
Beginning market value 1 January	521,895	439,608
Purchase	227,456	3,762,725
Sale	25,523	(2,297,592)
Revaluation	(625,225)	(1,382,846)
Ending market value at period end	**149,649**	**521,895**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

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

Movement schedule investments (continued)

Contracts for Difference	**30 June 2014**	**31 December 2013**
	€	**€**
Beginning market value 1 January	(205,879)	-
Purchase	1,029,690	(108,121)
Sale	(707,445)	39,369
Revaluation	(317,416)	(137,127)
Ending market value at period end	**(201,050)**	**(205,879)**

Total	**30 June 2014**	**31 December 2013**
	€	**€**
Beginning value 1 January	69,884,694	56,022,405
Purchase	166,394,019	419,157,316
Sale	(183,413,478)	(430,478,278)
Revaluation	(6,292,135)	25,183,251
Ending market value at period end	**46,573,100**	**69,884,694**

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

As at 30 June 2014 and 31 December 2013, financial assets and liabilities at fair value through profit or loss were as follows:

	30 June 2014	**31 December 2013**
Equity securities	96,504,077	109,865,765
Contracts for Difference	140,212	323,262
Options	149,649	732,782
FX Forwards	-	170
Financial assets at fair value through profit or loss	**96,793,938**	**110,921,979**

	30 June 2014	**31 December 2013**
Equity securities	(49,812,614)	(40,297,256)
Contracts for Difference	(341,262)	(529,141)
Options	(66,690)	(210,888)
Forwards	(272)	-
	-	
Financial liabilities at fair value through profit or loss	**(50,220,838)**	**(41,037,285)**
Total	**46,573,100**	**69,884,694**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

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

As at 30 June 2014 and 31 December 2013, listed equity securities at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

	Net gain or loss on financial assets and liabilities at fair value through profit or loss	Net foreign exchange gain or loss	Total
30 June 2014			
Realised Gain	1,444,533	2,845,511	4,290,044
Unrealised Gain	465,679	8,306,195	8,771,874
Realised Loss	(1,030,829)	(4,488,442)	(5,519,271)
Unrealised Loss	(7,171,518)	(6,837,629)	(14,009,147)
Total	**(6,292,135)**	**(174,365)**	**(6,466,500)**

	Net gain or loss on financial assets and liabilities at fair value through profit or loss	Net foreign exchange gain or loss	Total
31 December 2013			
Realised Gain	45,030,822	18,294,706	63,325,528
Unrealised Gain	15,572,265	6,566,001	22,138,266
Realised Loss	(23,797,913)	(16,188,850)	(39,986,763)
Unrealised Loss	(11,621,923)	(9,799,593)	(21,421,516)
Total	**25,183,251**	**(1,127,736)**	**24,055,515**

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.

	30 June 2014	31 December 2013
	€	€
Cash at broker	62,585,220	46,579,705
Margin accounts	1,586,104	1,828,219
	64,171,324	**48,407,924**

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 prime broker calculates the maximum amount to be lent on the basis of all long and short securities held at the prime broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Brokers were €33,800,592 (31 December 2013: €35,599,554) with Goldman Sachs and €66,922 (31 December 2013: €312,678) with UBS AG and €2,884,726 (31 December 2013: €1,907,349) with Nomura International plc at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

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 period 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.

	30 June 2014	**31 December 2013**
	€	**€**
Balances due to brokers	3,862,094	(2,503,803)
Balances due from brokers	(3,824,980)	5,546,452
Amounts due (to)/from brokers	**37,114**	**3,042,649**

6. FEES AND EXPENSES

Management fee
The management fee is charged to the Fund and is credited to the Investment Manager. The management fee is levied once a month. The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation and 1.0% of the GAV for Class B units of participation (before deduction of the accrued performance fee). The management fee is calculated each month as one twelfth (1/12) part of the annual management fee on the GAV of the Class in question on the last business day of each month. The fee is payable, in arrears following the completion and finalisation of each month end net asset value. Management fees of €556,763 (30 June 2013: €552,159) were incurred for the period ended 30 June 2014, of which €94,322 (31 December 2013: €106,683) was payable at 30 June 2014.

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. The introduction date of new Class A in US Dollar and in Japanese Yen was 25 July 2013.

