AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Firebird Avrora Fund, Ltd.
Year Ended December 31, 2013
With Report of Independent Auditors

Ernst & Young Ltd.

Building a better
working world

Firebird Avrora Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2013

Contents

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
CAYMAN ISLANDS

Main tel: +1 345 949 8444
Fax: +1 345 949 8529
ey.com

Report of Independent Auditors

The Board of Directors
Firebird Avrora Fund, Ltd.

We have audited the accompanying consolidated financial statements of Firebird Avrora Fund, Ltd. (the "Fund"), which comprise the consolidated statement of assets and liabilities, including the consolidated condensed schedule of investments, as of December 31, 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Firebird Avrora Fund, Ltd. at December 31, 2013, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young Ltd.

March 26, 2014

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities
(Stated in United States Dollars)

December 31, 2013

Assets		
Cash and cash equivalents	$	5,724,404
Investments in securities, at fair value (cost $161,669,646)		139,761,962
Investments in other investment funds, at fair value (cost $1,429,436)		804,579
Due from brokers		770,750
Dividends receivable		49,031
Interest receivable		190,310
Total assets		147,301,036
Liabilities		
Class B dividends payable		1,500,000
Redemptions payable		214,250
Due to brokers		100,262
Realized capital gains tax reserve		4,867
Unrealized capital gains tax reserve		31,540
Account payable and accrued expenses		311,999
Total liabilities		2,162,918
Net assets	$	145,138,118
Net asset value per share		
Class A Master series (based on 6,965.93 shares outstanding)	$	1,705.16
Class A February 2006 series (based on 31.98 shares outstanding)	$	718.65
Class A March 2006 series (based on 1.28 shares outstanding)	$	686.03
Class A April 2006 series (based on 23.33 shares outstanding)	$	674.78
Class A May 2006 series (based on 11.51 shares outstanding)	$	616.74
Class A June 2006 series (based on 89.35 shares outstanding)	$	668.19
Class A July 2006 series (based on 55.67 shares outstanding)	$	675.37
Class A February 2008 series (based on 239.84 shares outstanding)	$	495.59
Class A March 2008 series (based on 239.84 shares outstanding)	$	465.42
Class A April 2008 series (based on 191.38 shares outstanding)	$	481.24
Class A May 2008 series (based on 1.60 shares outstanding)	$	473.93
Class A June 2008 series (based on 445.30 shares outstanding)	$	442.39
Class A July 2008 series (based on 113.82 shares outstanding)	$	457.12
Class A February 2009 series (based on 109.49 shares outstanding)	$	1,626.80
Class A 2011 Master series (based on 29.45 shares outstanding)	$	728.46
Class A November 2011 series (based on 56.98 shares outstanding)	$	965.89
Class A December 2011 series (based on 578.34 shares outstanding)	$	999.82

Firebird Avrora Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)
(Stated in United States Dollars)

Net asset value per share (continued)		
Class A February 2012 series (based on 455.17 shares outstanding)	$	998.32
Class A 2014 Master (based on 1,143.19 shares outstanding)	$	1,000.00
Class B (based on 100.00 shares outstanding)	$	652,913.86
Class C Master series (based on 3,830.87 shares outstanding)	$	2,247.79
Class C February 2006 series (based on 65.00 shares outstanding)	$	947.35
Class C May 2006 series (based on 75.00 shares outstanding)	$	813.00
Class C July 2006 series (based on 100.00 shares outstanding)	$	890.29
Class C T 2008 series (based on 52.15 shares outstanding)	$	681.90
Class C March 2008 series (based on 2,000.00 shares outstanding)	$	613.53
Class C June 2008 series (based on 100.00 shares outstanding)	$	583.17
Class C November 2009 series (based on 7,226.67 shares outstanding)	$	1,295.54
Class C December 2009 series (based on 117.12 shares outstanding)	$	1,244.87
Class C January (A) 2010 series (based on 14.23 shares outstanding)	$	1,263.36
Class C 2011 Master series (based on 25,047.35 shares outstanding)	$	970.11
Class C May 2011 series (based on 200.00 shares outstanding)	$	917.69
Class C 2014 Master series (based on 2,026.93 shares outstanding)	$	1,000.00
Class D Master series (based on 4,473.41 shares outstanding)	$	2,273.32
Class D February 2006 series (based on 175.00 shares outstanding)	$	958.11
Class D March 2006 series (based on 350.00 shares outstanding)	$	914.61
Class D April 2006 series (based on 124.52 shares outstanding)	$	899.62
Class D February 2008 series (based on 200.00 shares outstanding)	$	660.71
Class D August 2008 series (based on 200.00 shares outstanding)	$	706.91
Class D January (A) 2010 series (based on 192.14 shares outstanding)	$	1,276.11
Class D January (B) 2010 series (based on 431.09 shares outstanding)	$	1,276.11
Class D 2011 Master series (based on 1,057.06 shares outstanding)	$	977.44
Class D February 2011 series (based on 300.00 shares outstanding)	$	925.18
Class D March 2011 series (based on 600.00 shares outstanding)	$	900.82
Class D May 2011 series (based on 300.00 shares outstanding)	$	923.85
Class D November 2011 series (based on 991.20 shares outstanding)	$	1,000.00
Class D April 2012 series (based on 250.00 shares outstanding)	$	1,129.68
Class M (based on 2,676.33 shares outstanding)	$	1,271.47

See accompanying notes.

