**EVEREST CAPITAL EMERGING MARKETS LTD.**

**Financial Statements**
(With Independent Auditors' Report Thereon)

Year Ended December 31, 2010

EVEREST CAPITAL

**EVEREST CAPITAL EMERGING MARKETS LTD.**

**CORPORATE INFORMATION**

**Directors**

Malcolm Stott
Everest Capital LLC
2601 South Bayshore Drive
Suite 1700
Miami, FL
U.S.A.

Kathryn R. Siggins
130 Harbour Road
Paget PG 05
Bermuda

Ian Pilgrim
102 St. James Court, Flatts
Smiths FL 04
Bermuda

**Principal Office**

Mintflower Place
8 Par-la-Ville Road, 4th Floor
Hamilton HM 08
Bermuda

**Investment Manager**

Everest Capital LLC
2601 South Bayshore Drive
Suite 1700
Miami, FL
U.S.A.
Phone: 305-666-1700
Fax: 305-666-1919
Contact: Jennifer Mead

**Administrator**

Citco Fund Services (Bermuda) Limited
Mintflower Place
8 Par-la-Ville Road, 4th Floor
Hamilton HM 08
Bermuda
Phone: 441-295-7149
Fax: 441-295-0992
Contact: Alan Farrell

**Auditors**

KPMG
Chartered Accountants
Crown House
4 Par-la-Ville Road
Hamilton HM 08
Bermuda
Phone: 441-295-5063
Fax: 441-295-9132
Contact: Todd Kearns

**KPMG**
Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone 441 295 5063
Fax 441 295 9132
Internet www.kpmg.bm

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders of
Everest Capital Emerging Markets Ltd.

We have audited the accompanying statement of assets and liabilities of Everest Capital Emerging Markets Ltd. (the "Fund") as of December 31, 2010 and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everest Capital Emerging Markets Ltd. as of December 31, 2010, the results of its operations and changes in net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG

Chartered Accountants
Hamilton, Bermuda
April 18, 2011

**EVERTEST CAPITAL EMERGING MARKETS LTD.**

Statement of Assets and Liabilities

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | | |
|---|---|---|
| **Assets** | | |
| Investment in Everest Capital Emerging Markets Fund, L.P. | | |
| (the "Partnership") (Note 2(b)) | $ | 364,876 |
| Capital withdrawals receivable from the Partnership | | 37,735 |
| Other assets | | 1,230 |
| Total assets | | 403,841 |
| **Liabilities** | | |
| Management fee payable (Note 3) | | 1,357 |
| Solicitation fees payable (Note 3) | | 212 |
| Redemptions payable | | 37,735 |
| Other liabilities | | 1,231 |
| Total liabilities | | 40,535 |
| **Net assets** (Note 4) | $ | 363,306 |
| Net asset value per share (Note 4) | | |

*See accompanying notes to financial statements*

**EVERREST CAPITAL EMERGING MARKETS LTD.**

Statement of Operations

Year Ended December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | | |
|---|---|---|
| **Net investment income allocated from the Partnership** | | |
| Interest income | $ | 462 |
| Dividends (net of withholding taxes of $488) | | 6,365 |
| Interest expense | | (1,649) |
| Dividends on securities sold short | | (1,013) |
| Other expenses | | (1,501) |
| Net investment income allocated from the Partnership | | 2,664 |
| **Expenses** | | |
| Management fee (Note 3) | | (4,845) |
| Solicitation fees (Note 3) | | (682) |
| Total expenses | | (5,527) |
| Net investment expense | | (2,863) |
| **Realized and unrealized gains and losses on investments allocated from the Partnership** | | |
| Net realized gains on sale of investments | | 36,057 |
| Net change in unrealized gains and losses on investments | | 11,183 |
| Net realized and unrealized gains and losses on investments allocated from the Partnership | | 47,240 |
| Incentive allocation (Note 3) | | (677) |
| **Net increase in net assets from operations** | $ | 43,700 |

*See accompanying notes to financial statements*

**EVEREST CAPITAL EMERGING MARKETS LTD.**

Statement of Changes in Net Assets

Year Ended December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | | |
|---|---|---|
| **Net increase in net assets from operations** | | |
| Net investment expense | $ | (2,863) |
| Net realized gains on sale of investments allocated from the Partnership | | 36,057 |
| Net change in unrealized gains and losses on investments allocated from the Partnership | | 11,183 |
| Incentive allocation | | (677) |
| Net increase in net assets from operations | | 43,700 |
| **Capital share transactions** (Note 4) | | |
| Proceeds from issue of Class A Shares | | 2,046 |
| Proceeds from issue of Class A1 Shares | | 5,775 |
| Proceeds from issue of Class B Shares | | 9,161 |
| Proceeds from issue of Class C Shares | | 1,465 |
| Proceeds from issue of Class E Shares | | 1,522 |
| Payment on redemption of Class A Shares | | (5,550) |
| Payment on redemption of Class Al Shares | | (38,577) |
| Payment on redemption of Class B Shares | | (517) |
| Payment on redemption of Class B1 Shares | | (376) |
| Payment on redemption of Class C Shares | | (1,081) |
| Payment on redemption of Class D Shares | | (54) |
| Payment on redemption of Class E Shares | | (9,377) |
| Net decrease in net assets from capital share transactions | | (35,563) |
| **Net increase in net assets** | | 8,137 |
| **Net assets at beginning of year** | | 355,169 |
| **Net assets at end of year** | $ | 363,306 |

*See accompanying notes to financial statements*

## 1. Organization and description of business

Everest Capital Emerging Markets Ltd. (the "Fund") is a corporation formed under the laws of the British Virgin Islands on December 30, 1994, which commenced business on January 1, 1995. On January 1, 2006, the Fund changed its name from Everest Capital Frontier Ltd. to Everest Capital Emerging Markets Ltd.

The Fund seeks to achieve its investment objective by investing substantially all of its investable assets in Everest Capital Emerging Markets Fund, L.P. (the "Partnership") a limited partnership formed under the laws of the Cayman Islands. The investment objective of the Fund and the Partnership is to achieve capital appreciation by investing in developing markets globally as described in Note 1 of the Partnership's financial statements.

Effective January 1, 2010, Everest Capital LLC, a Delaware limited liability company, replaced Everest Capital Limited as the Fund's investment manager (the "Investment Manager") and also the general partner of the Partnership in which capacity it is responsible for all investment decisions relating to the Partnership. The Investment Manager is assisted by Everest Capital Pte. Ltd., a corporation headquartered in Singapore, Everest China Research Ltd., a corporation headquartered in Shanghai, Republic of China, and Everest Capital S.A., a corporation headquartered in Geneva, Switzerland (collectively with the Investment Manager, the "Everest Capital Group"). The compensation of the Investment Manager is described in Note 3. Malcolm Stott, a Director of the Fund, is also the Chief Operating Officer of the Investment Manager.

The financial statements of the Fund should be read in conjunction with those of the Partnership because its performance is directly affected by that of the Partnership.

## 2. Significant accounting policies

The following are the significant accounting policies adopted by the Fund:

*(a) Basis of presentation*

The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles.

*(b) Fair value measurement*

Accounting standards over fair value measurements defines fair value, establishes a framework for measuring fair value using a three-tier hierarchy of inputs to value the Fund's investments, and requires additional disclosure about fair value. Additional required disclosures are found in the financial statements of the Partnership.

The value of the investment in the Partnership reflects the balance of the Fund's capital account in Everest Capital Emerging Markets Fund, L.P. as of December 31, 2010. The balance of each partner's capital account reflects its proportionate share of the net asset value of the Partnership. As of December 31, 2010, the Fund's capital account in the Partnership represents 76.4% of the Partnership's capital. The Partnership's investments are valued as described in Note 2 of its financial statements.