Performance fee of €Nil (30 June 2013: €2,947,104) were incurred for the period ended 30 June 2014, of which €Nil (31 December 2013: €3,543,379) was payable at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

6. FEES AND EXPENSES (continued)

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 (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. The equalization credit as of 30 June 2014 amounted €Nil (31 December 2013: € 2,133).

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 during the period. The equalization deficit as of 30 June 2014 amounted €11 (31 December 2013: € Nil).

Other costs charged to the assets of the Fund

	1 January 2014 to 30 June 2014	**1 January 2013 to 30 June 2013**
	€	**€**
Administration fees	33,422	35,114
Legal fees	21,000	5,000
Audit fees	10,500	9,000
Costs of Supervision	6,000	5,000
Trustee's fees	12,500	10,000
Other expenses	12,517	22,797
	95,939	86,911

Other expenses	**1 January 2014 to 30 June 2014**	**1 January 2013 to 30 June 2013**
	€	**€**
Miscellaneous expenses	1,500	1,957
Brokerage fees(excluded in Ongoing Charges Figure)	11,017	20,840
Other expenses	**12,517**	**22,797**

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 2014 to 30 June 2014, the Fund did not charge any subscription and redemption fee.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

6. FEES AND EXPENSES (continued)

Ongoing Charges Figure
The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets of the Fund. Ongoing costs include cost of investment management and administration, plus other costs of running the fund, such as fees for custodians, regulators and auditors. Transaction costs of investments, interest expenses and performance fee are excluded from the calculation. The OCF will be calculated once a year, the figure as of end of 2013 is as follow:

	Ongoing Charges %
2013	
Class A (EUR)	1.62%
Class B (EUR)	1.12%
Class A (JPY)	1.62%
Class A (USD)	1.62%

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

The transaction costs amounted to €442,463 in 2014 (30 June 2013: €469,838).

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 and Instinet in order to facilitate the purchase of generic-, macro-economic-, technical- and company specific research services from for example TIS Group, Marc Faber, GMI, QAS, Elliot Wave and Starmine.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

7. ACCRUED EXPENSES

Accrued expenses	**30 June 2014**	**31 December 2013**
	€	**€**
Administration fees	9,238	10,873
Legal fees	13,527	289
Audit fees	601	12,621
Costs of Supervision	6,726	726
Trustee's fees	10,384	4,082
Other accrued expenses	3,798	3,873
	44,274	**32,464**

8. INTEREST INCOME/EXPENSE AND BORROWING FEE

	1 January 2014 to 30 June 2014	**1 January 2013 to 30 June 2013**
	€	**€**
Interest income	42,584	14,112
	42,584	**14,112**

	1 January 2014 to 30 June 2014	**1 January 2013 to 30 June 2013**
	€	**€**
Interest expense	285,395	231,347
Borrowing Fee	158,064	97,364
	443,459	**328,711**

Borrowing fee at 30 June 2014 and 30 June 2013 is paid fee related to stock loan activities.

9. DIVIDEND INCOME/EXPENSE

	1 January 2014 to 30 June 2014	**1 January 2013 to 30 June 2013**
	€	**€**
Dividend income	1,024,338	1,113,963
	1,024,338	**1,113,963**

		2013
		€
Dividend expense on securities sold short	(551,214)	(300,244)
	(551,214)	**(300,244)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

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

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

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

Fair Value Estimation
IFRS 13 states that when measuring fair value, the objective is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. to estimate an exit price).

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Fair Value Estimation (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 2014 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	96,504,077	96,504,077	-	-
Derivatives	289,861	-	289,861	-
Total	**96,793,938**	**96,504,077**	**289,861**	-

Financial liabilities at fair value through profit or loss	**30 June 2014 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	(49,812,614)	(49,812,614)	-	-
Derivatives	(408,224)	-	(408,224)	-
Total	**(50,220,838)**	**(49,812,614)**	**(408,224)**	-

Financial assets at fair value through profit or loss	**31 December 2013 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities	109,865,765	109,865,765	-	-
Derivatives	1,056,214	-	1,056,214	-
Total	**110,921,979**	**109,865,765**	**1,056,214**	-

Financial liabilities at fair value through profit or loss	**31 December 2013 €**	**Level 1 €**	**Level 2 €**	**Level 3 €**
Equity securities sold short	(40,297,256)	(40,297,256)	-	-
Derivatives	(740,029)	-	(740,029)	-
Total	**(41,037,285)**	**(40,297,256)**	**(740,029)**	-

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.