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments
(Stated in United States Dollars)

December 31, 2013

Quantity		Fair Value	Percent of Net Assets
	Investments in securities		
	Equities:		
	Common stock:		
	Armenia:		
	Gold (cost $123,248)	$ 83,120	0.06%
	Bulgaria:		
	Banking	441,567	0.30
	Chemical	13,068	0.01
	Consumer Products	1,625,889	1.12
	Insurance	2,860,217	1.97
	Manufacturing	1,461,480	1.01
	Miscellaneous	78,985	0.05
	Pharmaceuticals	3,797,629	2.62
	Tourism	611,347	0.42
	Total Bulgaria (cost $16,077,769)	10,890,182	7.50
	Estonia:		
	Construction	382,291	0.26
	Consumer Products	1,783,319	1.23
	Food	623,594	0.43
	Gambling	3,143,538	2.17
	Real Estate	1,049,154	0.72
	Retail	2,730,190	1.88
	Transportation	5,899,494	4.07
	Total Estonia (cost $14,174,805)	15,611,580	10.76

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

Quantity		Fair Value	Percent of Net Assets
	Investments in securities (continued)		
	Equities (continued):		
	Common stock (continued):		
	Georgia:		
	Banking:		
380,772	Bank of Georgia PLC	$ 15,098,227	10.40%
	Consumer Products	1,892,509	1.30
	Miscellaneous	327,532	0.23
	Real Estate	–	–
	Utilities	30,167	0.02
	Total Georgia (cost $17,285,205)	17,348,435	11.95
	Kazakhstan:		
	Banking	3,289,158	2.27
	Cement	1,824,489	1.26
	Metallurgy & Mining	44,008	0.03
	Oil & Gas	222,156	0.15
	Telecommunications	989,446	0.68
	Total Kazakhstan (cost $20,031,954)	6,369,257	4.39
	Kyrgyzstan:		
	Metallurgy & Mining	–	–
	Miscellaneous	24,890	0.02
	Utilities	183,108	0.12
	Total Kyrgyzstan (cost $127,995)	207,998	0.14
	Latvia:		
	Banking (cost $2,532,882)	–	–
	Lithuania:		
	Manufacturing	110,737	0.08
	Retail	3,351,611	2.31
	Total Lithuania (cost $1,505,726)	3,462,348	2.39

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

Quantity		Fair Value	Percent of Net Assets
	Investments in securities (continued)		
	Equities (continued):		
	Common stock (continued):		
	Mongolia:		
	Metallurgy & Mining (cost $2,524,007)	$ 1,535,310	1.06%
	Romania:		
	Aerospace	359,266	0.25
	Automobiles	1,254,419	0.86
	Banking	5,894,025	4.06
	Chemicals	66,458	0.05
	Consumer Products	2,274	–
	Food	247,434	0.17
	Manufacturing	820,481	0.56
	Metallurgy & Mining	220,778	0.15
	Miscellaneous	3,412,408	2.36
	Oil & Gas	5,229,613	3.60
	Pharmaceuticals	2,556,465	1.76
	Real Estate	27,308	0.02
	Transportation	263,972	0.18
	Total Romania (cost $21,776,899)	20,354,901	14.02
	Russia:		
	Aerospace	28,808	0.02
	Banking:		
604,197	SDM Bank	8,134,204	5.60
	Others	11,533,635	7.94
	Total Banking	19,667,839	13.54
	Fertilizer	2,414,694	1.66
	Fishing	4,423,000	3.05
	Food	322,875	0.22
	Forestry	197,969	0.14
	Gold	1,193,175	0.83
	Manufacturing	2,424,069	1.67

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

Quantity		Fair Value	Percent of Net Assets
	Investments in securities (continued)		
	Equities (continued):		
	Common stock (continued):		
	Russia (continued):		
	Metallurgy & Mining	$ 5,672,622	3.91%
	Nuclear	527,999	0.37
	Oil & Gas	14,833,512	10.22
	Pharmaceuticals	221,536	0.15
	Pulp & Paper	393,421	0.27
	Software	870,900	0.60
	Telecommunications	2,377,039	1.63
	Uranium	358,472	0.25
	Utilities	442,998	0.31
	Total Russia (cost $44,498,249)	56,370,928	38.84
	Ukraine:		
	Agriculture	113,710	0.08
	Chemicals	136,821	0.09
	Food	1,488,901	1.02
	Insurance	273,676	0.19
	Real Estate	430,104	0.30
	Total Ukraine (cost $14,636,799)	2,443,212	1.68
	Total common stock (cost $155,295,538)	134,677,271	92.79
	Preferred stock:		
	Bulgaria:		
	Miscellaneous (cost $217,657)	172,377	0.12