2. **Significant accounting policies** (continued)

*(c) Partnership allocations*

The expenses of the Fund are borne by the Partnership except for management and solicitation fees as described in Note 3. The components of net investment income and net realized and unrealized gains and losses on investments of the Partnership are allocated to its partners in accordance with Note 2(e) of its financial statements.

*(d) Allocation of income and expenses*

Income and expenses of the Fund are allocated to each share class and to each series within each class, if applicable, in proportion to their relative gross asset value of each share class and series at the beginning of the month after subscriptions or redemptions, if any, at that date. The incentive fee, if any, is calculated based on the performance of each series of each class. Realized and unrealized gains and losses on new issue securities are allocated as described in Note 4.

*(e) Use of estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

3. **Compensation of Investment Manager and Solicitation Agents**

The incentive fee payable to the Investment Manager of the Fund is 20% of net profits, if any, allocable to each share of common stock, excluding Class E and Class F Shares (Note 4). No incentive fee is charged to a share until all losses previously allocated to the share have been recouped.

In addition, the Investment Manager is entitled to receive quarterly, in arrears, a management fee equal to ¼ of 2.0% (1.5% prior to February 1, 2006) per annum of the net assets of the Fund on the last day of each calendar quarter, excluding Class E and Class F Shares (Note 4). Special grandfathering provisions are in place that apply to shareholders admitted on or before January 1, 2006 (“Prior Shareholders”) or shareholders who are subject to the same grandfathering provisions by agreement with the Investment Manager. Under these provisions, the Prior Shareholders will continue to be charged a management fee of 1.5% per annum. These special grandfathering provisions are in effect as long as the Prior Shareholders remain invested in the Fund.

The fees payable in the Fund are reduced to the extent that corresponding fees or allocations are due or allocable to any member of the Everest Capital Group by the Partnership or Fund or to the extent that amounts are due to third parties who are instrumental in the sale of shares in the Fund (“Solicitation Agents”) in order to avoid double charging the incentive fee and management fee.

4. **Share capital**

The Fund is authorized to issue a maximum of 100,000,000 no par value common shares divided into ten classes designated as Class A, Class Al, Class B, Class B1, Class E and Class F voting common shares (the “Voting Shares”), and Class C, Class C1, Class D and Class D1 non-voting common shares (the “Non-Voting Shares”). All shares have equal dividend, distribution and liquidation rights. Class E and Class F Shares are not charged an incentive fee or management fee and are issued to affiliated feeder funds. The incentive fees and management fees are charged in the respective feeder funds to avoid double charging of such fees.

Effective February 1, 2006, all issued common shares of Class A, Class B, Class C and Class D shares were re-designated as Class Al, Class B1, Class Cl and Class D1 common shares, respectively (the “Pre-Existing Shares”) and are no longer offered. The only exception to this is where shareholders are subject to the same grandfathering provisions by agreement with the Investment Manager as discussed in Note 3 above. With effect from February 1, 2006, the Fund has created and will issue Class A, Class B, Class C and Class D common shares (the “Available Shares”) and continues to offer Class E and Class F common shares. Each class of the Available Shares and its corresponding class of the Pre-Existing Shares are identical except for different management fee arrangements (Note 3).

Class A, Class C and Class E Shares are issued to investors who are considered Unrestricted Persons and Class B, Class D and Class F Shares are issued to investors who are considered Restricted Persons. The profit and losses with respect to new issues will generally be allocated to investors in the Fund that are Unrestricted Persons. The Fund may, however, avail itself of a *de minimis* exemption, according to the Rules of FINRA, pursuant to which a portion of any new issue profits and losses may be allocated to Restricted Persons.

Shares of common stock of each class are generally issued monthly in series. The shares in the first series of each class issued are generally designated as the “Series One” shares of that class. Following the end of each fiscal year, the Fund may consolidate series within each class (with the exceptions of any series that has a loss carry-forward outstanding) into the Series One shares of the respective class, or if Series One shares have a loss carry-forward outstanding, into the earliest series of shares paying an incentive fee within that class.

Upon written notice of 60 days to the Investment Manager, shareholders may redeem up to 50% of their shares as of the first business day of each calendar quarter at the net asset value as of the last day of the prior calendar month. Any amount requested for redemption in excess of 50% will be paid as of the beginning of the subsequent calendar quarter. Such redemptions, to be paid at the net asset value as of March 31, 2011 amounted to $720,599 based on the net asset value as of December 31, 2010, are not recorded on the statement of assets and liabilities. The Directors and Investment Manager, in their sole discretion, may waive or modify any terms related to redemptions for a shareholder.

At the discretion of the Investment Manager, shareholders who have transferred from other funds managed by the Investment Manager, or transferred within the Fund, that have a loss carry-forward associated with their investment, will carry-forward their prior high watermark and will be issued a sub-series of shares if an existing series of shares exist for that class of shares.

4. **Share capital** (continued)

The net assets (expressed in thousands), net asset value ("NAV") per share and number of shares in issue of each class and series of shares at December 31, 2010 were as follows:

| Share class and series | Number of shares | NAV per share | Net assets of class at December 31, 2010 |
|---|---|---|---|
| Class A Shares | | | |
| Class A Series 1 | 548,351.533 | $ 66.8166 | $ 36,639 |
| Class A Series 2 | 15,700.262 | 66.1875 | 1,039 |
| Class A Series 3 | 372.009 | 66.7936 | 25 |
| Class A Series 7 2009 | 735.142 | 65.5505 | 48 |
| Class A Series 10 | 25,605.294 | 63.4962 | 1,626 |
| Class A Series 11 2007 | 1,444.940 | 66.8054 | 97 |
| Class A Series 12 | 32,668.742 | 65.7129 | 2,147 |
| Total Class A Shares | 624,877.922 | | $ 41,621 |
| Class Al Shares | | | |
| Class Al Series 1 | 4,105,190.933 | $ 68.3927 | $ 280,765 |
| Class Al Series 4 | 98,186.486 | 68.4332 | 6,719 |
| Class Al Series 4A | 122.579 | 67.0355 | 8 |
| Class Al Series 4B | 122.683 | 66.8906 | 8 |
| Class Al Series 4C | 120.963 | 66.8903 | 8 |
| Class Al Series 11 | 14,926.728 | 67.6975 | 1,011 |
| Total Class Al Shares | 4,218,670.372 | | $ 288,519 |
| Class B Shares | | | |
| Class B Series 1 | 8,604.456 | $ 66.7454 | $ 575 |
| Class B Series 1 2010 | 109,256.891 | 65.3159 | 7,136 |
| Class B Series 4 2010 | 15,846.137 | 64.8713 | 1,028 |
| Class B Series 9 2009 | 4,694.703 | 63.9346 | 300 |
| Class B Series 9 2010 | 1,889.262 | 64.0065 | 121 |
| Class B Series 10 2010 | 8,205.828 | 65.5827 | 538 |
| Class B Series 11 | 18,030.629 | 65.6060 | 1,183 |
| Total Class B Shares | 166,527.906 | | $ 10,881 |

4. **Share capital** (continued)

| Share class and series | Number of shares | NAV per share | Net assets of class at December 31, 2010 |
|---|---|---|---|
| Class B1 Shares | | | |
| Class B1 Series 1 | 58,657.437 | $ 68.3097 | $ 4,007 |
| Class B1 Series 8 | 102,355.783 | 66.2199 | 6,778 |
| Total Class B1 Shares | 161,013.220 | | $ 10,785 |
| Class C Shares | | | |
| Class C Series 9 2010 | 28,463.707 | $ 63.4961 | $ 1,807 |
| Class D Shares | | | |
| Class D Series 7 | 833.709 | $ 65.3251 | $ 54 |
| Class E Shares | | | |
| Class E | 115,066.534 | $ 83.7726 | $ 9,639 |
| Net assets | | | $ 363,306 |