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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

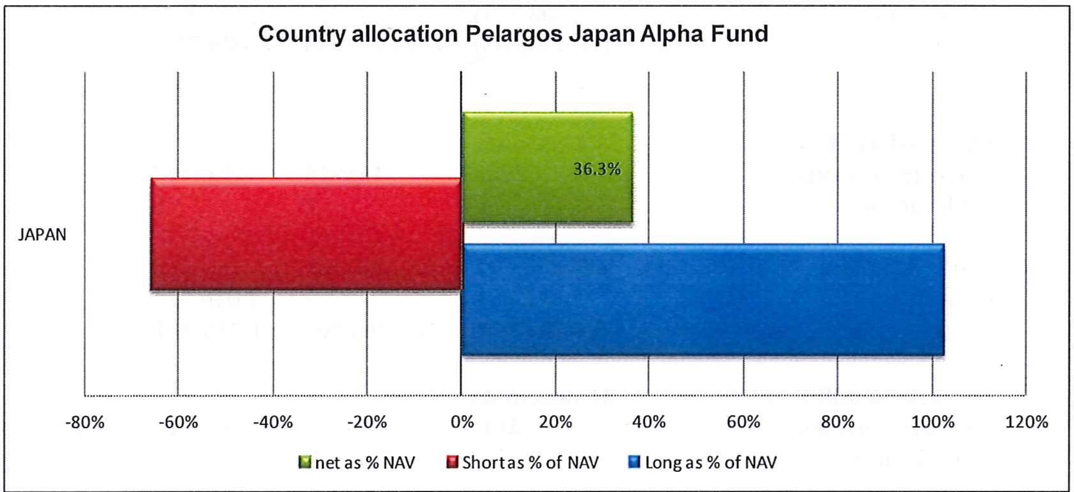
Currency risk (continued)

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.

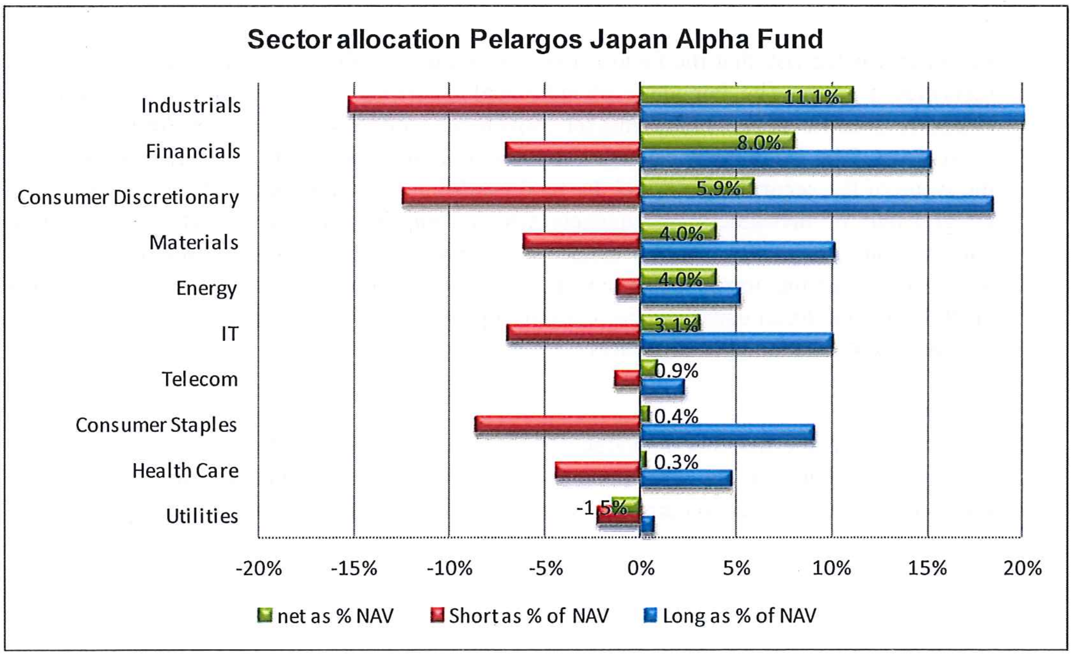
The Fund has the possibility to hold and to manage currency exposures, but in principle will hedge significant exposures.