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)

(Stated in United States Dollars)

Quantity		Fair Value	Percent of Net Assets
	Investments in securities (continued)		
	Equities (continued):		
	Preferred stock (continued):		
	Russia:		
	Manufacturing	$ 668,152	0.46%
	Oil & Gas	1,888,344	1.30
	Uranium	27,751	0.02
	Utilities	44,787	0.03
	Total Russia (cost $1,378,718)	2,629,034	1.81
	Total preferred stock (cost $1,596,375)	2,801,411	1.93
	Restricted stock:		
	Armenia:		
	Gold (cost $1,646,250)	452,121	0.31
	Mongolia:		
	Banking (cost $270,000)	190,120	0.13
	Russia:		
	Metallurgy & Mining (cost $1,550,000)	–	–
	Total restricted stock (cost $3,466,250)	642,241	0.44
	Total equities (cost $160,358,163)	138,120,923	95.17

Firebird Avrora Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

Quantity		Fair Value	Percent of Net Assets
	Investments in securities (continued)		
	Convertible bonds:		
	Kazakhstan:		
	Oil & Gas	$ 1,637,628	1.13%
	Total convertible bonds (cost $1,295,135)	1,637,628	1.13
	Corporate bonds:		
	Kazakhstan:		
	Banking	3,411	–
	Total corporate bonds (cost $16,348)	3,411	–
	Total investments in securities (cost $161,669,646)	**$ 139,761,962**	**96.30%**
	Investments in other investment funds		
	Lithuania:		
	Miscellaneous (cost $81,712)	$ 348,105	0.24%
	Russia:		
	Utilities (cost $1,347,724)	456,474	0.31
	Total investments in other investment funds (cost $1,429,436)	**$ 804,579**	**0.55%**

See accompanying notes.

Firebird Avrora Fund, Ltd.

Consolidated Statement of Operations
(Stated in United States Dollars)

Year Ended December 31, 2013

Investment income	
Dividend income (net of $350,223 withholding taxes)	$ 4,616,924
Interest income	288,100
Total investment income	4,905,024
Expenses	
Management fees	1,229,168
Professional fees	1,009,749
Custodian and broker fees	346,298
Other expenses	23,692
Total expenses	2,608,907
Net investment income	2,296,117
Net gain (loss) on investments and foreign currency transactions	
Net change in unrealized capital gains tax reserve	(62,268)
Net realized loss on investments and foreign currency transactions	(14,945,217)
Net change in unrealized appreciation on investments and foreign currency transactions	38,553,788
Net gain on investments and foreign currency transactions	23,546,303
Net increase in net assets resulting from operations	$ 25,842,420

See accompanying notes.

Firebird Avrora Fund, Ltd.

Consolidated Statement of Changes in Net Assets

(Stated in United States Dollars)

Year Ended December 31, 2013

Increase in net assets resulting from operations	
Net investment income	$ 2,296,117
Net change in unrealized capital gains tax reserve	(62,268)
Net realized loss on investments and foreign currency transactions	(14,945,217)
Net change in unrealized appreciation on investments and foreign currency transactions	38,553,788
Net increase in net assets resulting from operations	25,842,420
Decrease in net assets resulting from capital share transactions	
Class C shares subscribed	500,000
Class D shares subscribed	580,000
Class M shares subscribed	400,000
Class A shares redeemed	(8,000,000)
Class C shares redeemed	(2,406,062)
Class D shares redeemed	(533,594)
Performance allocation from Class A shareholders	(17,305)
Performance allocation to Class B shareholder	99,440
Performance allocation from Class C shareholders	(56,791)
Performance allocation from Class D shareholders	(25,344)
Dividends declared to Class B shareholder	(4,600,000)
Net decrease in net assets resulting from capital share transactions	(14,059,656)
Net change in net assets	11,782,764
Net assets at beginning of year	133,355,354
Net assets at end of year	$ 145,138,118

See accompanying notes.

Firebird Avrora Fund, Ltd.

Consolidated Statement of Cash Flows

(Stated in United States Dollars)

Year Ended December 31, 2013

Operating activities	
Net increase in net assets resulting from operations	$ 25,842,420
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Net realized loss on investments	14,834,008
Net change in unrealized appreciation on investments	(38,547,577)
Purchases of investments	(15,443,212)
Proceeds from sales of investments	33,324,381
Changes in operating assets and liabilities:	
Due from brokers	413,646
Dividends receivable	330,679
Interest receivable	(165,096)
Due to brokers	100,262
Realized capital gains tax reserve	(953)
Unrealized capital gains tax reserve	(159,712)
Accounts payable and accrued expenses	(15,239)
Net cash provided by operating activities	20,513,607
Financing activities	
Proceeds from issuance of Class C Shares	500,000
Proceeds from issuance of Class D Shares	580,000
Proceeds from issuance of Class M Shares	400,000
Payments for redemptions of Class A Shares	(7,994,692)
Payments for redemptions of Class C Shares	(8,500,531)
Payments for redemptions of Class D Shares	(1,331,250)
Dividends paid to Class B shareholder	(3,100,000)
Net cash used in financing activities	(19,446,473)
Net change in cash and cash equivalents	1,067,134
Cash and cash equivalents at beginning of year	4,657,270
Cash and cash equivalents at end of year	$ 5,724,404
Non-cash activities	
Securities received in lieu of bond interest	$ 40,380

See accompanying notes.