Details of the number of shares issued and redeemed by class and series for the year ended December 31, 2010 were as follows:

| Share class and series | Shares at Dec 31, 2009 | Shares issued | Shares redeemed | Consolidation/ conversion of shares | Shares at Dec 31, 2010 |
|---|---|---|---|---|---|
| Class A Shares | | | | | |
| Class A Series 1 | 612,090.044 | – | (63,738.511) | – | 548,351.533 |
| Class A Series 2 | 15,700.262 | – | – | – | 15,700.262 |
| Class A Series 3 | 1,860.048 | – | (1,488.039) | – | 372.009 |
| Class A Series 7 2009 | 735.142 | – | – | – | 735.142 |
| Class A Series 10 | 53,276.355 | 792.647 | (28,463.708) | – | 25,605.294 |
| Class A Series 11 2007 | 1,444.940 | – | – | – | 1,444.940 |
| Class A Series 12 | – | 32,668.742 | – | – | 32,668.742 |
| Total Class A Shares | 685,106.791 | 33,461.389 | (93,690.258) | – | 624,877.922 |

4. **Share capital** (continued)

| Share class and series | Shares at Dec 31, 2009 | Shares issued | Shares redeemed | Consolidation/ conversion of shares | Shares at Dec 31, 2010 |
|---|---|---|---|---|---|
| Class Al Shares | | | | | |
| Class Al Series 1 | 4,677,639.002 | – | (572,448.069) | – | 4,105,190.933 |
| Class Al Series 4 | – | 98,186.486 | – | – | 98,186.486 |
| Class Al Series 4A | – | 122.579 | – | – | 122.579 |
| Class Al Series 4B | – | 122.683 | – | – | 122.683 |
| Class Al Series 4C | – | 120.963 | – | – | 120.963 |
| Class A1 Series 11 | 14,926.728 | – | – | – | 14,926.728 |
| Total Class Al Shares | 4,692,565.730 | 98,552.711 | (572,448.069) | – | 4,218,670.372 |
| Class B Shares | | | | | |
| Class B Series 1 | 8,828.805 | – | (224.349) | – | 8,604.456 |
| Class B Series 1 2010 | – | 109,256.891 | – | – | 109,256.891 |
| Class B Series 4 | – | 16,557.705 | (711.568) | – | 15,846.137 |
| Class B Series 5 | 3,028.231 | – | (3,028.231) | – | – |
| Class B Series 9 2009 | 4,694.703 | – | – | – | 4,694.703 |
| Class B Series 9 2010 | – | 1,889.262 | – | – | 1,889.262 |
| Class B Series 10 2009 | 5,336.236 | – | (5,336.236) | – | – |
| Class B Series 10 2010 | – | 8,205.828 | – | – | 8,205.828 |
| Class B Series 11 | – | 18,030.629 | – | – | 18,030.629 |
| Total Class B Shares | 21,887.975 | 153,940.315 | (9,300.384) | – | 166,527.906 |
| Class B1 Shares | | | | | |
| Class B1 Series 1 | 65,211.860 | – | (6,554.423) | – | 58,657.437 |
| Class B1 Series 8 | 102,355.783 | – | – | – | 102,355.783 |
| Total Class B1 Shares | 167,567.643 | – | (6,554.423) | – | 161,013.220 |
| Class C Shares | | | | | |
| Class C Series 4 2009 | 19,822.365 | – | (19,822.365) | – | – |
| Class C Series 9 2010 | – | 28,463.707 | – | – | 28,463.707 |
| Total Class C Shares | 19,822.365 | 28,463.707 | (19,822.365) | – | 28,463.707 |

4. **Share capital** (continued)

| Share class and series | Shares at Dec 31, 2009 | Shares issued | Shares redeemed | Consolidation/ conversion of shares | Shares at Dec 31, 2010 |
|---|---|---|---|---|---|
| Class D Shares | | | | | |
| Class D Series 7 | 1,667.419 | – | (833.710) | – | 833.709 |
| Class E Shares | | | | | |
| Class E | 225,981.661 | 21,099.249 | (132,014.376) | – | 115,066.534 |

5. **Administrator**

Under the terms of the agreement between Citco Fund Services (Bermuda) Limited (the "Administrator") and the Fund, the Administrator provides accounting and administration services to the Fund and receives an annual fee based on the net assets of the Partnership, calculated and payable, by the Partnership, monthly in arrears.

6. **Taxation**

Under current British Virgin Islands legislation, there is no income tax, capital gains or withholding tax, estate duty or inheritance tax payable by the Fund. Because the Fund is not subject to taxation in the British Virgin Islands and it is management's opinion that its method of operations does not result in it being subject to United States or other foreign income taxes, no provision for taxes has been made in these financial statements.

7. **Subsequent events**

Effective April 1, 2011, shareholders may redeem 100% of their shares as of the first business day of each calendar quarter at the net asset value as of the last day of the prior calendar month.

The Directors have assessed and evaluated all subsequent events arising from the date of the statement of assets and liabilities up until April 18, 2011 and have concluded that, apart from the above, no additional disclosure is required.

## 8. Financial highlights

Financial highlights of the Fund[1] are as follows:

| | Class A Series 1 Shares | Class A1 Series 1 Shares | Class B Series 1 Shares | Class B1 Series 1 Shares | Class C Series 9 2010 Shares | Class D Series 7 Shares | Class E Shares |
|---|---|---|---|---|---|---|---|
| Per Share Operating Performance: | | | | | | | |
| Net asset value per share, at beginning of period | $ 59.6616 | $ 60.7893 | $ 59.5980 | $ 60.7149 | $ 51.4560 | $ 59.5245 | $ 73.2700 |
| From investment operations[2] | | | | | | | |
| Net investment income (expense) | (0.7567) | (0.4725) | (0.7559) | (0.4657) | (0.5640) | (0.7550) | 0.5491 |
| Net realized and unrealized gains and losses on investments | 7.9117 | 8.1104 | 7.9034 | 8.1004 | 13.9816 | 7.8937 | 9.9535 |
| Incentive allocation | – | (0.0345) | (0.0001) | (0.0399) | (1.3775) | (1.3381) | – |
| Total income from investment operations | 7.1550 | 7.6034 | 7.1474 | 7.5948 | 12.0401 | 5.8006 | 10.5026 |
| Net asset value per share, at end of period | $ 66.8166 | $ 68.3927 | $ 66.7454 | $ 68.3097 | $ 63.4961 | $ 65.3251 | $ 83.7726 |

8. **Financial highlights** (continued)

| | Class A Series 1 Shares | Class A1 Series 1 Shares | Class B Series 1 Shares | Class B1 Series 1 Shares | Class C Series 9 2010 Shares | Class D Series 7 Shares | Class E Shares |
|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % |
| Total return[4] | | | | | | | |
| Total return for the period before incentive allocation | 11.99 | 12.57 | 11.99 | 12.57 | 26.08 | 11.99 | 14.33 |
| Incentive allocation | – | (0.06) | – | (0.07) | (2.68) | (2.25) | – |
| Total return for the period after incentive allocation | 11.99 | 12.51 | 11.99 | 12.50 | 23.40 | 9.74 | 14.33 |
| Ratios to average net assets[2,4] | | | | | | | |
| Total investment income | 1.98 | 1.98 | 1.98 | 1.95 | 0.64 | 2.06 | 1.66 |
| Net investment income (expense) excluding incentive allocation | (1.29) | (0.81) | (1.29) | (0.78) | (2.69) | (1.37) | 0.59 |
| Operating expenses[3] | 3.28 | 2.79 | 3.27 | 2.73 | 3.33 | 3.43 | 1.07 |
| Incentive allocation | – | 0.06 | – | 0.06 | 6.57 | 2.42 | – |
| Total operating expenses and incentive allocation | 3.28 | 2.85 | 3.27 | 2.79 | 9.90 | 5.85 | 1.07 |

1 Total return and ratios are calculated for the year based on Series One Shares of each class except for Class E Shares which been calculated for the class as a whole. Each Class of Shares have been outstanding for the entire year except for Class C Series 9 2010 Shares which commenced on September 1, 2010. An investor's results may vary from the total return and ratios shown above due to different management and incentive fee arrangements (as applicable), the existence of loss carry-forwards and the starting date of a series.