Concentration risk

The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at 30 June 2014 was as follows:



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 30 June 2014 was as follows:

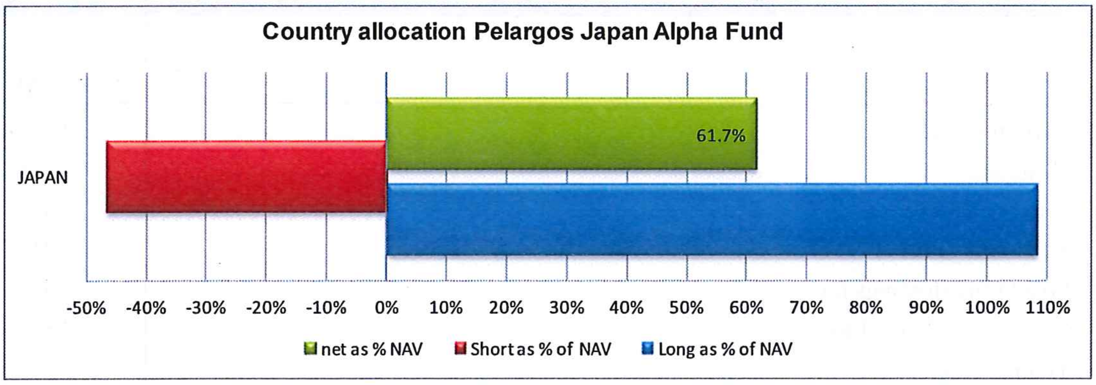


NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

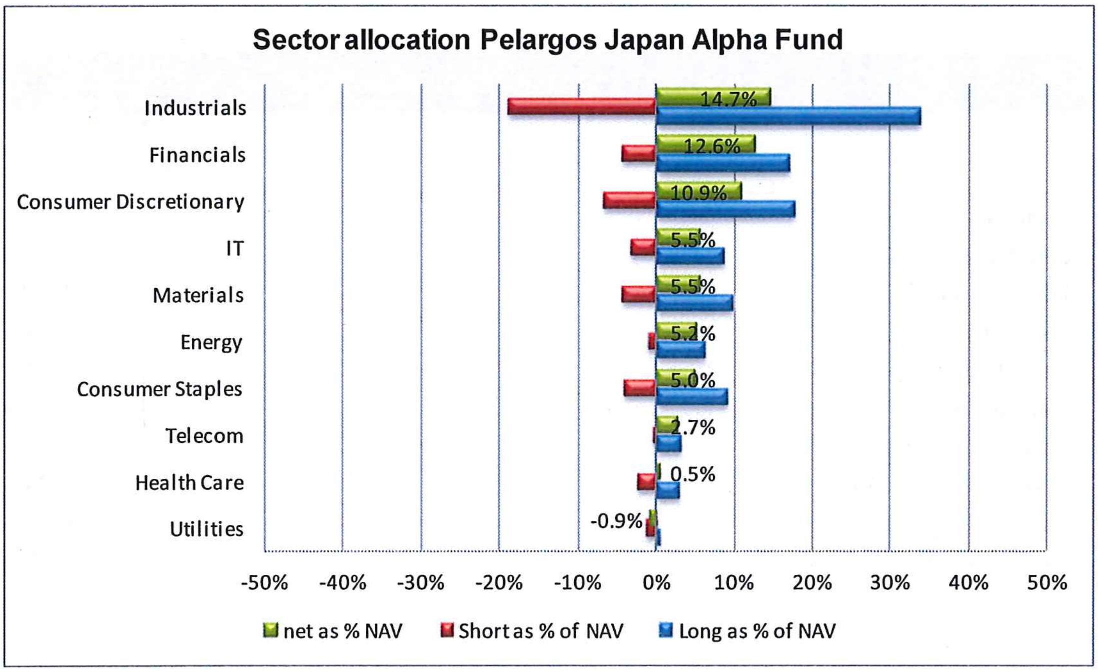
10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