1. Organization

Firebird Avrora Fund, Ltd. (the "Fund") was incorporated as an exempted company under the laws of the Cayman Islands on October 16, 2003, and was registered under the Cayman Islands Mutual Fund Law on November 17, 2003. The Fund commenced operations on December 1, 2003. The purpose of the Fund is to invest primarily in publicly traded securities of companies operating in Russia, the other former Soviet republics, and certain Eastern European countries. The Class A, Class C, and Class D Shares of the Fund are listed on the Bermuda Stock Exchange.

The Fund has a continuing pool (Class B, C, D, and M shares) and a liquidating pool (Class A shares). The holdings of the Class A shares are being liquidated in an orderly manner with the proceeds paid out periodically to those investors (see Note 3 for summary of investments allocated between classes).

Leo Overseas Ltd. (Leo) is a wholly owned subsidiary of the Fund and was incorporated as a limited liability company under the Companies Law, Cap. 113, of Cyprus on October 3, 2003. Leo owns shares of companies operating in Russia and various Eastern European countries.

Elise Holdings S.à r.l. (Elise) is a wholly owned subsidiary of the Fund and was incorporated as a private limited liability company (Société à responsabilité limitée or S.à r.l.) under the laws of Luxembourg on June 20, 2012. Elise owns shares of a company operating in Mongolia.

Mathilde Holdings Ltd. (Mathilde) is a wholly owned subsidiary of the Fund and was incorporated as a limited liability company under the Companies Law, Cap. 113, of Cyprus on August 11, 1997. Mathilde was struck off as of February 6, 2013.

The Fund's investment manager is Firebird Avrora Advisors LLC, a New York limited liability company (the "Manager"). The principals of the Manager are also directors of the Fund. The Manager is a registered investment advisor with the United States Securities and Exchange Commission as a "relying adviser" for which the "filing adviser" is Firebird Management LLC.

Trident Trust Company (Cayman) Limited (the "Administrator") provides administration services and maintains the registered office of the Fund. Seaward Services Limited provides administration services and maintains the registered office of Leo. DLN S.A. provides administration services to Elise while Dechert Luxembourg maintains the registered office.

2. Significant Accounting Policies

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States Dollars. The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the results of the Fund and its subsidiaries, after the elimination of all intercompany balances and transactions.

The Fund consolidates its investment in other investment funds in which it has a controlling financial interest. Consolidation requirements typically define a controlling interest as an ownership, directly or indirectly, of over 50% of the outstanding voting interest of another investment fund unless control is temporary or does not rest with the majority owner.

The Fund does not consolidate operating companies for which there is a controlling interest, unless the entity is an operating company providing services to the investment company. For the year ended December 31, 2013, the Fund did not consolidate any investment funds or operating companies.

Cash and Cash Equivalents

Cash and cash equivalents include amounts due from banks on demand and deposits with original maturities of three months or less. Substantially all of the cash and cash equivalents are held at Swedbank AS, a Swedish company. All cash and cash equivalents are held at banks organized in the United States of America, Georgia, Kazakhstan, Mongolia, and Estonia. The Fund does not expect any material losses as a result of this allocation.

Security Transactions and Related Investment Income and Expenses

Security transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are determined using the specific identification method and are recorded in the consolidated statement of operations. Interest is recorded on the accrual basis and dividends are recorded net of withholding taxes on the ex-dividend date in the consolidated statement of operations.

2. Significant Accounting Policies (continued)

Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the consolidated financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the consolidated statement of operations. As of December 31, 2013, the Fund and its subsidiaries held $1,028,683 of cash in foreign currencies.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and change in unrealized gains and losses on investments and foreign currency transactions.

Fair Value of Financial Instruments

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Accounting Standards Codification Topic 825, *Financial Instruments*, approximates the carrying amounts presented in the consolidated financial statements.

In accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"), fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability under an orderly liquidation in a timely transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

ASC Topic 820 establishes a three-tier hierarchy to distinguish between inputs obtained from sources independent of the reporting entity that affect assumptions that market participants would use in pricing an asset or liability (observable inputs) and inputs that reflect the reporting entity's own assumptions that it thinks market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. The inputs are summarized in the three broad levels listed below:

Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to assess and in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 securities. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. These inputs may include the Manager's own assumptions in determining the fair value of investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Investments may move between different levels during the course of the year and are caused by certain information becoming available to the Manager. The Fund recognizes transfers between levels as occurring at the beginning of the reporting period. Information relating to transfers into and out of Level 3 can be found in Note 3.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

In general, portfolio securities that are traded in an active market (in most cases a market where there has been at least one transaction in the last 15 business days and had at least 12 trading days in the recent month at sufficient volumes with reasonably consistent price levels taking into account the volatility of the market in question) are classified as Level 1. These securities are valued at their last reported sales price on the valuation date in the case of securities listed or quoted on a recognized securities exchange, the U.S. NASDAQ National Market List or any comparable foreign quotation system for securities that generally trade daily, or if no prices were quoted on such date, at the last reported sales price on the last prior date when a price was quoted for such securities.

If no such prices have been quoted in an active market, the investment is valued in good faith by the Manager, in consultation with the Administrator, and approved by the Directors, according to the steps outlined in ASC Topic 820. For these Level 2 or 3 securities, the Manager may consult with and rely upon information provided by the Fund’s custodians, market makers, brokers, and outside valuation services.

Level 2 securities will normally be priced using other observable information including identical or similar securities traded on other exchanges and quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. The Fund holds certain securities which are restricted under Rule 144A. Restricted securities are generally fair valued at a discount to similar publicly traded securities.

Investments in other investment funds that meet the definition of an investment company for which its net asset value or partners’ capital has been measured in accordance with, or in a manner consistent with, the principles of ASC Topic 946, *Financial Services – Investment Companies*, are valued using the reported net asset value as a practical expedient. Investments in other investment funds are classified as Level 3, but can be Level 2 if they are redeemable at net asset value within six months of the measurement date.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Fund's investments in other investment funds are generally valued at the reported values, provided by the administrator or management of the investment fund, after discounts for any applicable redemption charges and any lock up periods, which valuations are prepared in accordance with such investment fund's governing documents. The Manager considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. However, in certain circumstances, the Manager will estimate the value of such investment based on available relevant information as it considers material.

The strategies of the other investment funds in which the Fund has a position are to invest in Russian utility companies and investments in the Baltic region. One of the investment funds is a private equity fund and withdrawals are made in accordance with the terms of the offering memorandum. The other investment fund has a redemption notice period of 35 days.

For Level 3 securities, the Manager will value the equity securities using either a "market approach," an "income approach," or both approaches, as appropriate. The "market approach" uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The "income approach" uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, the nature and realizable value of any collateral, the issuer of the security's ability to make payments, the issuer's earnings, discounted cash flows and net asset value analysis, the markets in which the issuer does business, comparisons of financial ratios of peer public companies, recent M&A transactions for comparable public or private companies, actual and imminent capital transactions in the subject investee company and the principal market for the relevant security, among other factors.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)
The Manager and analysts monitor and review the valuation methodologies on a monthly basis. They use the latest available information to update the valuations each month. The Fund also engages the services of an independent valuation firm to perform quarterly valuations on certain Level 3 assets. A Valuation Committee oversees the process and procedures for the valuation of the Level 3 investments in accordance with the valuation policy approved by the Board of Directors. The Valuation Committee meets on a quarterly basis or more frequently as required. It is comprised of staff of the Manager and three Directors, who are also principals of the Manager.

Because of the inherent uncertainty of valuation of securities and investment funds traded in emerging market economies (see Note 11), the estimated fair values may differ significantly from values that will eventually be realized upon an actual liquidation of the portfolio, and such differences could be material.

Use of Estimates
The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Classification
The industry and geographic classifications reflected in the consolidated condensed schedule of investments represent the Manager's belief as to the most meaningful presentation of the classification of the principal business of the holdings in the portfolio.

3. Financial Instruments

The following is a summary of the inputs used as of December 31, 2013, in valuing the Fund's investments carried at fair value, disaggregated by geographic region:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2013
Investments in securities:				
Equities:				
Baltics:				
Estonia	$ 5,164,551	$ 9,253,278	$ 1,193,751	$ 15,611,580
Other	3,351,611	–	110,737	3,462,348
Total Baltics	8,516,162	9,253,278	1,304,488	19,073,928
Central Asia	1,824,489	4,544,768	207,998	6,577,255
Eastern Asia	956,629	578,681	190,120	1,725,430
Eastern Europe:				
Bulgaria	334,926	9,344,617	1,383,016	11,062,559
Georgia	15,098,227	–	2,250,208	17,348,435
Romania	3,767,857	15,776,172	810,872	20,354,901
Russia	24,697,689	8,181,581	26,120,692	58,999,962
Other	–	2,386,975	591,478	2,978,453
Total Eastern Europe	43,898,699	35,689,345	31,156,266	110,744,310
Total equities	55,195,979	50,066,072	32,858,872	138,120,923
Convertible debt:				
Central Asia	–	–	1,637,628	1,637,628
Total convertible debt	–	–	1,637,628	1,637,628