2 The per share amounts and ratios reflect income and expenses allocated from the Partnership.

3 Includes dividend and interest expense.

4 Total return and ratios are not annualized for periods less than a year.

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

**Consolidated Financial Statements**
(With Independent Auditors' Report Thereon)

Year Ended December 31, 2010

**KPMG**
Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone 441 295-5063
Fax 441 295-9132
www.kpmg.bm

## INDEPENDENT AUDITORS' REPORT

The General and Limited Partners of
Everest Capital Emerging Markets Fund, L.P.

We have audited the accompanying consolidated statement of assets and liabilities of Everest Capital Emerging Markets Fund, L.P. and its subsidiary (the "Partnership"), including the consolidated condensed schedule of investments, as of December 31, 2010, and the related consolidated statements of operations, changes in partners' capital and cash flows for the year then ended. These financial statements are the responsibility of the general partner. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the general partner, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everest Capital Emerging Markets Fund, L.P. and its subsidiary as of December 31, 2010, the results of their operations, changes in partners' capital and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG

Chartered Accountants
Hamilton, Bermuda
March 31, 2011

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Statement of Assets and Liabilities

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | | |
|---|---|---|
| **Assets** | | |
| Investments in securities, at fair value (cost $393,482) (Notes 1, 4, 5, 6 and 9) | $ | 437,478 |
| Unrealized gains on open derivative financial instruments (Notes 5, 6 and 9) | | 11,226 |
| Cash and cash equivalents (Notes 3 and 9) | | 107,164 |
| Receivable for investments sold | | 51,569 |
| Dividends and interest receivable | | 169 |
| Other assets | | 1,230 |
| Total assets | | 608,836 |
| **Liabilities** | | |
| Securities sold short, at fair value (proceeds $46,302) (Notes 5 and 6) | | 45,763 |
| Unrealized losses on open derivative financial instruments (Notes 5 and 6) | | 6,941 |
| Due to brokers | | 27,402 |
| Payable for investments purchased | | 380 |
| Dividends on securities sold short and interest payable | | 23 |
| Management fee payable to general partner (Note 7) | | 447 |
| Capital withdrawals payable | | 47,398 |
| Accounts payable and accrued liabilities (Note 2(j)) | | 3,080 |
| Total liabilities | | 131,434 |
| **Partners' capital** | $ | 477,402 |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Condensed Schedule of Investments

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| Description | % of Partners' Capital | Fair Value |
|---|---|---|
| **Investments in securities** | | |
| **Common stock** | | |
| **Africa and Middle East** | | |
| Basic materials sector | 1.56 | $ 7,443 |
| Consumer, cyclical sector | 0.00 | 7 |
| Consumer, non-cyclical sector | 0.06 | 265 |
| Energy sector | 0.01 | 39 |
| Financial sector | 0.21 | 993 |
| Total for Africa and Middle East (cost $9,999) | 1.84 | 8,747 |
| **Asia** | | |
| Basic materials sector | 6.05 | 28,886 |
| Communications sector | 5.65 | 26,985 |
| Consumer, cyclical sector | 5.90 | 28,149 |
| Consumer, non-cyclical sector | 1.16 | 5,557 |
| Energy sector | 2.47 | 11,784 |
| Financial sector | 12.78 | 60,995 |
| Funds | 0.04 | 173 |
| Industrial sector | 4.77 | 22,752 |
| Technology sector | 3.96 | 18,919 |
| Total for Asia (cost $185,377) | 42.78 | 204,200 |
| **Emerging Europe** | | |
| Basic materials sector | 12.68 | 60,555 |
| Consumer, non-cyclical sector | 0.08 | 375 |
| Financial sector | 1.44 | 6,881 |
| Total for Emerging Europe (cost $55,175) | 14.20 | 67,811 |
| **Latin America** | | |
| Basic materials sector | 4.00 | 19,094 |
| Consumer, cyclical sector | 0.85 | 4,080 |
| Energy sector | 1.30 | 6,217 |
| Financial sector | 2.30 | 10,975 |
| Funds | 0.04 | 191 |
| Total for Latin America (cost $39,109) | 8.49 | 40,557 |
| **North America** | | |
| Basic materials sector | 7.33 | 34,987 |
| Consumer, cyclical sector | 0.77 | 3,699 |
| Financial sector | 4.03 | 19,257 |
| Total for North America (cost $50,970) | 12.13 | 57,943 |
| Total common stock (cost $340,630) | 79.44 | 379,258 |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Condensed Schedule of Investments (continued)

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| Description | % of Partners' Capital | Fair Value |
|---|---|---|
| **Investments in securities** (continued) | | |
| **Commodity futures options** (cost $2,827) | 0.57 | $ 2,711 |
| **Equity index options** | | |
| **Asia** (cost $9,645) | 2.69 | 12,860 |
| **Australia and New Zealand** (cost $159) | 0.03 | 140 |
| Total equity index options (cost $9,804) | 2.72 | 13,000 |
| **Foreign currency exchange options** (cost $1,192) | 0.00 | – |
| **Government bonds** | | |
| **Latin America** | | |
| Government sector (amortized cost $7,143) | 1.80 | 8,581 |
| **Investments in other investment partnerships** (Note 1) | | |
| **Asia** (cost $14,859) | 5.03 | 23,994 |
| **Participation notes** | | |
| **Asia** | | |
| Energy sector | 0.01 | 41 |
| Financial sector | 0.01 | 44 |
| Total participation notes (cost $87) | 0.02 | 85 |
| **Private placements** | | |
| **Africa and Middle East** | | |
| Basic materials sector (cost $1,447) | 0.06 | 301 |
| **Asia** | | |
| Consumer, cyclical sector (cost $9,734) | 0.60 | 2,845 |
| **Europe** | | |
| Technology sector (cost $5,759) | 1.23 | 5,856 |
| Total private placements (cost $16,940) | 1.89 | 9,002 |
| **Rights** | | |
| **Asia** | | |
| Basic materials sector | 0.18 | 847 |
| **Total investments in securities** (cost $393,482) | 91.65 | $ 437,478 |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Condensed Schedule of Investments (continued)

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| Description | % of Partners' Capital | Fair Value |
|---|---|---|
| **Securities sold short** | | |
| **Common stock** | | |
| **Asia** | | |
| Financial sector (proceeds $20,580) | (4.17) | $ (19,901) |
| **Emerging Europe** | | |
| Utilities sector (proceeds $10,358) | (2.20) | (10,484) |
| **Latin America** | | |
| Communications sector (proceeds $8,375) | (1.76) | (8,395) |
| **North America** | | |
| Funds | (0.98) | (4,685) |
| Industrial sector | (0.48) | (2,298) |
| Total for North America (proceeds $6,989) | (1.46) | (6,983) |
| Total common stock (proceeds $46,302) | (9.59) | (45,763) |
| **Total securities sold short** (proceeds $46,302) | (9.59) | $ (45,763) |
| **Unrealized gains on open derivative financial instruments** | | |
| **Unrealized gains on open commodity futures contracts** | 2.08 | $ 9,914 |
| **Unrealized gains on open forward foreign currency exchange contracts** | 0.01 | 35 |
| **Unrealized gains on open swap contracts** | | |
| **Swaps on common stock** | | |
| **Africa and Middle East** | | |
| Basic materials sector | 0.02 | 96 |
| Communications sector | 0.00 | 8 |
| Consumer, cyclical sector | 0.01 | 57 |
| Diversified sector | 0.00 | 22 |
| Energy sector | 0.01 | 43 |
| Financial sector | 0.02 | 116 |
| Total for Africa and Middle East | 0.06 | 342 |
| **Asia** | | |
| Consumer, cyclical sector | 0.03 | 121 |
| Technology sector | 0.00 | 21 |
| Total for Asia | 0.03 | 142 |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Condensed Schedule of Investments (continued)