The country allocation (net exposure, long positions and short positions per country) as a percentage of the NAV at the end of 31 December 2013 was as follows:



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at the end of 31 December 2013 was as follows:



NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

10. 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 2014 were as follows:

TOP LONG EXPOSURES 30 JUNE 2014	
	As % NAV
Ryosan Co Ltd	4.32%
Ushio Inc	3.31%
Kuraray Co Ltd	3.18%
JX Holdings Inc	3.18%
Pola Orbis Holdings Inc	3.14%
Yamada Denki Co Ltd	3.06%
Terumo Corp	3.02%
Mitsubishi Corp	2.88%
Moshi Moshi Hotline Inc	2.70%
LIXIL Corp	2.58%

TOP SHORT EXPOSURES 30 JUNE 2014	
	As % NAV
Yamato Holdings Co Ltd	3.04%
Familymart Co Ltd	1.96%
Hirose Electric Co Ltd	1.47%
Kikkoman Corp	1.43%
Uni-Charm Corp	1.29%
Kajima Corp	1.17%
Aeon Mall Co Ltd	0.99%
Tobu Railway Co Ltd	0.96%
Sagami Railway Co Ltd	0.79%
Mcdonald'S Holdings Co Ltd	0.78%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

10. 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 31 December 2013 were as follows:

TOP LONG EXPOSURES 31 DECEMBER 2013	
	As % NAV
LIXIL Group	4.9%
Inpex Holdings	3.8%
Ryosan	3.8%
SMFG	3.5%
Dai-Ichi Mutual Life Insurance	3.3%
Pola Orbis Holdings	3.3%
Ushio	3.3%
Sumitomo Corp	3.3%
Asahi Glass	3.1%
Seven & I Holdings	3.0%

TOP SHORT EXPOSURES 31 DECEMBER 2013	
	As % NAV
Kajima Corp	2.9%
Obayashi Corp	2.8%
Kikkoman Corp	1.5%
Tobu Railway	1.2%
Odakyu Electric Railway	1.0%
Maeda Corp	1.0%
Aeon Mall	1.0%
Itochu Corp	1.0%
Central Japan Railway	0.7%
Uni-Charm Corp	0.7%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

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

Long term ratings for Goldman Sachs at period end were Baa1 (2013: Baa1 (Moody's)) and A- (2013: A- (S&P)). Long term ratings for UBS AG at period end were A2 (2013: A2) at Moody's and A (2013: A) at S&P. Long term ratings for Nomura International at year end were AA- (2013: AA-) at Japan Credit Rating Agency and A- (2013: BBB+) at S&P

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

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

To enable to short securities, the Fund borrows securities. At 30 June 2014, the Fund borrowed securities for an amount of €62,021,497 (31 December 2013: €52,713,139).

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 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 2014 to 30 June 2014

10. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

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

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

11. DERIVATIVE CONTRACTS

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

The Fund records its derivative activities on a mark-to-market basis. The Fund uses widely recognised valuation models for determining fair values of CFD derivatives. For CFD financial instruments, inputs into models are based on the price of the underlying financial instruments and are therefore market observable.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

11. DERIVATIVE CONTRACTS (continued)

The daily changes in contract value are recorded as unrealised gains or losses and the Funds recognise a realised gain or loss when the contract is closed. Unrealised gains and losses on futures contracts are recognised in the Statement of Comprehensive Income. Unrealised gains or losses are valued in accordance with the accounting policy stated in Note 2 and the resulting movement in the unrealised gain or loss is recorded in the Statement of Comprehensive Income

As of 30 June 2014 and 31 December 2013, 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 2014 €	Fair value liabilities 30 June 2014 €
Options	149,649	-
Contact for difference	140,212	(341,262)
Futures contracts	-	(66,690)
Total derivative contracts	**289,861**	**(407,952)**

	Fair value assets 31 December 2013 €	Fair value Liabilities 31 December 2013 €
Options	732,782	(210,888)
Forward foreign currency contracts	170	-
CFD	323,262	(529,141)
Total derivative contracts	**1,056,214**	**(740,029)**

The table below details the total derivatives exposure at 30 June 2014 and 31 December 2013. 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 2014, the Fund held short position in futures contract and in options. The Fund also held long and short positions in CFD.