3. Financial Instruments (continued)

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2013
Investments in securities (continued):				
Corporate debt:				
Central Asia	$ –	$ –	$ 3,411	$ 3,411
Total corporate debt	–	–	3,411	3,411
Total investments in securities	$ 55,195,979	$ 50,066,072	$ 34,499,911	$ 139,761,962
Investments allocated to Class A interests:	$ 209,651	$ 1,873,084	$ 12,668,221	$ 14,750,956
Investments allocated to Class B, C, D, and M interests	54,986,328	48,192,988	21,831,690	125,011,006
Total	$ 55,195,979	$ 50,066,072	$ 34,499,911	$ 139,761,962
Investments in other investment funds:				
Baltics	$ –	$ –	$ 348,105	$ 348,105
Eastern Europe	–	456,474	–	456,474
Total investments in other investment funds	$ –	$ 456,474	$ 348,105	$ 804,579
Investments allocated to Class B, C, D, and M interests	$ –	$ 456,474	$ 348,105	$ 804,579

3. Financial Instruments (continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

	Equities				
	Baltics	Central Asia	Eastern Asia	Eastern Europe	Total
Balance as at December 31, 2012	$ 880,361	$ 252,802	$ 150,864	$ 36,265,277	$ 37,549,304
Net realized loss	–	–	–	(19,542,781)	(19,542,781)
Net change in unrealized appreciation (depreciation)	424,127	(44,804)	39,256	22,706,041	23,124,620
Purchases	–	–	–	112,686	112,686
Sales	–	–	–	(10,140,906)	(10,140,906)
Transfers into Level 3*	–	–	–	1,772,238	1,772,238
Transfers out of Level 3*	–	–	–	(16,289)	(16,289)
Balance as at December 31, 2013	$ 1,304,488	$ 207,998	$ 190,120	$ 31,156,266	$ 32,858,872
Net change in unrealized appreciation (depreciation) on investments still held as of December 31, 2013	$ 424,127	$ (42,186)	$ 39,256	$ 3,414,496	$ 3,835,693

*$1,772,238 of investments transferred from Level 2 due to the unavailability of indirect observable market information. $16,289 of investments transferred to Level 1 due to availability of direct market information.

	Bonds	Other Investment Funds
	Central Asia	Baltics
Balance as at December 31, 2012	$ 807,871	$ 595,333
Realized loss	–	(14,998)
Net change in unrealized appreciation	833,168	150,056
Sales	–	(382,286)
Balance as at December 31, 2013	$ 1,641,039	$ 348,105
Net change in unrealized appreciation on investments still held as of December 31, 2013	$ 833,168	$ 150,056

3. Financial Instruments (continued)

A quantitative disclosure of the unobservable inputs and assumptions for Level 3 securities has been provided in the table below.

Asset Class	Geographic Region	Fair Value as at December 31, 2013	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Baltics Central Asia Eastern Asia Eastern Europe	$ 1,304,488 207,998 190,120 31,156,266	Market comparable companies	Price/Book value ratio Price/Earnings ratio Price/Gross Written Premiums ratio Enterprise value/EBITDA ratio Enterprise value/Sales ratio Enterprise value/Production ratio	0.12 – 2.52 (0.93) 6.17 – 17.22 (6.30) 0.58 1.80- 6.47 (5.66) 0.33 403.72
Bonds	Central Asia	1,641,039	Face Value		
Investment in other investment funds	Baltics	348,105	Quarterly net asset valuation	Lock up discount	10%

4. Due From/to Brokers and Concentration of Credit Risk

Due from/to brokers generally includes amounts receivable or payable for securities transactions that have not been settled at the date of the consolidated financial statements and cash held at brokers for settled trades. The majority of publicly traded investments are held with Swedbank AS. The Fund periodically monitors the credit standing of the brokers and does not expect any material losses as a result of default by brokers.

The Fund also invests in convertible bonds. Until such investments are sold or mature, the Fund is exposed to credit risk relating to whether the issuer will meet its obligation when it comes due.

5. Share Capital

The authorized share capital of the Fund is $50,000 comprised of 4,900,000 Class A, C, D, and M non-voting shares and 100,000 Class B voting shares each having a par value of $0.01 per share. Outstanding Class A, C, D, M, and Class B shares will participate in the assets of the Fund upon liquidation ratably in proportion to their respective redemption values. Each Class B shareholder is entitled to one vote for each share held on any matter presented to a meeting of shareholders. Firebird Avrora Holdings LLC, an affiliate of the Manager, is the Class B shareholder.

5. Share Capital (continued)

Class A shares are redeemed and converted and Class C and D shares are issued, redeemed and converted in accordance with the Memorandum and Articles of Association.

New series of Class C and Class D shares will be issued to all subscribing investors at the offering price of US$1,000 per share in order to permit the Performance Allocation to be calculated separately with respect to each share of each series. Accordingly, each series may have a different net asset value per share for each share class.

Class M shares are only offered to employees of the Manager, its affiliates and related persons, and are subject to the same rights, terms and conditions as the Class C shares except that Class M shares will not be subject to any Management Fee or Performance Fee Allocation.

Share transactions for the year ended December 31, 2013, were as follows:

	Class A	Class B	Class C	Class D	Class M
Shares outstanding at December 31, 2012	17,878.70	100.00	41,349.73	9,628.70	2,301.69
Shares issued	–	–	500.00	580.00	374.64
Shares redeemed	(6,832.12)	–	(1,271.34)	(675.48)	–
Net effect of share transfer	(374.28)	–	–	–	–
Year-end share conversion	111.15	–	276.93	111.20	–
Balance at December 31, 2013	10,783.45	100.00	40,855.32	9,644.42	2,676.33

6. Management Fees

Pursuant to the Memorandum and Articles of Association and the Management Agreement with effect from April 30, 2009, the Fund pays the Manager a management fee at an annual rate of 1.75% of the Class A and Class C net asset value (calculated before accrual for performance allocation) and payable quarterly in advance as of the last business day of the preceding quarter. The management fee relating to the Class D shares is calculated and payable under the same terms at an annual rate of 1.50%. For the year ended December 31, 2013, the Fund recorded and paid $1,229,168 in management fees.

Management fees are not charged to the Class B and M shareholders. The Manager may, in its discretion, waive all or a portion of the Management fee with respect to any shareholder.

7. Performance Allocation

Pursuant to the Memorandum and Articles of Association and the Management Agreement, Class B Shares receive a performance allocation annually equal in the aggregate to 15% of the net increase each year in the net asset value of each outstanding Class A and Class D share plus 17.5% of the net increase each year in the net asset value of each outstanding Class C share. This calculation is inclusive of net unrealized gains and losses and is subject to a loss carry forward.

The Manager may waive all or part of the Performance Allocation for certain investors. The performance allocations are effected on the final day of the calendar year in which the fees are charged to investors and in the month following crystallization of performance fees due to a redemption. The performance allocation to Class B shares for the year ended December 31, 2013, was $99,440.

The performance allocation can be withdrawn at any time by the holder of the Class B shares by way of dividend or redemption.

8. Taxation

There is currently no taxation imposed on income or profits of the Fund by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Fund has been granted an exemption therefrom until October 28, 2023.

The Fund is not subject to United States Federal, state or local taxation. The Fund reports tax information to its U.S. resident shareholders on the accrual basis. The Fund has elected to be treated as a partnership for U.S. Federal income tax purposes.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. The Fund has adopted ASC Topic 740 and its impact is reflected in these consolidated financial statements.

The Fund recognizes interest and penalties, if any, as capital gains tax expense in the consolidated statement of operations. During the year, the Fund did not accrue any interest or penalties.

8. Taxation (continued)

Tax accruals are calculated in local currencies. The effective rate to the Fund can exceed or be less than the above rates if the local currency has appreciated or depreciated against the US Dollar during the period of investment.

Tax legislation in all of the jurisdictions in which the Fund invests is subject to varying interpretations and changes, which can occur unexpectedly. The Manager's interpretation of such legislation as applied to transactions and activities of the Fund and its subsidiaries since inception may be challenged by the relevant regional and federal authorities. It is not practical to determine the amount of unasserted claims that may manifest themselves, if any, or the likelihood of any unfavorable outcome thereof.

9. Derivative Financial Instruments

In the normal course of business, the Fund may enter into transactions involving derivative financial instruments in connection with its investing activities. These instruments are subject to various risks similar to non-derivative instruments, including market, credit, liquidity, and operational risks. The Fund manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. The Fund does not distinguish derivative profit or loss from any other category of investments for consolidated statement of operations presentation purposes. No derivative positions were held during the year.

10. Related-Party Transactions

In accordance with ASC Topic 850, *Related-Party Disclosures*, related parties include principal ownership (defined to include investments where the Fund combined with funds under common control hold interests greater than 10%), associated companies (defined as investments where the Fund combined with funds under common control hold interests less than 10% and have members on the Board of Directors), and Affiliates. Affiliates are defined as other investment funds managed by the Manager and related parties of the Manager.

10. Related-Party Transactions (continued)

Outstanding balances at year-end and transactions with these entities during the year ended December 31, 2013, were as follows:

	Principal Ownership	Associated Companies	Affiliates
Interest receivable	$ 190,180	$ –	$ –
Interest income	285,809	–	–
Purchases of investments	40,380	–	1,000,695
Sales of investments	8,303	582,101	2,658,915
Realized gain (loss)	(15,128)	(72,522)	(1,783,101)

Included in related parties are the following entities in which the Fund and Affiliates have a greater than 20% aggregate interest in the entity and/or a Director(s) seat is held.

Name of Company	2013 Ownership by the Fund and Affiliates	2013 Equity in Investments Held by the Fund	Industry
Amber Trust I	1.05%	$ 348,105	Miscellaneous
Global Gold Corp.	53.67	535,241	Gold
Iberia Real Estate	40.00	–	Real Estate
National Investment Bank of Mongolia	12.24	190,120	Banking
NBD Bank	6.86	1,979,553	Banking
Premia Foods	56.97	623,594	Food
SDM Bank	8.50	8,134,205	Banking
Sharyn Gol	71.43	578,681	Metallurgy & Mining
Tallink Grupp	5.63	5,899,494	Transportation
Teliani Valley JSC	30.64	1,892,509	Consumer Products
Utenos Trikotazas	18.19	110,737	Manufacturing

All investments in the above companies are carried at fair value, as discussed in Note 2.

10. Related-Party Transactions (continued)

In 2011, the Fund entered into a project completion agreement and a pledge agreement with the Overseas Private Investment Corporation ("OPIC"), in connection with an $8 million line of credit from OPIC to a portfolio company ("Company") of the Fund. Under the pledge agreement, the shares of the Company have been pledged to OPIC as collateral for repayment of the loan. Under the project completion agreement, the Fund guarantees the completion of the project for which OPIC loaned the funds, which included refinancing certain debt that matured in February 2012, and the expansion of the Company's capacity and facilities.

In return for providing the project completion guarantee, the Fund is being paid an annual guarantee fee of 2% of the outstanding amount of the loan. As at December 31, 2013, the outstanding balance on the line of credit was $6.2 million. For the year ended December 31, 2013, the Fund received a guarantee fee of $118,921, of which $63,673 remains as receivable at year-end.

11. Investment Risks

The Fund's investments are based principally in the emerging economies of Russia, the former Soviet republics, and certain Eastern European countries. Therefore, they are subject to the risks inherent in those economies including, but not limited to:

- the ability to find a buyer in order to sell security positions owned by the Fund;
- the risk that brokers which hold shares for the Fund may become insolvent, which may result in a loss of such shares;
- uncertainties regarding existing local laws and regulations that provide protection to owners of investment securities;
- uncertainties regarding the convertibility of local currencies into U.S. dollars;
- private companies in which the Fund holds or will hold an interest will be returned to some form of state control or that the assets of such companies will be confiscated by the state without or with inadequate compensation to shareholders;
- the risk of an economic or political catastrophe or renationalization that could result in a substantial or total loss of the value of the investments;

11. Investment Risks (continued)

- a liquidity risk associated with restructuring of companies, during which time such securities may be frozen until registration has been completed; and
- the risk of restrictions being imposed by foreign governments on the repatriation of cash.

The above risks are not unique in the context of emerging markets investing.

The Fund could be affected, for the foreseeable future, by these risks and their consequences, and the effects could be significant. The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Fund's consolidated financial statements in the period when they become known and estimable.

12. Indemnifications

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

13. Financial Highlights

Financial highlights for the year ended December 31, 2013, were as follows:

	Class A	Class C	Class D
Per share operating performance			
Beginning net asset value	$ 1,554.29	$ 1,840.42	$ 1,856.66
Change in net assets resulting from operations:			
Net investment income (loss)	213.40	(23.04)	(18.62)
Net gain (loss) on investments and foreign currency transactions	(62.53)	430.41	435.28
Net change in net assets resulting from operations	150.87	407.37	416.66
Ending net asset value	$ 1,705.16	$ 2,247.79	$ 2,273.32
Total return			
Total return before performance allocation	9.71%	22.13%	22.44%
Performance allocation	–	–	–
Total return after performance allocation	9.71%	22.13%	22.44%
Ratios to average net assets			
Total expenses before performance allocation	(3.94)%	(2.53)%	(2.29)%
Performance allocation	(0.10)	(0.14)	(0.19)
Total expenses after performance allocation	(4.04)%	(2.67)%	(2.48)%
Net investment income (loss)	14.26%	(1.18)%	(0.94)%

The above per share operating information and total return are calculated for Class A, Class C, and Class D initial series shares. Ratios to average net assets are calculated for each class taken as a whole. An individual investor's per share operating performance, total return and ratios to average net assets may vary from these amounts and ratios based on the timing of capital transactions and differing management fee and performance allocation rates.

14. Credit Facilities

As of December 31, 2013, the Fund had a credit agreement ("Credit Facility") with Swedbank AS, pursuant to which the Fund has granted security over its assets held at Swedbank AS in order to have access to funds on a short-term basis to fulfill redemption requests in limited circumstances, as determined by the Manager. Pursuant to the terms of the Credit Facility, the Fund can borrow up to approximately $5,365,800 and its subsidiary Leo can borrow up to approximately $5,626,980. These lines of credit are at market rates and as at December 31, 2013, there was an outstanding amount of $382 due.

15. Subsequent Events

Management has evaluated events subsequent to year-end and through March 26, 2014, the date the consolidated financial statements were available to issue. During this period, the Fund did not record any subscriptions or redemptions.

Starting in 2014, Trident Trust Company (Luxembourg) S.A. began providing the administration services to Elise.

In light of events post year-end surrounding the political crisis in Ukraine and Russia's annexation of Crimea, the Manager has been monitoring the situation closely and shifted a significant portion of NAV to cash, reducing exposure to Russia.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ey.com