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| Description | % of Partners' Capital | Fair Value |
|---|---|---|
| **Unrealized gains on open derivative financial instruments** (continued) | | |
| **Unrealized gains on open swap contracts** (continued) | | |
| **Swaps on common stock** (continued) | | |
| **Australia and New Zealand** | | |
| Financial sector | 0.01 | $ 25 |
| **Emerging Europe** | | |
| Basic materials sector | 0.01 | 56 |
| **Latin America** | | |
| Basic materials sector | 0.11 | 507 |
| Financial sector | 0.04 | 205 |
| Total for Latin America | 0.15 | 712 |
| Total swaps on common stock | 0.26 | 1,277 |
| **Total unrealized gains on open swap contracts** | 0.26 | 1,277 |
| **Total unrealized gains on open derivative financial instruments** | 2.35 | $ 11,226 |
| **Unrealized losses on open derivative financial instruments** | | |
| **Unrealized losses on open forward foreign currency exchange contracts** | (1.16) | $ (5,531) |
| **Unrealized losses on open swap contracts** | | |
| **Swaps on common stock** | | |
| **Africa and Middle East** | | |
| Consumer, cyclical sector | (0.01) | (46) |
| Diversified sector | 0.00 | (8) |
| Financial sector | 0.00 | (1) |
| Industrial sector | (0.01) | (26) |
| Total for Africa and Middle East | (0.02) | (81) |
| **Asia** | | |
| Consumer, cyclical sector | (0.01) | (56) |
| Financial sector | (0.04) | (184) |
| Industrial sector | (0.01) | (60) |
| Total for Asia | (0.06) | (300) |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Condensed Schedule of Investments (continued)

December 31, 2010
*(Expressed in thousands of United States Dollars)*

| Description | % of Partners' Capital | Fair Value |
|---|---|---|
| **Unrealized losses on open derivative financial instruments** (continued) | | |
| **Unrealized losses on open swap contracts** (continued) | | |
| **Swaps on common stock** (continued) | | |
| **Latin America** | | |
| Consumer, cyclical sector | (0.02) | $ (84) |
| Total swaps on common stock | (0.10) | (465) |
| **Swaps on equity indices** | | |
| **Asia** | | |
| Financial sector | (0.09) | (431) |
| **Latin America** | (0.11) | (514) |
| Total swaps on equity indices | (0.20) | (945) |
| **Total unrealized losses on open swap contracts** | (0.30) | (1,410) |
| **Total unrealized losses on open derivative financial instruments** | (1.46) | $ (6,941) |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Statement of Operations

Year Ended December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | | |
|---|---|---|
| **Investment income** | | |
| Interest (Note 5) | $ | 608 |
| Dividends (net of withholding taxes of $602) (Note 5) | | 8,448 |
| Total investment income | | 9,056 |
| **Expenses** | | |
| Interest (Note 5) | | 2,174 |
| Dividends on securities sold short (Note 5) | | 1,335 |
| General partner's management fee (Note 7) | | 1,689 |
| Investment expenses (Note 2(j)) | | 848 |
| Professional fees | | 320 |
| Administration fee (Note 8) | | 800 |
| Total expenses | | 7,166 |
| Net investment income | | 1,890 |
| **Realized and unrealized gains and losses on investments** | | |
| Net realized gains on sale of investments (Note 5) | | 46,762 |
| Net change in unrealized gains and losses on investments (Note 5) | | 14,052 |
| Net realized and unrealized gains and losses | | 60,814 |
| **Net increase in partners' capital from operations** | $ | 62,704 |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Statement of Changes in Partners' Capital

Year Ended December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | General Partner | Limited Partners | Total |
|---|---|---|---|
| **Partners' capital - December 31, 2009** (Note 1) | $ 6,784 | $ 473,551 | $ 480,335 |
| **Net increase in partners' capital from operations** | 14 | 62,690 | 62,704 |
| Incentive allocation (Note 7) | 781 | (781) | – |
| **Capital transactions** | | | |
| Capital contributions | – | 15,438 | 15,438 |
| Capital withdrawals | (6,687) | (74,388) | (81,075) |
| Capital transactions, net | (6,687) | (58,950) | (65,637) |
| **Partners' capital - December 31, 2010** | $ 892 | $ 476,510 | $ 477,402 |

*See accompanying notes to consolidated financial statements*

**EVEREST CAPITAL EMERGING MARKETS FUND, L.P.**

Consolidated Statement of Cash Flows

Year Ended December 31, 2010
*(Expressed in thousands of United States Dollars)*

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net increase in partners' capital from operations | $ | 62,704 |
| Adjustments to reconcile net increase in partners' capital from operations to net cash used in operating activities: | | |
| Net realized gains on sale of investments | | (46,762) |
| Net change in unrealized gains and losses on investments | | (14,052) |
| Amortization of premiums and discounts on debt securities | | (32) |
| Purchases of investments in securities | | (1,892,010) |
| Purchases to cover securities sold short | | (946,853) |
| Proceeds from sale of investments in securities | | 1,853,844 |
| Proceeds from securities sold short | | 943,838 |
| Net proceeds from settlement of derivative financial instruments | | 20,940 |
| Changes in net assets and liabilities: | | |
| Receivable for investments sold | | (46,505) |
| Dividends and interest receivable | | 133 |
| Other assets | | 252 |
| Due to brokers | | 27,402 |
| Payable for investments purchased | | (7,460) |
| Dividends on securities sold short and interest payable | | (207) |
| Management fee payable to general partner | | (20) |
| Accounts payable and accrued liabilities | | 546 |
| Net cash used in operating activities | | (44,242) |
| **Cash flows from financing activities** | | |
| Capital contributions | | 15,438 |
| Capital withdrawals | | (62,109) |
| Net cash used in financing activities | | (46,671) |
| **Net decrease in cash and cash equivalents** | | (90,913) |
| **Cash and cash equivalents at beginning of year** | | 198,077 |
| **Cash and cash equivalents at end of year** (Note 3) | $ | 107,164 |
| **Supplementary cash flow information** | | |
| Interest paid | $ | 2,273 |

*See accompanying notes to consolidated financial statements*

## 1. Organization and description of business

Everest Capital Emerging Markets Fund, L.P. (the "Partnership") is a Cayman Islands limited partnership formed by an agreement dated January 3, 1995. On January 16, 2006, the Partnership changed its name from Everest Capital Frontier Fund, L.P. to Everest Capital Emerging Markets Fund, L.P. The Partnership is a master fund in which two feeder funds, Everest Capital Emerging Markets Ltd. (primarily non-US investors) and Everest Capital Emerging Markets, L.P. (primarily US investors) (the "Feeder Funds") invest. All of the investable assets of these Feeder Funds are invested in the Partnership.

The investment objective of the Partnership is to achieve capital appreciation by investing in developing markets globally. The Partnership employs a thematic investment strategy that combines top-down and bottom-up approaches to investing in emerging and frontier markets worldwide. The Partnership invests opportunistically to exploit superior growth opportunities existing in developing market economies and the many inefficiencies in these markets.

Effective January 1, 2010, Everest Capital LLC, a Delaware limited liability company, replaced Everest Capital Limited as the general partner of the Partnership and the prior year's ending capital balance was transferred to the new general partner. The general partner is responsible for all of the Partnership's investment decisions. The general partner is assisted by Everest Capital Pte. Ltd., a corporation headquartered in Singapore, Everest China Research Ltd., a corporation headquartered in Shanghai, Republic of China, and Everest Capital S.A., a corporation headquartered in Geneva, Switzerland (collectively with the general partner, the "Everest Capital Group"). The compensation of the general partner is described in Note 7.

As at December 31, 2010, the Partnership is carrying an investment of $23,994,267 (5.03% of partners' capital) in Everest Capital Asia Fund, L.P., an investment partnership managed by the general partner with an investment objective to achieve capital appreciation by investing in the Asia Pacific region and in other countries that it believes will be impacted by specific trends and growth opportunities in the Asia Pacific region. Upon written notice of 60 days to the general partner of Everest Capital Asia Fund, L.P. (unless waived by its general partner), the Partnership may withdraw all or a part of its investment as of the first business day of each calendar quarter.

## 2. Significant accounting policies

The following are the significant accounting policies adopted by the Partnership:

### (a) *Basis of presentation*

The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles. The consolidated financial statements include the assets, liabilities and results of operations of the Partnership and its wholly owned subsidiary, a special purpose investment company that was dormant in the year ended December 31, 2010. All intercompany balances and transactions have been eliminated upon consolidation.

2. **Significant accounting policies** (continued)

*(b) Investment valuation*

Accounting standards over fair value measurements defines fair value, establishes a framework for measuring fair value using a three-tier hierarchy of inputs to value the Partnership's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below:

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the general partner's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3 of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Investments in securities and derivative financial instruments are valued as follows:

(i) Securities that are listed on a national securities exchange are valued at the last reported sale price on the last business day of the year. In the event that a sale does not occur on the last business day of the year, such securities are valued at the "bid" price if owned and the "asked" price if sold short as reported by the principal securities exchange on which such securities are traded. To the extent that these securities are actively traded, whether equity or listed derivatives, and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy. Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are categorized in level 2 of the fair value hierarchy.

(ii) Securities which are traded but for which prices are not available on a national exchange are valued at the last sale price on the last business day of the year, or, if no sales occurred on such day, are valued based upon representative "bid" quotations if owned, and "asked" quotations if sold short, obtained from brokers and national pricing services. Over-the-counter (OTC) bonds and derivative contracts such as forward, swap, participation notes and option contracts related to interest rates, foreign currencies, credit standing of reference entities, equity prices, or commodity prices are categorized in level 2 of the fair value hierarchy.

(iii) If the administrator, Citco Fund Services (Bermuda) Limited, in consultation with the general partner determines that the valuation of any security based upon the above procedures does not fairly represent market value then the administrator records such securities at their fair value as reasonably determined by the general partner.

2. **Significant accounting policies** (continued)

*(b) Investment valuation (continued)*

(iv) Investments in other investment partnerships are valued based on the reported net asset value as provided by the investment partnership's administrator. Because of the inherent uncertainty in the valuation of these investments, fair values may differ from the values that would have been used had a ready market for these investments existed. These investments are categorized in level 2 of the fair value hierarchy.

(v) Securities for which market values are not readily available are valued at fair value as determined in good faith in consultation with the general partner. The general partner considers certain pertinent factors in determining fair value of these securities including the current economic and competitive environment, the characteristics of the instrument, the financial condition and operating results of the issuer since the date of purchase and the sales price of the security in recent private placements, if any. Therefore, the fair value cannot be determined with precision, cannot be substantiated by comparison to quoted prices in active markets and may not be realized in a current sale or immediate settlement of the asset or liability. Additionally, due to the inherent uncertainty in the valuation, the estimates of fair values may differ significantly from the values that would have been used had a ready market existed for the securities, and the differences could be material. These securities are categorized in level 3 of the fair value hierarchy.

*(c) Derivatives*

The Partnership uses derivative financial instruments, such as forward foreign currency exchange contracts, futures contracts, options and swaps, which are recorded at fair value at the reporting date. Realized and unrealized changes in fair values are included in realized and unrealized gains and losses on investments in the consolidated statement of operations in the period in which the changes occur.

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Partnership would receive or pay to terminate the contract at the reporting date. Many of the derivative financial instruments used by the Partnership are exchange traded or are traded in the over-the-counter market where market values are readily obtainable. Some of the tailored derivative financial instruments used by the Partnership are valued based on prices supplied by US broker-dealers or other counterparties.

Unrealized gains or losses on open forward foreign currency exchange contracts are calculated as the difference between the contract rate and the applicable forward rate on the valuation date applied to the face amount of the forward contract.

Unrealized gains or losses on open futures contracts are calculated as the difference between the contract price at the trade date and the contract's closing price on the valuation date as reported on the exchange on which the futures contracts are traded applied to the face amount of the futures contract.

Unrealized gains or losses on open swap and contract for difference transactions are calculated as the change in fair value of the underlying security, index, commodity, or basket of securities applied to the notional amount of the swap or contract for difference. The interest component of the swap or contract for difference is recorded as interest income or expense, as applicable, in the consolidated statement of operations and as interest payable or receivable, as applicable, in the consolidated statement of assets and liabilities.

2. **Significant accounting policies** (continued)

*(c) Derivatives (continued)*

Unrealized gains or losses on interest rate swap agreements are calculated as the difference between the present value of the future cash flows to be received and those to be paid pursuant to the agreements.

*(d) Securities transactions and related investment income*

Securities transactions are recorded on a trade date basis.

Dividend income is recorded on the ex-dividend date and is presented net of withholding taxes. Dividends declared on short positions held on the ex-dividend date are recorded as dividend expense.

Interest income and expense are recorded on the accruals basis, except for securities in default for which interest is recognized on the cash basis. Premiums and discounts on debt securities are amortized using the effective interest method.

Realized gains and losses are recorded when the security acquired is sold and unrealized gains and losses are recorded when the security is marked to market. The net realized gain or loss on sales of securities is determined on a first-in, first-out basis unless specifically identified.

As part of a work out or reorganization plan, securities owned by the Partnership may be converted into other types of securities of the same issuer. The cost basis of the security received as a result of these arrangements is equal to the cost basis of the security converted.

*(e) Allocation of Partnership net income/loss*

At the end of each Fiscal Period, net income or net losses, excluding profits on losses with respect to new issues, are allocated to the capital accounts of all the partners in the proportion that each partner’s capital account as of the beginning of such Fiscal Period bore to the sum of the capital accounts of all the partners as of the beginning of such Fiscal Period. Profits and losses with respect to new issues will generally be allocated to the partners in the Partnership who are Unrestricted Persons. The Partnership may, however, avail itself of a *de minimus* exemption, according to the Rules of FINRA, pursuant to which a portion of new issue profits and losses may be allocated to Restricted Persons. A Fiscal Period (“Fiscal Period”) commences on the first day of each fiscal year, on each date of any capital contribution or any withdrawal of capital or retirement from the Partnership.

*(f) Repurchase and reverse repurchase agreements*

The Partnership enters into repurchase and reverse repurchase agreements. These agreements are accounted for as collateralized investment and financing transactions and are recorded at their contractual amounts, which combined with accrued interest, approximates their fair value. Interest on repurchase and reverse repurchase agreements is accrued on a daily basis.

In connection with repurchase agreements, it is the Partnership’s policy that its custodian take possession of the underlying collateral securities. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the Partnership may be delayed or insufficient.

2. **Significant accounting policies** (continued)

*(g) Translation of foreign currency security transactions*

The fair value of non-US dollar denominated securities ("foreign currency securities") and related balances are translated into US dollars at year end exchange rates. The cost of foreign currency securities and interest and dividend income or expense on these foreign currency securities are translated into US dollars at the transaction date exchange rate. Realized and unrealized gains and losses on investments and interest and dividend income or expense include exchange gains and losses on the translation of foreign currency securities and from forward foreign currency exchange contracts.

*(h) Income taxes*

No provision has been made in the accompanying consolidated financial statements for United States federal or state income taxes, as any income tax liability arising from the operations of the Partnership is the responsibility of the partners and not that of the Partnership.

*(i) Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, the Partnership considers all investments in money markets funds and repurchase agreements with an original term of ninety days or less as equivalent to cash.

*(j) Use of estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the general partner to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in partners' capital from operations during the reporting period. Actual results could differ from those estimates.

The Partnership has investments in the Chinese A-shares of companies listed in the People's Republic of China ("PRC") through the Qualified Foreign Institutional Investor program and in Chinese B-shares and H-shares. The PRC's taxation of gains on these investments is presently unclear. The general partner has exercised its judgment regarding the likelihood and amount of the potential liability. However, uncertainties exist and the judgment of the general partner may prove incorrect as a result of future clarification by the PRC State Administration of Taxation.

At December 31, 2010, the tax provision included in accounts payable and accrued liabilities on the consolidated statement of assets and liabilities related to Chinese A-shares amounted to $1,922,119 (2009: $2,034,203). The related expense in the year of $(112,084) is included in investment expenses in the consolidated statement of operations. In the event a capital gains tax is not imposed, the effective date differs, or the tax rate applied is different than that which was assumed by the general partner, the tax payable may be greater or less than the provision amount.

## 3. Cash and cash equivalents

Cash and cash equivalents (expressed in $000's) at December 31, 2010 consist of the following:

| | | |
|---|---|---|
| Cash | $ | 107,164 |

At December 31, 2010, cash held in the amount of $78,163,724 was deposited with counterparties as collateral for positions held in derivative financial instruments and securities sold short (Notes 5 and 9).

## 4. Investments in securities

Everest Capital Limited (Note 1) purchased and held securities in its name with a fair value at December 31, 2010 of $1,225,138 and had transferred beneficial ownership of these securities to the Partnership by participation agreements and they are reflected in the financial statements of the Partnership. These securities were purchased by Everest Capital Limited due to high minimum purchase requirements and provided the Partnership and other funds managed by the general partner the ability to own these securities without each fund having to purchase the high minimum amount as well as to reduce transaction costs. Subsequent to December 31, 2010, these securities were transferred into the name of the Partnership.

## 5. Derivative financial instruments and risk

In the normal course of business the Partnership purchases and sells various derivative financial instruments to hedge its exposure to risk or to synthetically achieve or alter exposure to a market or segment thereof.

Generally these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at future dates. The derivative financial instruments may be traded on an exchange or negotiated between contracting parties (over-the-counter).

Derivative financial instruments may result in off-balance sheet market and credit risk.

Market risk is the possibility that future changes in market price may make a financial instrument less valuable or more onerous. If the markets should move against one or more positions that the Partnership holds the Partnership could incur losses greater than the unrealized amounts recorded in the consolidated statement of assets and liabilities.

The principal credit risk is that the counterparty will default and fail to fulfill the terms of the agreement. The Partnership's counterparties are either major US broker-dealers or international banks, both of which are regulated by various agencies and are subject to strict capital adequacy requirements.

The Partnership also sells securities short. Securities sold short are recorded as liabilities in the consolidated statement of assets and liabilities and have market risk to the extent that the Partnership, in satisfying its obligations, may have to purchase securities at a higher value than that recorded on the consolidated statement of assets and liabilities. The Partnership is required to maintain collateral with brokers to secure these short positions.

5. **Derivative financial instruments and risk** (continued)

The derivative financial instruments held by the Partnership, and how they are used to achieve the various objectives of the Partnership, are described in the following paragraphs.

Forward foreign currency exchange contracts

The Partnership uses forward foreign currency exchange contracts to hedge against the effect of adverse movements in foreign exchange rates on security positions and for investment purposes.

Futures contracts

The Partnership uses futures contracts to hedge portfolio market risk and for investment purposes. Upon entering into a futures contract, the Partnership is required to provide initial margin which is a deposit of either cash or securities in an amount equal to a certain percentage of the contract value. The initial margin is adjusted to reflect changes in the value of the futures contract which is marked to market on a daily basis. The Partnership recognizes a realized gain or loss when the contract is closed. Futures contracts expose the Partnership to market and liquidity risks. The Partnership is exposed to market risk to the extent that adverse changes occur in the market values of the underlying securities or indices. The market risk may be in excess of the unrealized amount recognized on the consolidated statement of assets and liabilities. Liquidity risk represents the possibility that the Partnership may not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

Options

The Partnership uses options on specific securities, baskets of specific securities, currencies, commodities, and stock exchange indices to hedge market risks and for investment purposes.

Option contracts provide the option purchaser, for a premium payment, with the right but not obligation to buy or sell a financial instrument at a predetermined exercise price during a specified period.

As a purchaser of an option contract the Partnership is subject to credit risk since the counterparty is obligated to make payments or to deliver the financial instrument under the terms of the contract if the Partnership exercises the option. The Partnership is also exposed to market risk because the value of the option varies with the value of the reference financial instrument. As a writer of an option contract, the Partnership is not subject to credit risk but is subject to market risk since the Partnership is obligated to make payments or to deliver the financial instrument under the terms of the option contract if exercised by the purchaser of the option.

5. **Derivative financial instruments and risk** (continued)

Swap and contract for difference transactions (collectively "swap")

The Partnership may enter into swap arrangements to synthetically achieve or alter the Partnership's exposure to a market or segment thereof or to hedge portfolio market risk.

Swap transactions involve the exchange by the Partnership with a counterparty of their respective commitments to pay or receive a net amount based on the change in the market value of a particular bond, equity, commodity, or index and a specified notional holding.

Interest rate swap agreements involve the exchange by the Partnership with another party of their respective commitments to pay or receive interest (e.g. an exchange of floating rate payments for fixed rate payments) with respect to a notional amount of principal.

In addition, the Partnership enters into credit default swaps whereby one counterparty (the "Protection Buyer") pays a periodic fee, which is expressed in basis points on the notional amount, in return for a payment by the seller of the credit default swap (the "Protection Seller") that results if a credit event as defined in the swap agreement occurs, such as a default by the reference entity.

Swap transactions expose the Partnership to (or reduce) market risk equivalent to actually holding the notional amount but typically involve little capital commitment relative to the exposure achieved (or reduced). The Partnership's gains or losses may therefore be magnified compared to the capital commitment.

The terms of certain of the Partnership's swap agreements issued under the ISDA Master Agreement protocol contain provisions that grant the Partnership's counterparty the right to terminate the swap transactions and demand settlement if either the Partnership's capital falls by a specified percentage or below a specified value.

At December 31, 2010, the notional amount of the Partnership's derivative financial instruments is as follows (expressed in $000's):

**Long exposure**

| | | |
|---|---|---|
| Commodity futures contracts | $ | 99,436 |
| Commodity futures options | | 129,427 |
| Equity index options | | 611,143 |
| Equity swap contracts | | 25,270 |
| Forward foreign currency exchange contracts | | 1,582 |
| | $ | 866,858 |

5. **Derivative financial instruments and risk** (continued)

**Short exposure**

| | | |
|---|---|---|
| Commodity futures options | $ | 29,173 |
| Equity index options | | 148,705 |
| Equity index swap contracts | | 37,515 |
| Equity swap contracts | | 14,714 |
| Foreign currency exchange options | | 244,128 |
| Forward foreign currency exchange contracts | | 271,200 |
| | $ | 745,435 |

The locations on the consolidated statement of assets and liabilities of the Partnership's derivative positions by type of derivative, all of which are not accounted for as hedging instruments are as follows (expressed in $000's):

| Location on the consolidated statement of assets and liabilities | | Derivative assets | | Derivative liabilities |
|---|---|---|---|---|
| Unrealized gains (losses) on open derivative financial instruments | | | | |
| Commodity futures contracts | $ | 9,914 | $ | – |
| Equity index swap contracts | | – | | (945) |
| Equity swap contracts | | 1,277 | | (465) |
| Forward foreign currency exchange contracts | | 35 | | (5,531) |
| Total unrealized gains (losses) on open derivative financial instruments | $ | 11,226 | $ | (6,941) |
| Investments in securities, at fair value | | | | |
| Commodity futures options | $ | 2,711 | $ | – |
| Equity index options | | 13,000 | | – |
| Total investments in securities, at fair value | $ | 15,711 | $ | – |

5. **Derivative financial instruments and risk** (continued)

The following is a summary of the net realized and change in unrealized gains and losses on investments and net interest and dividend income and expense attributable to derivative financial instruments for the year ended December 31, 2010 (expressed in $000's):

| | Net realized gains (losses) | Net change in unrealized gains (losses) | Total |
|---|---|---|---|
| **Derivative financial instruments** | | | |
| Commodity futures contracts | $ 11,157 | $ 8,749 | $ 19,906 |
| Commodity futures options | (2,597) | 1,446 | (1,151) |
| Common stock options | 332 | – | 332 |
| Equity index futures contracts | (3,512) | 74 | (3,438) |
| Equity index options | 6,974 | 4,294 | 11,268 |
| Equity index swap contracts | 10,384 | (734) | 9,650 |
| Equity swap contracts | 2,743 | (8,478) | (5,735) |
| Foreign currency exchange options | (15,261) | 2,084 | (13,177) |
| Forward foreign currency exchange contracts | 848 | (7,070) | (6,222) |
| Interest rate futures contracts | (680) | – | (680) |
| | $ 10,388 | $ 365 | $ 10,753 |

| | Net interest income (expense) | Net dividend income (expense) |
|---|---|---|
| **Derivative financial instruments** | | |
| Equity index swap contracts | $ (13) | $ (115) |
| Equity swap contracts | (1,026) | 383 |
| | $ (1,039) | $ 268 |

## 6. Fair value of financial instruments

The following is a summary of the inputs used in valuing the Partnership's investments carried at fair value (expressed in $000's):

| | Total | Quoted Prices (Level 1) | Other Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Assets** | | | | |
| Common stock* | $ 379,258 | $ 379,258 | $ – | $ – |
| Commodity futures contracts | 9,914 | 9,914 | – | – |
| Commodity futures options | 2,711 | 2,711 | – | – |
| Equity index options | 13,000 | 39 | 12,961 | – |
| Equity swap contracts | 1,277 | – | 1,277 | – |
| Forward foreign currency exchange contracts | 35 | – | 35 | – |
| Government bonds | 8,581 | – | 8,581 | – |
| Investments in other investment partnerships | 23,994 | – | 23,994 | – |
| Participation notes | 85 | – | 85 | – |
| Private placements | 9,002 | – | – | 9,002 |
| Rights | 847 | 847 | – | – |
| | $ 448,704 | $ 392,769 | $ 46,933 | $ 9,002 |
| **Liabilities** | | | | |
| Common stock sold short* | $ 45,763 | $ 45,763 | $ – | $ – |
| Equity index swap contracts | 945 | – | 945 | – |
| Equity swap contracts | 465 | – | 465 | – |
| Forward foreign currency exchange contracts | 5,531 | – | 5,531 | – |
| | $ 52,704 | $ 45,763 | $ 6,941 | $ – |

* All securities classified as common stock and common stock sold short fall within level 1 of the fair value hierarchy, therefore the sector analysis breakdown has not been included above as the required breakdown is disclosed in the consolidated condensed schedule of investments.

6. **Fair value of financial instruments** (continued)

The following is a reconciliation of the Partnership's investments for which significant unobservable inputs (level 3) were used to determine fair value (expressed in $000's):

| Instrument | Balance at Dec 31, 2009 | Capital Distributions | Included in Net Realized and Net Change in Unrealized Gains and Losses on Investments | Purchases | Sales | Balance at Dec 31, 2010 |
|---|---|---|---|---|---|---|
| Private placements | $ 696 | $ (3,171) | $ 5,718 | $ 5,759 | $ – | $ 9,002 |
| Total | $ 696 | $ (3,171) | $ 5,718 | $ 5,759 | $ – | $ 9,002 |

The net change in unrealized gains and losses in the consolidated statement of operations attributable to level 3 investments still held at December 31, 2010 (expressed in $000's) includes:

| | |
|---|---|
| Private placements | $ 5,718 |

The Partnership's policy is to recognize transfers into and out of the various levels of the fair value hierarchy as at the actual date of the event or change in circumstances that caused the transfer. No transfers were made during the year ended December 31, 2010.

7. **General partner's compensation**

The Partnership pays a quarterly management fee of 2.0% per annum of net assets to the general partner.

Effective February 1, 2006, the management fee increased from 1.5% to 2.0% per annum. Special grandfathering provisions are in place that apply to limited partners admitted on or before January 1, 2006 ("Prior Limited Partners"). Under these provisions, the Prior Limited Partners will continue to be charged a management fee of 1.5% per annum. These special grandfathering provisions are in effect as long as Prior Limited Partners remain invested in the Partnership.

The partnership agreement provides that up to 20% of net profits, as defined, relating to all limited partnership interests shall be credited to the general partner or to certain limited partners as may be designated by the general partner, at its sole discretion, in such proportions as the general partner shall agree. This amount is, in effect, incentive compensation paid to the general partner for profitable performance. Incentive compensation is recorded by the Partnership as a reallocation of capital from the limited partners to the general partner (or certain limited partners, as applicable) in the consolidated statement of changes in partners' capital. During the year ended December 31, 2010, the general partner designated a portion of the incentive allocation to a limited partner.

7. **General partner's compensation** (continued)

The management fee and incentive compensation due to the general partner is reduced to the extent that corresponding amounts are payable or allocable to any member of the Everest Capital Group by the Partnership or in the Feeders Funds or to the extent that amounts are due to third parties who are instrumental in the sale of interests in the Feeder Funds.

8. **Administration fee**

Under the terms of the agreement between Citco Fund Services (Bermuda) Limited (the "Administrator") and the Partnership, the Administrator provides accounting and administration services to the Partnership and receives an annual fee based on the net assets of the Partnership, calculated and payable in arrears.

9. **Prime broker**

The Partnership utilizes a number of prime brokers (each a "Prime Broker"). Under each Prime Brokerage Agreement, all assets of the Partnership held by the respective Prime Broker and each of the Prime Broker's affiliated companies are subject to a general lien and a continuing first priority perfected security interest in favor of the Prime Broker and therefore constitute collateral security for the Partnership's obligations and liabilities to each Prime Broker.

10. **Taxation**

Under current Cayman Islands law, the Partnership is not required to pay any taxes on income, profits or capital gains. On April 13, 1999, the Partnership obtained an undertaking from the Cayman Islands' authorities exempting it from such taxes for a period of 50 years from the date such undertaking was issued.

## 11. Financial highlights

Financial highlights for the Partnership[1] are as follows:

| | % |
|---|---|
| **Total return** | |
| Total return for the year before incentive allocation | 13.88 |
| Incentive allocation | (0.17) |
| Total return for the year after incentive allocation | 13.71 |
| **Ratios to average partners' capital** | |
| Total investment income | 1.98 |
| Net investment income excluding incentive allocation | 0.41 |
| Operating expenses[2] | 1.57 |
| Incentive allocation | 0.17 |
| Total operating expenses and incentive allocation | 1.74 |

1 Total return and ratios are calculated based on the limited partners' interest in the Partnership. Individual Feeder Fund returns and ratios are shown in the attached Feeder Fund financial statements. An investor's results may vary from the total return and ratios shown above due to the investor's eligibility to participate in new issues, different management and incentive fee arrangements (as applicable), the existence of loss carry-forwards and the timing of capital transactions.

2 Includes dividend and interest expense.

## 12. Contingent liability

The Partnership sold its claims against Lehman Brothers Holdings Inc. and Lehman Brothers International (Europe) relating to their respective bankruptcies for proceeds of $2,214,888 on December 7, 2009. As part of the sale agreement, the Partnership is committed to repay the purchaser any amount of the claims, up to the purchase price, which is disallowed, plus interest of average 1 month U.S. LIBOR plus 4.50% per annum.

## 13. Subsequent events

The general partner has assessed and evaluated all subsequent events arising from the date of the consolidated statement of assets and liabilities up until March 31, 2011 and has concluded that no additional disclosure is required.