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 2014 the leverage was 168% (31 December 2013: 155%).

30-Jun-14	Net exposure	Gross exposure	Gross as % NAV
Equity	46,691,318	146,316,545	132.1%
Contract for Difference	924,368	32,674,814	29.5%
Futures	(5,471,722)	5,471,722	4.9%
Options	(1,896,164)	1,896,164	1.7%
Total exposure	40,247,800	186,359,245	
Total as % of NAV	36%	168%	168%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

11. DERIVATIVE CONTRACTS (continued)

31-Dec-13	Net exposure	Gross exposure	Gross as % NAV
Equity	69,568,292	150,162,499	127%
Contract for Difference	(724,282)	24,107,789	21%
Futures	3,887,997	8,384,765	7%
Total exposure	72,732,007	182,655,053	
Total as % of NAV	62%	155%	155%

12. REDEEMABLE UNITS OF PARTICIPATION

At inception of the Fund Class A and Class B units of participation were issued, Class B is only nominated in Euro. Class A is nominated in euro, US Dollar and Japanese Yen. The (initial) investment required for a Participant in Class A is Euro 10,000, JPY 10,000,000 and USD 100,000. Subsequent subscriptions and redemptions have a minimum size of Euro 1,000, JPY 100,000 and USD 1,000.

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

Each participant is entitled to cast one vote for each unit of participation. One or more Participants who jointly hold at least 10% of the total number of Participations can request the 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 2014 and period ended 30 June 2013 were as follows:

	Number of units of participation 30 June 2014	Number of units of participation 30 June 2013
Class A		
Units of participation balance at the beginning of the period	236.27	236.02
Issue of redeemable units of participation	-	0.25
Units of participation at the end of the period	**236.27**	**236.27**

	Number of units of participation 30 June 2014	Number of units of participation 30 June 2013
Class B		
Units of participation balance at the beginning of the period	76,533.77	76,492.23
Issue of redeemable units of participation	23.85	49.50
Redemption related to equalisation credit/(deficit)	1.39	(21.03)
Units of participation at the end of the period	**76,559.01**	**76,520.70**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

12. REDEEMABLE UNITS OF PARTICIPATION (Continued)

	Number of units of participation 30 June 2014
Class A (JPY)	
Units of participation balance at the beginning of the year	100.00
Issue of redeemable units of participation	-
Units of participation at the end of the year	**100.00**

	Number of units of participation 30 June 2014
Class A (USD)	
Units of participation balance at the beginning of the year	100.00
Issue of redeemable units of participation	-
Units of participation at the end of the year	**100.00**

Capital management

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

The Fund's objectives for managing capital are:

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from 1 January 2014 to 30 June 2014

13. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 331.55 (31 December 2013: 300.76) Units of Participation Class B in the Fund. Pelargos Capital B.V. held 136.47 Units of Participation Class A Euro, 100 Units of Participation Class A USD and 100 Units of Participation Class A JPY in the Fund. Aegon Levensverzekering N.V. is participant in the Fund with 9,950 (31 December 2013: 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 66,252.01 (31 December 2013: 66,252.01) Units of Participation Class B and 99.80 (31 December 2013: 99.80) Units of Participation Class A. Aegon Investment Management Holding B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V.

Aegon N.V. holds 100% of the shares in Aegon Asset Management B.V., which holds 68% (31 December 2013: 68%) of the shares in Pelargos Capital B.V.

14. SUBSEQUENT EVENTS

There are no subsequent events impacting the Fund subsequent to 30 June 2014.

OTHER NOTES
For the period from 1 January 2014 to 30 June 2014

1. DIVIDEND AND ALLOCATION OF RESULT

During the period from 1 January 2014 to 30 June 2014, the Fund did not pay dividends. The result is included in the Net assets attributable to holders of redeemable units of participation.

2. VOTING POLICY

The Fund does not pursue an active voting policy.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The Investment Manager approved the financial statements on 21 August 2014.

OTHER NOTES (Continued)
For the period from 1 January 2014 to 30 June 2014

The accompanying Statement of Financial Position as at 30 June 2014 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.

Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland