Jupiter Hyde Park Hedge Fund Limited

Annual Review & Audited Financial Statements

for the year ended 31 December 2010

JUPITER

Contents

Jupiter Hyde Park Hedge Fund Limited

Investment Objective

The Fund's principal objective is to provide shareholders with capital gain whether short, medium or long term from an international portfolio of investments.

Management, Administration and Independent Auditors

Directors	Richard Thomas, Chairman* John Collis* Ian Davidson* *(appointed on 1 December 2010)* Garth Lorimer Turner *(appointed on 27 May 2010)* Donald Lines* *(resigned on 1 December 2010)* Jonathan Carey *(resigned on 1 December 2010)* Reef Hogg *(resigned on 27 May 2010)*
Registered Office	Bank of Bermuda Building 6 Front Street Hamilton HM11 Bermuda
Company Secretary	HSBC Bank Bermuda 6 Front Street Hamilton HM11 Bermuda
Investment Manager	Jupiter Asset Management (Bermuda) Limited Cumberland House 1 Victoria Street, 3rd Floor Hamilton HM11 Bermuda Licensed to conduct investment business by the Bermuda Monetary Authority
Investment Adviser	Jupiter Asset Management Limited 1 Grosvenor Place London SW1X 7JJ United Kingdom Authorised and regulated by the Financial Services Authority
Independent Auditors	Ernst & Young S.A. 7, Rue Gabriel Lippmann Parc d'Activité Syrdall 2 L–5365 Munsbach Luxembourg
Administrator	HSBC Securities Services (Luxembourg) S.A. 16, Boulevard d'Avranches B.P. 413 L–1160 Luxembourg
Principal Bank	HSBC Securities Services (Luxembourg) S.A. 16, Boulevard d'Avranches B.P. 413 L–1160 Luxembourg
Prime Broker	Deutsche Bank A.G., London Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Broker	Credit Suisse Five Canada Square London E14 5AQ United Kingdom

*Independent

Management, Administration and Independent Auditors

Legal Advisers	As to matters of Bermuda law: Conyers Dill & Pearman Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda As to matters of English law: Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS United Kingdom As to matters of United States law: Schulte Roth & Zabel LLP 919 Third Avenue New York, NY 10022 United States of America

Directors (all of the Fund's Directors are non-executive)

Richard Thomas*	Richard Thomas (British) was admitted as a Solicitor of the Supreme Court of England and Wales in 1976. He was admitted to the Bar as an Advocate of the Royal Court of Jersey in 1988 and was a partner of the law firm Ogier from 1990 to 2011 and continues as a consultant to that firm. He is a Director of several other investment companies and funds. *Appointed Chairman on 1 December 2010*
John Collis*	John Collis (British) is a partner of the Bermuda law firm of Conyers Dill & Pearman Limited. He is a Director of several other investment companies and funds.
Ian Davidson*	Ian Davidson (British) is a Chartered Accountant. He was a partner with PricewaterhouseCoopers until his retirement in 2007 after a career of 36 years in the Bermuda office of the firm. In addition to serving on the boards of several Bermuda-based 'not-for-profit' organisations, he serves as a Director on the boards of two other investment funds. *Appointed on 1 December 2010*
Garth Lorimer Turner	Garth Lorimer Turner (British) is Managing Director of Jupiter Asset Management (Bermuda) Limited. He is a Solicitor of the Supreme Court of England & Wales, a Solicitor of the Supreme Court of Hong Kong and a Bermuda Barrister & Attorney. He is a Director of several investment companies and funds. *Appointed on 27 May 2010*

*Independent

Chairman's Review

Performance

	31.12.10	31.12.09	% Change
Net Asset Value per Share – US Dollar Class (in US Dollars)	$5.00	$4.78	4.60
Net Asset Value per Share – Euro Class (in Euro)	€146.32	€139.72	4.72
Net Asset Value per Share – Sterling Class (in Sterling)	£152.02	£144.86	4.94
S&P 500 (in US Dollars)	1,257.64	1,115.10	12.78
FTSE – All-Share (in Sterling)	3,062.85	2,760.80	10.94

In the year to 31 December 2010, the Net Asset Value per share of the three classes of shares gained between 4.60% and 4.94%, as indicated in the above table. The portfolio's annualised return since inception on 9th March 2000 has been 16.03%. Despite periods of major decline in equity markets, the portfolio has achieved a positive return in each year.

This was a healthy return given that equity investors were forced to tolerate significant volatility without gain for much of the year. Market sentiment was tested by sovereign debt crises in peripheral Europe, faltering growth in the US and the risk of overheating in emerging market economies. Against this, equity valuations were low, corporate profitability remained robust and M&A activity increased as cash rich businesses sought ways to expand in a low growth environment. It was only in the final quarter of the year that long only investors saw any reward for their patience with the Federal Reserve stoking markets with its second quantitative easing strategy ('QE2') at a time when US data looked fragile.

In an uncertain environment, the Fund was very cautiously positioned especially in the earlier part of the year with the manager maintaining a low gross exposure. The portfolio predominantely held cash, high yielding corporate bonds and a modest balance of equity longs and shorts. Longs in Europe and Japan were avoided due to acute sovereign debt risks. Most notably, a short position was maintained in Japanese government bonds where yields were near historic lows despite a burgeoning fiscal balance. Long positions were generally in situations which provided exposure to emerging market growth.

In the second part of the year, the manager became more comfortable about the macro outlook and boosted the equity exposure with US financials which he believes have the potential to benefit from a further recovery in the economy. This was predominantly in large-cap names with solid growth profiles and revenue streams in both domestic and emerging markets.

While the tightening cycle in Asia may be more protracted than previously expected, the manager believes these policy measures should ultimately lead to more sustainable levels of credit growth in the region. Meanwhile, in the West where corporate profits are booming, attempts to kick-start lending are starting to filter through, especially in the US. This should be supportive for the ongoing recovery. Overall, with economic conditions showing signs of improvement and corporate profitability accelerating, the manager believes returns in 2011 could benefit from a long bias in the Fund, assuming sovereign debt-related issues remain relatively contained.

Guy de Blonay took over as lead manager of the Fund at the Investment Adviser in June 2010 with Philip Gibbs assuming the role as deputy manager.

Richard Thomas
Chairman

3 May 2011

Ernst & Young
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Independent auditor's report

To the Shareholders of
Jupiter Hyde Park Hedge Fund Limited
6 Front Street
Hamilton HM11
Bermuda

We have audited the accompanying financial statements of Jupiter Hyde Park Hedge Fund Limited (the "Fund"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other notes to the financial statements.

Responsibility of the Board of Directors of the Fund for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as published by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement of the "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 give a true and fair view of the financial position of Jupiter Hyde Park Hedge Fund Limited as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Ernst & Young S.A.

Luxembourg, 3 May 2011

Statement of Financial Position as at 31 December 2010 (expressed in United States Dollars)

	Notes	31.12.10	31.12.09
Assets			
Cash and cash equivalents	13	44,049,410	74,796,225
Due from brokers		410,944	108,675
Accounts receivable and accrued income	11	48,891	1,033,781
Financial assets at fair value through profit or loss (Cost 2010: US$20,000,485; 2009: US$31,100,882)	7	21,507,114	32,808,813
Total Assets		**66,016,359**	**108,747,494**
Liabilities			
Bank overdraft	13	13,410,053	–
Due to brokers		11,549	835,617
Accounts payable and accrued expenses	8, 9, 12	690,936	1,417,228
Advance subscriptions		466,679	263,408
Equalisation credit	8	32,600	80,656
Financial liabilities at fair value through profit or loss (Proceeds 2010: US$7,312,368; 2009: US$Nil)	7	7,349,098	149,686
Total Liabilities (excluding Net Assets Attributable to Holders of Redeemable Shares)		**21,960,915**	**2,746,595**
Equity			
Management Share capital	14	12,000	12,000
Total Liabilities and Equity		**21,972,915**	**2,758,595**
Net Assets Attributable to Holders of Redeemable Shares		**44,043,444**	**105,988,899**
USD Class			
Net Assets Attributable to Holders of US$ Redeemable Shares		US$14,415,850	US$48,650,386
Number of US$ Redeemable Shares in issue		2,880,865	10,182,165
Net Asset Value per US$ Redeemable Share	**14**	**US$5.00**	**US$4.78**
Euro Class			
Net Assets Attributable to Holders of € Redeemable Shares		€4,065,227	€14,618,624
Number of € Redeemable Shares in issue		27,783	104,627
Net Asset Value per € Redeemable Share	**14**	**€146.32**	**€139.72**
Sterling Class			
Net Assets Attributable to Holders of £ Redeemable Shares		£15,484,742	£22,516,770
Number of £ Redeemable Shares in issue		101,860	155,442
Net Asset Value per £ Redeemable Share	**14**	**£152.02**	**£144.86**

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

Statement of Comprehensive Income for the year ended 31 December 2010 (expressed in United States Dollars)

	Notes	31.12.10	31.12.09
Income			
Interest income		282,998	2,875,117
Dividend income		56,604	125,609
Other income		381,142	8,923
Net gain on financial assets and liabilities at fair value through profit or loss	6	108,523	4,979,565
Net gain on foreign exchange		1,311,364	–
Total operating income		**2,140,631**	**7,989,214**
Expenses			
Management and performance fees	8	(1,671,076)	(2,740,302)
Administration and company secretarial fees	9	(128,931)	(183,613)
Directors' fees	8	(105,000)	(105,000)
Transaction costs		(84,932)	(1,615,126)
Other operating expenses		(76,948)	(36,156)
Professional fees		(65,239)	(81,004)
Dividend expense on short positions		(20,361)	–
Insurance		(17,167)	(13,253)
Net loss on foreign exchange		–	(2,927,147)
Total operating expenses		**(2,169,654)**	**(7,701,601)**
Operating (loss)/profit for the year before tax		(29,023)	287,613
Withholding taxes		(4,555)	(27,116)
(Decrease)/Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations		**(33,578)**	**260,497**

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

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
for the year ended 31 December 2010 (expressed in United States Dollars)

USD Class	Number of Shares issued, allotted and fully paid	US$	Total US$
Balance at 1 January 2009	**21,912,546**	**102,773,404**	**102,773,404**
Decrease in Net Assets Attributable to Holders of Redeemable Shares from Operations	–	(1,749,173)	(1,749,173)
Issue of US$ Redeemable Shares	1,829,295	8,816,420	8,816,420
Redemption of US$ Redeemable Shares	(13,559,676)	(61,152,774)	(61,152,774)
Equalisation credit and repaid	–	(37,491)	(37,491)
Balance at 31 December 2009	**10,182,165**	**48,650,386**	**48,650,386**
Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations	–	996,056	996,056
Issue of US$ Redeemable Shares	2,509,074	12,049,708	12,049,708
Redemption of US$ Redeemable Shares	(9,810,374)	(47,260,208)	(47,260,208)
Equalisation credit and repaid	–	(20,092)	(20,092)
Balance at 31 December 2010	**2,880,865**	**14,415,850**	**14,415,850**

Euro Class		€	US$
Balance at 1 January 2009	**296,311**	**40,406,954**	**56,454,575**
Decrease in Net Assets Attributable to Holders of Redeemable Shares from Operations	–	(2,041,347)	(1,468,987)
Issue of € Redeemable Shares	27,204	3,378,051	4,841,424
Redemption of € Redeemable Shares	(218,888)	(27,122,679)	(38,872,223)
Equalisation credit and repaid	–	(2,355)	(3,375)
Balance at 31 December 2009	**104,627**	**14,618,624**	**20,951,414**
Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations	–	249,928	(1,013,430)
Issue of € Redeemable Shares	17,975	2,532,384	3,395,802
Redemption of € Redeemable Shares	(94,819)	(13,331,872)	(17,877,374)
Equalisation credit and repaid	–	(3,837)	(5,145)
Balance at 31 December 2010	**27,783**	**4,065,227**	**5,451,267**

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

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

for the year ended 31 December 2010 (continued) (expressed in United States Dollars)

Sterling Class	Number of Shares issued, allotted and fully paid	£	Total US$
Balance at 1 January 2009	**117,790**	**16,655,532**	**24,271,274**
Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations	–	516,455	3,478,657
Issue of £ Redeemable Shares	164,306	21,337,818	34,481,913
Redemption of £ Redeemable Shares	(126,654)	(15,968,417)	(25,804,962)
Equalisation credit and repaid	–	(24,618)	(39,783)
Balance at 31 December 2009	**155,442**	**22,516,770**	**36,387,099**
Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations	–	778,494	(16,204)
Issue of £ Redeemable Shares	40,320	5,896,687	9,206,498
Redemption of £ Redeemable Shares	(93,902)	(13,694,789)	(21,381,674)
Equalisation credit and repaid	–	(12,420)	(19,392)
Balance at 31 December 2010	**101,860**	**15,484,742**	**24,176,327**

Total	US$
Balance at 1 January 2009	**183,499,253**
Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations	260,497
Issue of Redeemable Shares	48,139,757
Redemption of Redeemable Shares	(125,829,959)
Equalisation credit and repaid	(80,649)
Balance at 31 December 2009	**105,988,899**
Decrease in Net Assets Attributable to Holders of Redeemable Shares from Operations	(33,578)
Issue of Redeemable Shares	24,652,008
Redemption of Redeemable Shares	(86,519,256)
Equalisation credit and repaid	(44,629)
Balance at 31 December 2010	**44,043,444**

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

Statement of Cash Flows for the year ended 31 December 2010 (expressed in United States Dollars)

	Notes	31.12.10	31.12.09
Cash flows from operating activities			
(Decrease)/Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations		(33,578)	260,497
Net changes in operating assets and liabilities			
(Increase)/decrease in due from broker		(302,269)	15,394,272
Decrease/(increase) in accounts receivable and accrued income		984,890	(606,913)
Decrease in financial assets at fair value through profit or loss		11,301,699	3,341,418
Decrease in due to broker		(824,068)	(1,795,692)
Decrease in accounts payable and accrued expenses		(726,292)	(2,416,777)
Increase/(decrease) in financial liabilities at fair value through profit or loss		7,199,412	(977,560)
Net cash generated by operating activities		**17,599,794**	**13,199,245**
Cash from financing activities:			
Issue of Redeemable Shares		24,652,008	48,139,757
Increase in advance subscriptions		203,271	218,315
Redemption of Redeemable Shares		(86,519,256)	(125,829,959)
Decrease in equalisation credit		(92,685)	(1,225,157)
Net cash used in financing activities		**(61,756,662)**	**(78,697,044)**
Net decrease in cash and cash equivalents		(44,156,868)	(65,497,799)
Cash and cash equivalents at beginning of the year		74,796,225	140,294,024
Cash and cash equivalents at end of the year	**13**	**30,639,357**	**74,796,225**

Net cash generated by operating activities includes:		
Interest received	745,664	2,813,826
Dividends received, net of withholding tax	99,629	81,609
	845,293	**2,895,435**

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

Notes to the Financial Statements for the year ended 31 December 2010

1. General Information

Jupiter Hyde Park Hedge Fund Limited (the 'Fund') is an open-ended exempted investment company incorporated in Bermuda on 14 February 2000.

The Fund's US$ Class Shares are listed on the Bermuda Stock Exchange.

The Fund's registered office is located at the Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda.

As at 31 December 2010, there were three classes of Redeemable Shares: US Dollar ('US$'), Euro ('€') and Sterling ('£'). In addition 12,000 Management Shares were issued at the launch of the Fund.

The € Class and £ Class were launched on 1 February 2006, and the assets of these Classes have been hedged with a view to minimising performance discrepancies between the € and £ Classes and the US$ Class that might otherwise arise due to foreign exchange movements between the Euro, Sterling and US Dollar.

The Fund's financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 3 May 2011.

Each Class of the Fund is not a separate legal entity. The Fund, in its books and records, segregates the assets and liabilities of the Fund attributable to each of the Share Classes it maintains. Whilst the Fund may segregate the assets and liabilities attributable to each Class it maintains in its books and records, any third party creditor will be a creditor of the Fund as the legal entity and if the Fund defaults under any liability owed to one or more third parties where the relevant liability is attributable to a particular Share Class, such third party or third parties will have recourse to all the assets of the Fund (i.e. the assets attributable to all Share Classes, and not just the assets of the Share Class to which the relevant claim is attributable in the books and records of the Fund) to satisfy such liability or liabilities.

The Fund invested its assets during the year under review in accordance with its published investment policy by investing in, or having been short of, securities, options, derivatives, futures, warrants and other similar investments, the majority of which were listed.

2. Accounting Policies

2.1 Basis of preparation and statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an historical cost basis except for financial assets and liabilities held at fair value through profit or loss that have been measured at fair value.

The financial statements are presented in United States Dollars (US Dollars), which is also the Fund's functional currency. All values are rounded to the nearest US Dollar except where otherwise indicated.

2.2 Summary of significant accounting policies

A Financial instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss consist of financial assets and liabilities held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. This category includes equity securities and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are also classified as held for trading. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by IAS 39. Consequently, hedge accounting is not applied by the Fund.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category short term receivables such as accounts receivable and accrued income.

Other financial liabilities

Other financial liabilities includes all financial liabilities, other than those classified at fair value through profit or loss. The Fund includes in this category amounts relating to short term payable balances such as accounts payable and accrued expenses.

The Fund's accounting policy regarding Redeemable Shares is described in Note 2.2 (H).

(ii) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes party to the contractual provisions of the instrument.

Purchases or sales of financial assets and liabilities held for trading are recognised on the trade date which is the date the Fund commits to purchase or sell the asset or liability.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- The rights to receive the cash flows from the asset have expired;

or

- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset.

The Fund derecognises a financial liability when the obligations under the liability are discharged, cancelled or expire.

Notes to the Financial Statements for the year ended 31 December 2010

2. Accounting Policies continued

2.2 Summary of significant accounting policies continued

A Financial instruments continued

(iv) Initial measurement

Financial assets and liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Statement of Comprehensive Income.

Loans and receivables and other financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(v) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those instruments are recorded as 'Net gain/(loss) on financial assets and liabilities at fair value through profit or loss'.

All related realised and unrealised gains and losses are included in the Statement of Comprehensive Income.

Interest earned and dividend income elements of such instruments are recorded separately as 'Interest income' and 'Dividend income', respectively with the exception of dividend and interest income earned on CFDs which is recorded as a component of 'Net gains on financial assets and liabilities at fair value through profit or loss'.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process.

Other financial liabilities are measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

B Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for the financial instruments traded in active markets at the reporting date is based on their quoted prices (bid prices for long positions and ask prices for short positions), without any deduction for transaction costs.

The fair value of contract for differences ('CFDs') is calculated as being the net difference between the price of the underlying equity securities at the time the contracts are opened and the quoted closing prices at each valuation date.

The fair value of forward foreign exchange contracts is calculated by reference to forward exchange rates at the reporting date for contracts with similar profiles.

Outstanding futures contracts are fair valued at the reporting date at the quoted market price of the instruments.

For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

An analysis of fair values of financial instruments and further details as to how they are measured are described in Note 7.

C Impairment of financial assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets measured at cost or amortised cost, is impaired. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as a 'Credit loss expense'.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is subsequently recovered, the recovery is credited to the 'Credit loss expense'.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

No assets were impaired during the years ended 31 December 2010 and 2009.

D Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master-netting agreements, and the related assets and liabilities are presented gross in the Statement of Financial Position.

E Functional and presentation currency

The Fund's functional and presentation currency is the US Dollar, which is the currency in which the Fund's performance is evaluated and its liquidity is managed. Therefore, the US Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Notes to the Financial Statements for the year ended 31 December 2010

2. Accounting Policies continued

2.2 Summary of significant accounting policies continued

F Foreign currency translations

Transactions in foreign currencies, including purchases and sales of securities, income and expenses, are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at exchange rates ruling on the date of the Statement of Financial Position. Realised and unrealised gains and losses on foreign currency transactions are recognised in the Statement of Comprehensive Income as 'Net gain/(loss) on foreign exchange' except where they relate to financial instruments where such amounts are included within 'Net gain/(loss) on financial assets and liabilities at fair value through profit or loss'. Non-monetary assets and liabilities, if any, are translated into US Dollars using exchange rates ruling on the date of the transaction. Income and expense items expressed in currencies other than US Dollars are translated at rates of exchange prevailing on the dates of such transactions. Differences arising on translation are included in the Statement of Comprehensive Income.

G Due from and due to broker

Included in due from and due to brokers are net amounts from unsettled trades, including reset amounts related to derivatives. These amounts are classified as loans and receivables and other financial liabilities respectively, as disclosed in Note 2.2 (A).

H Redeemable Shares

Redeemable Shares (Note 14) are redeemable at the holders' option and are classified as financial liabilities.

The Net Asset Value per Redeemable Share is calculated by dividing the net assets attributable to each relevant Class of Redeemable Shares included in the Statement of Financial Position by the number of Redeemable Shares of each relevant Class in issue at the end of the year.

The Redeemable Shares can be redeemed for cash equal to a proportionate share of the Fund's Net Asset Value. Each Redeemable Share is carried at the redemption amount that is payable at the Statement of Financial Position date if the holders exercise their right to redeem.

All references to Net Assets throughout this document refer to Net Assets attributable to Holders of Redeemable Shares.

I Distributions to Holders of Redeemable Shares

In accordance with the Fund's prospectus, the Board of Directors has the discretion to declare as dividends the Fund's distributable income to Shareholders. No distributions have been declared during the years ended 31 December 2010 or 2009.

Distributions to Holders of Redeemable Shares, if any, are recognised in the Statement of Comprehensive Income as finance costs.

J Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, bank overdraft, and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Amounts also included in cash and cash equivalents are net cash balances held by various brokers. Refer to Note 13.

K Revenue and expense recognition

Interest income and expense are recognised in the Statement of Comprehensive Income. Interest earned on financial assets classified as at fair value through profit or loss is recorded according to the terms of the contract. Interest expense is recognised on an accrual basis.

Dividend income is recognised when the right to receive the dividend is established, unless collectibility is in doubt. Dividend expense relating to trading securities sold short is recognised in the period in which it has been declared.

Revenue is presented gross of any non-recoverable withholding taxes which are disclosed separately in the Statement of Comprehensive Income as 'Withholding taxes'.

Fees and commissions are recognised on an accrual basis. Legal and audit fees are included within 'Professional fees'.

L Advance subscriptions

Subscriptions received prior to year end are credited to the 'Advance subscriptions' account until the next subscription date, and are included in liabilities in the Statement of Financial Position.

M Short sales

Securities sold, but not yet purchased, represent obligations of the Fund to make future delivery of specific securities and, correspondingly, create an obligation to purchase the security at market prices prevailing at the later delivery date. The Fund records an unrealised gain or loss to the extent of the difference between the proceeds and the value of the open short position. The Fund records a realised gain or loss when the short position is closed out.

N Net gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading and excludes interest and dividend income and expense.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and changes from the reversal of prior periods unrealised gains and losses on financial instruments which were realised in the reporting period.

Realised gains and losses on disposals are calculated using the average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

O Income Tax

The Fund is an exempted company under the laws of Bermuda and, under current law, is not liable to tax in Bermuda on its income or capital profits. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income. For the purpose of the Statement of Cash Flows, cash flows from investments are presented net of withholding taxes, when applicable.

Notes to the Financial Statements for the year ended 31 December 2010

2. Accounting Policies continued

2.3 Changes in accounting policy and disclosure

New and amended standards and interpretations

The accounting polices adopted are consistent with those of the previous financial year, except for the following relevant new and amended IFRS and IFRIC interpretations adopted in the year commencing 1 January 2010:

- Improvements to IFRS (April 2009)

Improvements to IFRS

In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The amendments resulting from Improvements to IFRS to the following relevant standards did not have any impact on the accounting policies, financial position or performance of the Fund:

- IAS 1 *Presentation of Financial Statements*
- IAS 7 *Statement of Cash Flows*
- IAS 39 *Financial Instruments: Recognition and Measurement*

3. Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and accompanying notes. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Fund's accounting policies, the Board of Directors has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going Concern

The Board of Directors has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Functional currency

The determination of the functional currency of the Fund is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. As described in Note 2.2 (E), the Board of Directors has considered those factors described therein and have determined that the functional currency of the Fund is the US Dollar.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the instruments are disclosed in the fair value hierarchy.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Fund may establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. There were no such provisions made during the years ended 2010 and 2009.

4. Standards, interpretations and amendments issued but not yet effective

The following relevant standards, interpretations and amendments are not yet effective and are not expected to have a material impact on the financial position or performance of the Fund:

IAS 24 *Related Party Disclosures* (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The Fund does not expect any impact on its financial position or performance. Early adoption is permitted for the entire standard.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in mid 2011. The Fund is in the process of assessing the impact of the adoption of IFRS 9 on the classification and measurement of the Fund's financial assets.

Improvements to IFRS (issued in May 2010)

The IASB issued improvements to IFRS, an omnibus of amendments to its IFRS standards. The relevant amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011:

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*

The Fund expects no impact from the adoption of the amendments on its financial position or performance. The adoption of the amendment to IFRS 7 is expected to have a limited impact on the disclosure of credit risk.

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies

Introduction

The Fund's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Fund's activities but it is managed through the process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk (which includes currency risk, interest rate risk and market price risk), arising from the financial instruments it holds.

Risk Management Structure

The Fund's Investment Manager and Investment Adviser are responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and the Investment Adviser and is ultimately responsible for the overall risk management of the Fund.

Risk Measurement and Reporting System

The Fund's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, that are an estimate of the ultimate actual loss based on statistical models. The model makes use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Risk Mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

The Fund uses derivatives and other instruments for trading purposes and in connection with its risk management activities.

The Investment Adviser assesses the risk profile before entering into economic hedge transactions. The effectiveness of hedges is assessed by the Investment Adviser (based on economic considerations rather than IFRS hedge accounting conditions). The effectiveness of all hedge relationships is monitored by the Investment Adviser, and reviewed by the Board of Directors on a quarterly basis.

Excessive Risk Concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may rise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentration of risk, the Investment Adviser's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Adviser will seek to reduce exposure or use derivative instruments to manage excessive risk concentrations when they arise.

The table below outlines the amount of net risk exposure associated with financial instruments that share the same characteristics:

	31.12.10 US$	31.12.09 US$
Financial assets and liabilities at fair value through profit or loss		
Listed equity securities (net)	13,687,274	31,994,869
Derivatives		
Futures contracts	9,095	42,500
Forward foreign exchange contracts – assets	461,647	771,444
Forward foreign exchange contracts – liabilities	–	(149,686)
Total financial assets and liabilities at fair value through profit or loss	**14,158,016**	**32,659,127**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date.

At the reporting date, the Fund's financial assets exposed to credit risk amounted to the following:

	31.12.10 US$	31.12.09 US$
Cash and cash equivalents	44,049,410	74,796,225
Due from brokers	410,944	108,675
Accounts receivable and accrued income	48,891	1,033,781
Gross-settled derivative financial assets	29,057,647	72,689,390
Total	**73,566,892**	**148,628,071**

Amounts in the above table are based on the carrying value of all accounts except for gross-settled derivative financial assets, which are presented at the gross principal amount.

It is the Fund's policy that, except in the case of Prime Brokers, it will not expose more than $75 million of the Fund's assets to the credit-worthiness of any counterparty (including that counterparty's subsidiaries or affiliates). The maximum exposure to the prime broker is $150 million and to other counterparties (including the Administrator and Principal Bank) is $75 million.

The Fund's financial assets exposed to credit risk were concentrated in the industries presented in Note 5.3. The Investment Adviser analyses credit concentration based on the counterparty, industry and geographical location of the financial assets that the Fund holds. The Fund has one major counterparty, the Prime Broker located in the United Kingdom, with a Fitch credit rating of AA-.

The Fund's assets will only be traded on or subject to the rules of a recognised stock exchange or with counterparties which have, or whose parent company has, a specified credit rating. All transactions in listed and unlisted securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since the delivery of securities sold is made only once the broker has received payment. A purchase payment is only made once the securities have been received by the broker. If either party fails to meet their obligations, the trade fails.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the credit quality of the brokers used. The Investment Adviser monitors the credit rating and financial positions of the brokers used to further mitigate this risk.

The majority of the cash and trading securities held by the Fund is held by the Prime Broker and various other counterparties. Bankruptcy or insolvency of the Prime Broker and other counterparties may cause the Fund's rights with respect to the cash and trading securities to be delayed or limited. The Investment Adviser monitors this risk by monitoring the credit rating of the Prime Broker and counterparties on a regular basis, as reported by Standard and Poor's, Moody's or Fitch. If the credit quality or the financial position of the Prime Broker or counterparties deteriorates significantly, the Investment Adviser will consider moving the cash holdings to another financial institution.

The brokers are responsible for the safekeeping of all securities delivered to it in accordance with the applicable rules and the terms of the Brokerage Agreements.

The brokers hold all of the Fund's securities in accounts (the 'Securities Account').

Securities appropriated from the Securities Account will become proprietary assets of the brokers and the brokers will be contractually obliged to deliver equivalent securities to the Fund pursuant to the brokerage agreements. The Fund will rank as an unsecured creditor in relation thereto, and in the event of the insolvency of the brokers the Fund may not be able to recover such equivalent securities in full.

As security for the payment and performance of its obligation to the prime broker counterparties, the Fund grants to those counterparties a security interest over the securities held in the Securities Account by way of fixed and/or floating charge. The beneficial ownership of the securities held in the Securities Account will remain vested in the Fund by virtue of being held on trust by brokers for the Fund. Such securities will remain separate from the broker's own assets and will, whilst so held, be unavailable to creditors of the brokers in event of its insolvency.

Notwithstanding the foregoing, prime brokers may also take full legal and beneficial ownership of investments transferred to them by the Fund ('Specified Assets') in which case any such Specified Assets will be held by the prime broker(s) absolutely as its/their property. Any such Specified Assets transferred in this manner will not be segregated from other investments belonging to the relevant prime broker and may be available to the creditors of that prime broker in the event of its insolvency.

Any cash transferred to or held by the broker will not be subject to the client money protections conferred by the client money rules of the Financial Services Authority. Additionally, as a consequence, the Fund's money will not be segregated from the money held in the Cash Account and where permitted under the terms of the Prime Brokerage Agreement and the Prime Broker may use it in the course of its investment business and the Fund will therefore rank as one of the broker's general creditors in relation thereto.

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.1 Credit risk continued

With respect to derivative financial instruments, the Fund's maximum credit risk exposure is the full notional amount under the derivative contracts the Fund will be required to pay or purchase when settling the derivative contracts, should the counterparty not pay the amount it is committed to deliver to the Fund.

Details of open derivative financial instruments are shown in Note 5.3. All open derivative financial instruments at 31 December 2010 and 2009 have been transacted with two counterparties, which are both reputable brokerage firms in the United Kingdom.

Transactions involving derivative financial instruments may be with counterparties with whom the Fund has signed Master Netting Agreements. Master Netting Agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of Master Netting Agreements is to reduce credit risk from the amounts shown as derivative financial assets on the Statement of Financial Position by US$27,085,586 (31 December 2009: US$66,281,242). The credit risk associated with derivative financial assets subject to a Master Netting Agreement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised. The exposure to credit risk reduced by Master Netting Agreements may change significantly within a short period of time as a result of transactions subject to the Agreement. The corresponding assets and liabilities have not been offset on the Statement of Financial Position.

None of the financial assets are considered to be past due or impaired during the years ended 31 December 2010 and 2009.

5.2 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected.

During the years ended 31 December 2010 and 2009, Shareholders could subscribe and redeem Redeemable Shares on a monthly basis and the Fund was therefore exposed to the liquidity risk of meeting redemption requests.

The Fund's trading securities are considered readily realisable as they are listed on recognised stock exchanges. The Fund's derivative financial instruments are either listed or unlisted and are traded over-the-counter. As a result, the Fund's derivative financial instruments may be illiquid, and the Fund may not be able to quickly liquidate some of its derivative financial instruments at an amount close to their fair value.

The Fund's liquidity risk is managed on a monthly basis. The Fund's redemption policy only allows for redemptions on the first business day of each month and shareholders must provide 30 days notice. The Fund has 30 days from the Dealing Day on which the redemption was effected to pay redemption proceeds.

The tables below show the maturity profile of contractual undiscounted cash flows of the Fund's financial liabilities:

31 December 2010	Less than one month US$	1-3 months US$	No stated maturity US$
Financial liabilities including derivatives settled net			
Bank overdraft	(13,410,053)	–	–
Due to brokers	(11,549)	–	–
Accounts payable and accrued expenses	–	(690,936)	–
Advance subscriptions	(466,679)	–	–
Equalisation credit	(32,600)	–	–
Financial liabilities at fair value through profit or loss	–	–	(7,349,098)
Net Assets attributable to Holders of Redeemable Shares	–	–	(44,043,444)
Gross settled derivatives:			
Outflows	(28,596,000)	–	–
Inflows	29,057,647	–	–
	(13,459,234)	**(690,936)**	**(51,392,542)**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.2 Liquidity risk continued

31 December 2009	Less than one month US$	1-3 months US$	No stated maturity US$
Financial liabilities including derivatives settled net			
Due to brokers	(835,617)	–	–
Accounts payable and accrued expenses	–	(1,417,228)	–
Advance subscriptions	(263,408)	–	–
Equalisation credit	(80,656)	–	–
Financial liabilities at fair value through profit or loss	(149,686)	–	–
Net Assets attributable to Holders of Redeemable Shares	–	–	(105,988,899)
Gross settled derivatives:			
Outflows	(72,067,632)	–	–
Inflows	72,689,390	–	–
	(707,609)	**(1,417,228)**	**(105,988,899)**

The gross nominal inflow/(outflow) disclosed in the previous tables are the contractual, undiscounted cash flow of the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled.

5.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The maximum risk resulting from financial instruments, except for securities sold short, equals their fair value.

The Fund’s strategy on the management of investment risk is driven by the Fund’s investment objective. The Fund’s principal objective is to provide holders of Redeemable shares with capital gain whether short, medium or long term and from an international portfolio of investments.

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

The Fund's market price risk is managed on a daily basis by the Investment Adviser (see Note 5.3.1).

Details of the nature of the Fund's investment portfolio at the Statement of Financial Position date are presented below:

Schedule of Financial Assets and Liabilities Held at Fair Value through Profit or Loss

31 December 2010	Fair Value US$	% of Net Assets
Geographical breakdown of financial assets held at fair value through profit or loss quoted on a stock exchange (excluding derivatives)		
Long Positions		
Equity		
United States		
Banking	3,227,067	7.33
Basic Resources	1,733,449	3.94
Construction and Materials	510,269	1.16
Financial Services	1,413,511	3.21
Food & Beverages	300,700	0.68
Index Futures & ETF's	211,113	0.48
Industrial Goods & Services	170,490	0.39
Oil & Gas	765,909	1.74
Personal & Household Goods	161,189	0.37
Technology	1,074,338	2.44
	9,568,035	**21.74**
Switzerland		
Banking	1,356,291	3.08
Chemicals	386,114	0.88
Financial Services	1,344,777	3.05
Technology	134,316	0.30
	3,221,498	**7.31**
Russia		
Banking	443,013	1.01
Basic Resources	688,614	1.56
	1,131,627	**2.57**
Canada		
Basic Resources	685,145	1.56
Chemicals	380,127	0.85
	1,065,272	**2.41**
South Africa		
Banking	313,850	0.71
Basic Resources	136,453	0.31
Financial Services	437,585	0.99
Telecommunications	142,240	0.32
	1,030,128	**2.33**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

Schedule of Financial Assets and Liabilities Held at Fair Value through Profit or Loss continued

31 December 2010	Fair Value US$	% of Net Assets
Geographical breakdown of financial assets held at fair value through profit or loss quoted on a stock exchange (excluding derivatives)		
Long Positions (continued)		
Equity		
Germany		
Automobile & Parts	223,566	0.51
Chemicals	311,977	0.71
Personal & Household Goods	244,231	0.55
	779,774	**1.77**
Netherlands		
Food & Beverage	454,095	1.03
Oil & Gas	222,449	0.51
	676,544	**1.54**
Japan		
Banking	217,049	0.49
Financial Services	285,264	0.65
	502,313	**1.14**
China		
Banking	44,409	0.10
Industrial Goods & Services	421,731	0.95
	466,140	**1.05**
United Kingdom		
Basic Resources	443,623	1.01
Poland		
Insurance	320,774	0.73
Turkey		
Banking	303,680	0.69
Egypt		
Financial Services	238,971	0.54
Australia		
Basic Resources	225,118	0.51
Spain		
Banking	216,640	0.49
Norway		
Oil & Gas	202,141	0.46

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

Schedule of Financial Assets and Liabilities Held at Fair Value through Profit or Loss continued

31 December 2010	Fair Value US$	% of Net Assets
Geographical breakdown of financial assets and liabilities held at fair value through profit or loss quoted on a stock exchange (excluding derivatives)		
Long Positions continued		
Fixed Income		
United States		
Corporate Bonds	438,417	1.00
United Kingdom		
Corporate Bonds	205,677	0.47
Total Long Positions	**21,036,372**	**47.76**
Total Financial Assets Held at Fair Value through Profit or Loss (excluding Derivatives)	**21,036,372**	**47.76**
Derivative Financial Assets		
Forward foreign exchange contracts and futures	470,742	1.07
Total Financial Assets at Fair Value through Profit or Loss	**21,507,114**	**48.83**
Short Positions		
Equity		
United States		
Banking	(93,382)	(0.21)
Financial Services	(252,944)	(0.57)
Government Bond Futures	(4,356,442)	(9.89)
Index Futures & ETF's	(2,178,718)	(4.96)
	(6,881,486)	**(15.63)**
Spain		
Banking	(211,073)	(0.48)
Turkey		
Index Futures & ETF's	(131,427)	(0.30)
Belgium		
Banking	(125,112)	(0.28)
Total Short Positions	**(7,349,098)**	**(16.69)**
Total Financial Liabilities at Fair Value through Profit or Loss	**(7,349,098)**	**(16.69)**
Total Financial Assets and Liabilities at Fair Value through Profit or Loss	**14,158,016**	**32.14**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

Schedule of Financial Assets and Liabilities Held at Fair Value through Profit or Loss continued

31 December 2009	Fair Value US$	% of Net Assets
Geographical breakdown of financial assets held at fair value through profit or loss quoted on a stock exchange (excluding derivatives)		
Long Positions		
Equity		
United States		
Banking	1,250,100	1.18
Financial Services	2,026,080	1.91
	3,276,180	**3.09**
Hong Kong		
Real Estate and Investment Services	4,499,439	4.25
China		
Banking	1,083,270	1.02
Cayman Islands		
Financial Services	983,250	0.93
Fixed Income		
France		
Corporate Bonds	11,096,800	10.47
United Kingdom		
Corporate Bonds	7,145,400	6.74
United States		
Corporate Bonds	3,910,530	3.69
Total Long Positions	**31,994,869**	**30.19**
Total Financial Assets Held at Fair Value through Profit or Loss (excluding Derivatives)	**31,994,869**	**30.19**
Derivative Financial Assets		
Forward foreign exchange contracts and futures	813,944	0.76
Total Financial Assets at Fair Value through Profit or Loss	**32,808,813**	**30.95**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

Derivative Financial Instruments

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund holds or issues include futures, forward foreign exchange contracts and contracts for differences.

The Fund uses derivative financial instruments to hedge its risks associated primarily with interest rate and foreign currency fluctuations for trading purposes where the Investment Adviser believes this would be more effective than investing directly in the underlying financial instruments.

Derivative financial instruments often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and volatility. A relatively small movement in the underlying financial instrument of a derivative financial instrument may have a significant impact on the profit or loss of the Fund.

Over-the-counter derivative financial instruments may expose the Fund to the risks associated with the absence of an exchange market on which to close out an open position.

The Investment Adviser closely monitors the Fund's exposure under derivative contracts as part of the overall management of the Fund's market risk.

As at 31 December 2010 and 2009, the Fund had positions in the following types of derivatives:

Forwards and futures contracts

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

The main difference in the risk associated with forward and futures contracts is credit risk. The Fund has credit exposure to the counterparties of forward contracts. The credit risk related to futures contracts is considered minimal because the exchange ensures that these contracts are always honoured. Both types of contract result in market risk exposure.

Open forward foreign exchange contracts as of 31 December 2010 are as follows:

Currency bought	Currency sold	Maturity date	Unrealised Gain US$
€3,921,885	US$5,149,000	31/01/11	109,833
£15,246,412	US$23,447,000	31/01/11	351,814
			461,647

Open forward foreign exchange contracts as of 31 December 2009 are as follows:

Currency bought	Currency sold	Maturity date	Unrealised Gain/(Loss) US$
US$8,382,500	£5,000,000	16/02/10	304,681
US$4,972,950	£3,000,000	16/02/10	126,259
€15,203,742	US$21,939,000	29/01/10	(149,686)
£23,088,070	US$36,964,000	29/01/10	340,504
			621,758

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

Derivative Financial Instruments continued

Contracts for Differences (CFDs)

CFDs represent agreements that oblige two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise determined notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Therefore amounts required for the future settlement of the CFDs may be greater or less than the amount recorded.

CFDs are reset on a monthly basis, at which time unrealised gains or losses are realised. All CFDs held by the Fund were reset on 31 December 2010 and 2009. Therefore, there were no unrealised gains or losses on CFDs at the year end.

Notional amounts are the reference amounts of underlying securities or currencies specified in the futures, forward or contract for difference contracts. The notional amounts of derivatives do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Fund's exposure to market price, liquidity or currency risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the price of the underlying security or index relative to their terms.

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Short sales made by the Fund involve certain risks and special considerations. Possible losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases cannot exceed the total amount invested. At 31 December 2010, there were trading securities sold short amounting to US$7,349,098 (31 December 2009: US$Nil). No short CFD positions were held by the Fund as at 31 December 2010. The short positions held as at 31 December 2009 were reset as at that date.

The Fund's derivative financial instruments outstanding at year end are detailed below:

	31.12.10 Fair Value Unrealised Gain US$	31.12.09 Fair Value Unrealised Gain/(Loss) US$
Forward foreign exchange contracts	461,647	771,444
JPN 10Y Bond Maturity (2010: 09/03/2011) (-2 contracts) (Notional amount 31/12/10: US$281,340,000)	6,656	–
JPN 10Y Bond Maturity (2010: 22/03/2011) (-3 contracts) (Notional amount 31/12/10: US$421,890,000)	739	–
NASDAQ 100 Maturity (2010: 17/03/2011) (-2 contracts) (Notional amount 31/12/10: US$444,800)	1,600	–
S&P 500 Index Future, Maturity (2010: 17/03/2011; 2009: 18/03/2010) (2010 -6 contracts; 2009 -20 contracts) (Notional amount 31/12/10: US$1,879,600; 31/12/09: US$5,596,000)	100	42,500
Total derivative financial instrument – Assets	**470,742**	**813,944**
Forward foreign exchange contracts	–	(149,686)
Total derivative financial instrument – Liabilities	**–**	**(149,686)**
Net Derivative Financial Assets	**470,742**	**664,258**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

The Fund's derivative financial instruments outstanding at year end are detailed below:

5.3.1 Market price risk

Market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect operating profit.

Price risk is managed by the Investment Adviser by concentrating on exploiting incorrect prices of individual stocks not currencies, gearing at times of high conviction, avoiding emerging market risk, focusing on liquidity, setting of position limits (positions are usually below 10% of Net Assets), and hedging equity holdings against currency risk. There is no limit on borrowing.

The Fund may invest some or all of its assets in short term securities, cash and cash equivalents in adverse market conditions or at times when the Investment Adviser does not find sufficient opportunities that meet its investment criteria.

Daily risk reports are produced by an internal risk and performance reporting team using Risk Metrics, and there is a focus on ensuring that the Investment Adviser has a clear view on where risk lies.

As described in Note 5.3, all CFDs held by the Fund had been reset as at 31 December 2010 and 2009.

The following table details the gross market position breakdown of the investment assets and liabilities held by the Fund at 31 December 2010:

	Cost/(Proceeds) US$	Absolute Fair Value US$	% of Net Assets
Trading securities – long positions	**20,000,485**	**21,036,372**	**47.76**
Trading securities – short positions	**(7,312,368)**	**7,349,098**	**16.69**

	Absolute Fair Value Notional US$	% of Net Assets
CFD Positions (weighted average notional amounts)		
Long positions		
Netherlands		
Basic Resource	128,599	0.29
Technology	131,420	0.30
United Kingdom		
Banking	278,077	0.63
Basic Resource	215,025	0.49
Financial Services	1,362,504	3.09
Oil & Gas	430,659	0.98
Total CFD long positions	**2,546,284**	**5.78**
Gross Absolute Market Position	**30,931,754**	**70.23**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

5.3.1 Market price risk continued

The Fund was exposed to the following market positions as at 31 December 2009:

	Cost US$	Absolute Fair Value US$	% of Net Assets
Trading securities – long positions	**31,100,882**	**31,994,869**	**30.19**

	Absolute Fair Value Notional US$	% of Net Assets
CFD Positions (weighted average notional amounts)		
Long Positions		
France		
Banking	2,013,718	1.90
Norway		
Banking	2,706,701	2.55
Switzerland		
Banking	2,074,678	1.96
United Kingdom		
Banking	2,610,163	2.46
Basic Resources	905,768	0.85
Insurance	1,034,240	0.98
Total CFD long positions	**11,345,268**	**10.70**
Short positions		
France		
Personal & Household Goods	1,898,990	1.79
Greece		
Banking	778,228	0.73
United Kingdom		
Real Estate	1,882,640	1.78
Financial Services	997,072	0.94
Total CFD short positions	**5,556,930**	**5.24**
Gross Absolute Market Position	**48,897,067**	**46.13**

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

5.3.1 Market price risk continued

Market Price Sensitivity Analysis

At 31 December 2010 and 2009, all of the Fund's investments are listed on stock exchanges. The Investment Manager's best estimate of the effect on Net Assets and profits due to a reasonably possible change in indices, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material). An equal change in the opposite direction would have increased/(decreased) the Net Assets and profits by an equal but opposite amount.

Market indices	Change in equity price 2010* %	Effect on Net Assets and profit 31.12.10 US$'000	Change in equity price 2009* %	Effect on Net Assets and profit 31.12.09 US$'000
FTSE - All-Share (in Sterling)	2.18%	674	2.41%	1,178

*10 year historical average change in index

5.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The £ Shares, US$ Shares and € Shares (collectively 'Redeemable Shares') are denominated in Sterling, US Dollars and Euro, respectively, and are issued and redeemed in these currencies. The assets of the Fund may, however, be invested in securities and other investments, which are denominated in currencies other than the currency in which a Class of Redeemable Shares is denominated. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US Dollar. In particular, an investor who acquires US$ Shares will be subject to foreign exchange risk in respect of those assets of the Fund which are denominated in any currency other than US Dollars. Similarly, an investor who acquires £ or € Shares will be subject to foreign exchange risk in respect of those assets of the Fund which are denominated in any currency other than the Sterling or Euro. In addition, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the US Dollar, Sterling or Euro, as the case may be, and such other currencies.

The assets of the Sterling and Euro Classes are hedged against US Dollar, and foreign exchange transactions with respect to £ and € Shares may be undertaken with a view to protecting the Sterling and Euro value of those classes as against the US Dollar value. The foreign currency exposure of the £ and € Classes is substantially hedged through the use of forward contracts. The expenses, profits and losses from these transactions are allocated solely among the shares of the respective £ and € Classes to which they relate.

At the reporting date, the Fund had the following unhedged exposure as a percentage of Net Assets:

Currency	31.12.10	31.12.09
US Dollar*	99.45%	80.26%
Swiss Franc	12.06%	(0.26)%
Singapore Dollar	6.96%	–
Canadian Dollar	2.41%	–
South African Rand	2.33%	–
Polish Zloty	0.73%	–
Turkish Lira	0.69%	–
Sterling	0.63%	10.31%
Japanese Yen	0.63%	–
Australian Dollar	0.51%	–
Norwegian Krona	0.45%	0.03%
Hong Kong Dollar	0.10%	5.27%
Euro	(26.95)%	4.39%

*Currency risk does not arise from financial instruments denominated in the functional currency.

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

5.3.2 Currency risk continued

The following tables set out the Fund's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary and non-monetary assets and liabilities at 31 December 2010 and 2009. The fair value of due from brokers, accounts receivable and accrued income is included in 'Other assets'. The fair value of due to brokers, advance subscriptions, accounts payable and accrued expenses and equalisation credit are included in 'Other liabilities'. All amounts are stated in US Dollars.

							31 December 2010
	USD	EUR	CHF	SGD	CAD	ZAR	GBP
Assets							
Cash and cash equivalents	38,520,504	24,752	2,090,335	3,065,049	–	–	294,850
Other assets	303,376	13	–	–	–	–	156,446
Financial assets at fair value through profit or loss	12,529,366	1,988,468	3,221,498	–	1,065,272	1,030,130	351,814
Total assets	**51,353,246**	**2,013,233**	**5,311,833**	**3,065,049**	**1,065,272**	**1,030,130**	**803,110**
Liabilities							
Bank overdraft	–	(13,410,053)	–	–	–	–	–
Other liabilities	(538,125)	(137,777)	–	–	–	–	(525,862)
Financial liabilities at fair value through profit or loss	(7,012,913)	(336,185)	–	–	–	–	–
Total liabilities	**(7,551,038)**	**(13,884,015)**	**–**	**–**	**–**	**–**	**(525,862)**
Net Exposure	**43,802,208**	**(11,870,782)**	**5,311,833**	**3,065,049**	**1,065,272**	**1,030,130**	**277,248**

							31 December 2010
	PLN	TRY	JPY	AUD	NOK	HKD	Total
Assets							
Cash and cash equivalents	–	–	53,920	–	–	–	44,049,410
Other assets	–	–	–	–	–	–	459,835
Financial assets at fair value through profit or loss	320,774	303,680	224,444	225,118	202,141	44,409	21,507,114
Total assets	**320,774**	**303,680**	**278,364**	**225,118**	**202,141**	**44,409**	**66,016,359**
Liabilities							
Bank overdraft	–	–	–	–	–	–	(13,410,053)
Other liabilities	–	–	–	–	–	–	(1,201,764)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	(7,349,098)
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**(21,960,915)**
Net Exposure	**320,774**	**303,680**	**278,364**	**225,118**	**202,141**	**44,409**	**44,055,444**

Amounts in the above table are based on the carrying value of monetary and non-monetary assets and liabilities.

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

5.3.2 Currency risk continued

							31 December 2009
	US$ US$	GBP US$	EUR US$	HKD US$	CHF US$	NOK US$	Total US$
Assets							
Cash and cash equivalents	62,971,852	6,824,139	4,925,163	–	–	75,071	74,796,225
Other assets	488,184	476,464	177,808	–	–	–	1,142,456
Financial assets at fair value through profit or loss	22,201,193	5,024,911	–	5,582,709	–	–	32,808,813
Total Assets	**85,661,229**	**12,325,514**	**5,102,971**	**5,582,709**	**–**	**75,071**	**108,747,494**
Liabilities							
Other liabilities	(596,205)	(1,402,252)	(300,969)	–	(263,510)	(45,973)	(2,596,909)
Financial liabilities at fair value through profit or loss	–	–	(149,686)	–	–	–	(149,686)
Total Liabilities	**(596,205)**	**(1,402,252)**	**(450,655)**	**–**	**(263,510)**	**(45,973)**	**(2,746,595)**
Net Exposure	**85,065,024**	**10,923,262**	**4,652,316**	**5,582,709**	**(263,510)**	**29,098**	**106,000,899**

Amounts in the above table are based on the carrying value of monetary and non-monetary assets and liabilities.

Currency Sensitivity Analysis

The table below indicates the three most significant currencies to which the Fund had exposure at 31 December 2010 and 2009 on its trading monetary assets and liabilities. The analysis discloses the Investment Adviser's best estimate of the effect of a reasonably possible movement of the currency rate against US Dollar, with all other variables held constant on the Net Assets and profits (due to the fair value of currency sensitive trading monetary assets and liabilities). In practice the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Currency	Change in currency rate 2010* %	Effect on Net Assets and profit 31.12.10 US$'000	Change in currency rate 2009* %	Effect on Net Assets and profit 31.12.09 US$'000
Euro	-2.88	343	-3.22%	(150)
Swiss Francs	+6.61%	351	**	**
Singapore Dollar	+3.51%	108	**	**
Sterling	***	***	+1.35%	147
Hong Kong Dollar	***	***	+0.01%	0.6

*10 year historical average annual change in currency rates to reporting date
**exposure was not significant in 2009
***exposure was not significant in 2010

Notes to the Financial Statements for the year ended 31 December 2010

5. Financial Risk Management Objectives and Policies continued

5.3 Market risk continued

5.3.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

A portion of the Fund's financial assets and liabilities are non-interest-bearing. As a result, the Fund is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Fund may borrow funds from brokerage firms, banks and other financial institutions in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which the Fund can borrow may affect the operating results of the Fund.

The following tables detail the Fund's exposure to interest rate risks at 31 December 2010 and 2009. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates measured by the carrying value of the assets and liabilities. The net interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

31 December 2010	Interest bearing (Less than 1 month)	Interest bearing (3 months to 1 year)	Non-interest bearing US$	Total US$
Assets				
Cash and cash equivalents	44,049,410	–	–	44,049,410
Other assets*	–	–	459,835	459,835
Financial assets at fair value through profit and loss	–	644,094	20,863,020	21,507,114
Total assets	**44,049,410**	**644,094**	**21,322,855**	**66,016,359**
Liabilities excluding Redeemable Shares				
Bank overdraft	13,410,053	–	–	13,410,053
Other liabilities**	–	–	1,201,764	1,201,764
Financial liabilities at fair value through profit and loss	–	–	7,349,098	7,349,098
Total liabilities	**13,410,053**	**–**	**8,550,862**	**21,960,915**
Net interest sensitivity gap	**30,639,357**	**644,094**		

*Other assets include accounts receivable and accrued income, and due from brokers.
**Other liabilities include due to brokers, advance subscriptions, accounts payable and accrued expenses and equalisation credit.

Notes to the Financial Statements for the year ended 31 December 2010

31 December 2009	Interest bearing (Less than 1 month)	Interest bearing (3 months to 1 year)	Non-interest bearing US$	Total US$
Assets				
Cash and cash equivalents	74,796,225	–	–	74,796,225
Other assets*	–	–	1,142,456	1,142,456
Financial assets at fair value through profit and loss	–	22,152,730	10,656,083	32,808,813
Total assets	**74,796,225**	**22,152,730**	**11,798,539**	**108,747,494**
Liabilities excluding Redeemable Shares				
Other liabilities**	–	–	2,596,909	2,596,909
Financial liabilities at fair value through profit and loss	–	–	149,686	149,686
Total liabilities	**–**	**–**	**2,746,595**	**2,746,595**
Net interest sensitivity gap	**74,796,225**	**22,152,730**		

*Other assets include accounts receivable and accrued income, and due from broker.
**Other liabilities include due to broker, advance subscriptions, accounts payable and accrued expenses and equalisation credit.

Interest Rate Sensitivity Analysis

The average effective interest rate received for the year ended 31 December 2010 was 0.74% (31 December 2009: 4.02%) on base currency deposits. If the average effective interest rate on base currency deposits had increased by 100 basis points during the year under review, the Net Assets and profits at 31 December 2010 would have increased by US$382,430 (31 December 2009: US$715,203). A decrease of 100 basis points would have had an equal but opposite effect. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be significant.

6. Net Gain on Financial Assets and Liabilities at Fair Value through Profit or Loss

	31.12.10 US$	31.12.09 US$
Net realised gains/(losses)		
Trading securities	1,025,169	9,251,542
Derivative financial instruments	(828,300)	(5,554,166)
Net movement in unrealised gains/(losses)		
Trading securities	105,170	(509,315)
Derivative financial instruments	(193,516)	1,791,504
Net gain on financial assets and liabilities at fair value through profit or loss	**108,523**	**4,979,565**

The Fund has not designated any loan or receivable at fair value through profit or loss.

Notes to the Financial Statements for the year ended 31 December 2010

7. Fair Value of Financial Instruments

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on:

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

31 December 2010	Level 1 US$	Level 2 US$	Total US$
Financial assets at fair value through profit or loss			
Financial assets held for trading:			
Listed equities	20,392,278	–	20,392,278
Fixed income bonds	644,094	–	644,094
Futures contracts	9,095	–	9,095
Forward foreign exchange contracts	–	461,647	461,647
Total financial assets at fair value through profit or loss	**21,045,467**	**461,647**	**21,507,114**
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading:			
Listed equities	(7,349,098)	–	(7,349,098)
Total financial liabilities at fair value through profit or loss	**(7,349,098)**	**–**	**(7,349,098)**

31 December 2009	Level 1 US$	Level 2 US$	Total US$
Financial assets at fair value through profit or loss			
Financial assets held for trading:			
Listed equities	9,842,139	–	9,842,139
Fixed income bonds	22,152,730	–	22,152,730
Futures contract	42,500	–	42,500
Forward foreign exchange contracts	–	771,444	771,444
Total financial assets at fair value through profit or loss	**32,037,369**	**771,444**	**32,808,813**
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading:			
Forward foreign exchange contracts	–	(149,686)	(149,686)
Total financial liabilities at fair value through profit or loss	**–**	**(149,686)**	**(149,686)**

When fair values of listed equity and debt securities at the reporting date are based on quoted market prices (bid price for long positions and ask price for short positions), without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. When the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or ask price to the net open position as appropriate.

For forward foreign exchange contracts, fair value is determined using valuation techniques for this instrument. Inputs into models are market observable and are therefore included within Level 2.

There have been no transfers between Level 1 and Level 2 fair value classifications during the years ended 31 December 2010 or 2009.

The Fund's policy on determination of fair value is as disclosed in Note 2.2 (B).

Notes to the Financial Statements for the year ended 31 December 2010

8. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if both parties are under the control of a common entity or entities.

The Investment Manager, Investment Adviser and Directors are considered related parties to the Fund.

Investment Manager

The Fund is managed by Jupiter Asset Management (Bermuda) Limited ('JAMB'), an investment management company incorporated in Bermuda. Under the terms of the Investment Management Agreement (the 'IMA') dated 1 January 2006, JAMB acts as Investment Manager to provide certain management and administrative services. JAMB receives from the Fund a monthly management fee at a rate equivalent to 1.5% per annum of the month end Net Asset Value of each Share Class, before deduction of that month's management fee and accrued performance fees, and payable monthly in arrears. Management fees for the year ended 31 December 2010 were US$1,052,429 (31 December 2009: US$2,078,246). US$56,276 of the management fees remained payable at the year end (31 December 2009: US$279,607).

In addition, pursuant to the IMA, JAMB is entitled to receive a performance fee calculated on a share-by-share basis so that each Share is charged a performance fee which equates precisely with that Share's performance. This method of calculation ensures that (i) any performance fee paid to JAMB is charged only to those Shares which have appreciated in value, (ii) all holders of Shares of the same Class have the same amount at risk in the Fund, and (iii) all Shares of the same Class have the same Net Asset Value per Share. The performance fee is calculated using equalisation methodology in respect of each period of twelve months ending 31 December in each year (the 'Calculation Period').

The performance fee is accrued on a monthly basis as at each valuation day and will be payable to JAMB in arrears within fourteen days after the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued performance fee in respect of those Shares is payable within fourteen days after the date of redemption. If the IMA is terminated during a Calculation Period, the performance fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination was the end of the relevant period.

For each Calculation Period, the performance fee in respect of each Share will be equal to 20% of the appreciation in the Net Asset Value per Share of that Class during that Calculation Period above the greater of the Net Asset Value per Share of the relevant Class at the time of issue of that Share and the highest Net Asset Value per Share of the relevant Class achieved as of the end of any previous Calculation Period ('High Water Mark') during which such Share was in issue ('Relevant Appreciation'). Net Asset Value per Share includes, for the purpose of calculating the performance fee, (i) any accrued and unpaid performance fees and (ii) an amount equal to any equalisation credit.

An equalisation credit ensures that all holders of Shares of the same Class in the Fund have the same amount of capital at risk per share. The equalisation credit takes into account the fact that the Net Asset Value per Share has been reduced to reflect an accrued performance fee to be borne by existing shareholders and serves as a credit against performance fees that might otherwise be payable by the Fund but that should not be charged against new shareholders making a subscription, as no favourable performance attributable to such Shares has occurred. The equalisation credit recorded at 31 December 2010 was US$32,600, which converted into 1,613 US$ Shares, 26 € Shares and 82 £ Shares effective 3 January 2011 (31 December 2009: US$80,656 which converted into 7,838 US$ Shares, 481 € Shares, and 1,547 £ Shares).

A performance fee of US$618,647 was incurred by the Fund for the year ended 31 December 2010 (31 December 2009: US$662,056) of which US$487,730 remained payable at 31 December 2010 (31 December 2009: US$1,049,631).

Investment Adviser

JAMB has appointed Jupiter Asset Management Limited (JAM) as Investment Adviser. In consideration for the services rendered by JAM, JAMB will pay to JAM by way of remuneration, such fees as may from time to time be agreed.

Directors' fees and expenses

For the year ended 31 December 2010, the total remuneration of the Directors' was US$105,000 (31 December 2009: US$105,000). Directors fees of US$27,480 remained payable at 31 December 2010 (31 December 2009: US$nil).

Directors' fees during the year for Mr. Jonathan Carey and Mr. Reef Hogg were paid to JAM for making available their services as Directors until their resignations on 1 December 2010 and 27 May 2010, respectively. Directors' fees during the year for Mr. Garth Lorimer Turner were paid to JAMB.

Directors may be reimbursed for reasonable travelling, hotel and other expenses in respect of attending meetings of the Fund.

Directors' interests

JAM (the 'Investment Adviser') and JAMB (the 'Investment Manager') are wholly owned subsidiaries of Jupiter Fund Management plc ('JFM') (previously named Jupiter Investment Management Group Limited)

Mr. Richard Thomas has a beneficial interest in 2,921 Shares (31 December 2009: 3,676 Shares) in the Sterling Class of the Fund.

Mr. Jonathan Carey was the Chairman of JFM and was also Chairman of JAMB until his retirement on 15 December 2010. Mr. Carey resigned as a Director of the Fund on 1 December 2010. Mr. Carey had no beneficial interest in the Fund as at 31 December 2010 (31 December 2009: 194.158 Euro Class Shares)

Mr. Garth Lorimer Turner is the Managing Director of JAMB and therefore has an interest in the Investment Management Agreement.

Mr. Donald Lines had a beneficial interest in 65,116.279 Shares in the US Dollar Class of the Fund at the time of his resignation on 1 December 2010 (31 December 2009: 65,116.279 Shares).

Mr. Reef Hogg is a Director of JFM and a Director of JAM.

Mr. John Collis is a Partner in Conyers, Dill and Pearman Limited, legal advisors to the Fund.

Save as referred to above, no Director has any interest in any transaction which, during the year under review, has been affected by the Fund and is unusual in its nature or conditions, or is significant to the business of the Fund.

9. Administration Fees

HSBC Securities Services (Luxembourg) S.A. acts as Administrator of the Fund and is entitled to receive a fee paid out of the Fund's assets based upon the nature and the extent of the services performed. The administration fee is calculated based on the month-end Net Asset Value, subject to a minimum monthly fee of US$10,000 and is payable monthly in arrears. The administration fee for the year ended 31 December 2010 was US$121,431 (31 December 2009: US$176,738) of which US$19,654 remained payable at 31 December 2010 (31 December 2009: US$23,300).

Notes to the Financial Statements for the year ended 31 December 2010

10. Taxation

Depending on the circumstances, there are a variety of taxes that may arise in each jurisdiction in which the Fund operates. This note details the principal taxes relevant to the Fund; however, it is not a comprehensive summary of the tax system in each jurisdiction.

10.1 Bermuda

At the date of this report, the Fund is domiciled in Bermuda. Currently, there is no income tax, corporation tax, profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Fund or its Shareholders, other than Shareholders ordinarily resident in Bermuda. The Fund is not subject to stamp duty on the issue, transfer or redemption of its Shares.

The Fund has received from the Minister of Finance of Bermuda under the Exempted Undertaking Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 28 March 2016 be applicable to the Fund or to any of its operations, or its Shares, debentures or other obligations except in so far as such tax applies to persons ordinarily resident in Bermuda and holding such Shares, debentures or other obligations of the Fund or any land leased or let to the Fund.

As an exempted Company, the Fund is liable to pay in Bermuda a registration fee based upon its assessable share capital at a rate which currently does not exceed US$1,995 per annum.

Dividends and interest received by the Fund and capital gains on securities may be subject to irrecoverable tax in the country of origin.

Savings Directive (unaudited)

Dividends distributed by a portfolio will fall into the scope of the Savings Directive if more than 15% of the Portfolio's assets are invested in debt claims (as defined in the Law). Redemption proceeds realised by shareholders on the disposal of shares will fall into the scope of the Savings Directive if more than 40% of the relevant Portfolio's assets are invested in debt claims. As at 31 December 2010 and 2009, the Fund's investment portfolio was such that the Fund was in scope of the Directive with respect to dividends and redemption proceeds.

No dividends were declared during the years ended 31 December 2010 and 2009 and, as the Fund seeks to achieve capital growth, it is not expected that dividends will be paid. With respect to redemptions, costs incurred that can be allocated to interest generated exceed such interest generated and as a result taxable income per share is nil.

10.2 United Kingdom

It is the intention of the Directors to conduct the affairs of the Fund so that its central management and control is not exercised in the United Kingdom, it is not resident in the United Kingdom for taxation purposes, and so that it does not carry out any trade in the United Kingdom (whether or not through a branch or agency situated there). On this basis, the Fund will not be liable for United Kingdom taxation on its income and gains other than certain income deriving from a United Kingdom source.

10.3 Other Countries

Interest and dividend income may be received by the Fund after deduction at source of withholding or other taxes applicable in countries in which the Fund invests and in which such interest or dividends originate. Gains arising on the sale of investments in countries in which the Fund invests may be taxed in the country where the investment is located.

There can be no guarantee that the tax position of the Fund will not be challenged by the revenue authorities of one or more countries.

Notes to the Financial Statements for the year ended 31 December 2010

11. Accounts receivable and accrued income

	31.12.10 US$	31.12.09 US$
Dividends receivable	975	44,000
Interest receivable	13,494	476,160
Receivable on Management Shares	12,000	12,000
Other receivables	22,422	501,621
	48,891	**1,033,781**

12. Accounts payable and accrued expenses

	31.12.10 US$	31.12.09 US$
Performance fee	487,730	1,049,631
Management fee	56,276	279,607
Other accounts payable and accrued expenses	146,930	87,990
	690,936	**1,417,228**

13. Cash and Cash Equivalents

	31.12.10 US$	31.12.09 US$
Cash at bank	3,087,446	–
Cash at brokers	40,961,964	74,796,225
	44,049,410	**74,796,225**
Bank overdraft	(13,410,053)	–
	30,639,357	**74,796,225**

Cash relating to securities sold short, but not yet purchased, CFDs and futures trading is therefore restricted until the Fund purchases the securities or until the underlying contracts are closed.

Of the cash held at brokers US$Nil (31 December 2009: US$5.6 million) was pledged as collateral for CFD positions.

14. Share Capital

The authorised share capital of the Fund is US$5,012,000 divided into 12,000 Management Shares of par value US$1.00 each, 500,000,000 Redeemable Shares of par value US$0.01 each, such Shares being issuable in such Classes and dealing currencies as the Directors may determine.

The Holder of the Management Shares (JAMB) is entitled to receive notice of, and to attend and vote at, general meetings of the Fund, and each Management Share carries one vote. The Management Shares are not entitled to dividends and in the event of a winding up or dissolution of the Fund, whether voluntary or involuntary or for the reorganisation or otherwise or upon distribution of capital shall be entitled pari passu with the Holders of Redeemable Shares, to an amount equal to the capital paid up on the Management Shares but no other or further amount. The Management Shares are not subject to redemption or repurchase. The Management Shares have not been paid up, and the US$12,000 par value due to the Fund for these Shares is included in accounts receivable and accrued income as shown in Note 11.

The Holders of Redeemable Shares are entitled to receive notice of, and to attend and vote at, general meetings of the Fund. Each Redeemable Share carries one vote. Although the Redeemable Shares carry rights to dividends, it is not expected that any dividends will be declared. In the event of a winding up or dissolution of the Fund, whether voluntary or involuntary or for the reorganisation or otherwise or upon distribution of capital, the holders of Redeemable Shares shall be entitled to the assets of the Fund pari passu with the Holders of the Management Shares up to an amount equal to the capital paid up on the Management Shares, and thereafter to all remaining assets of the Fund, pro-rata to their respective holdings. The Redeemable Shares may be redeemed in accordance with the provisions outlined in the Prospectus.

Redeemable Shares are issued and redeemed at the option of the holders based on the value of the Net Assets of the Fund at the time of issue/redemption.

Notes to the Financial Statements for the year ended 31 December 2010

14. Share Capital continued

In accordance with IAS 32 (revised), Redeemable Shares have been classified as a financial liability rather than equity in the Statement of Financial Position since such interests give investors the right to redeem them for cash equal to their proportionate share of the Net Asset Value of the Fund.

Management Shares have been classified as equity. There have been no movements in the equity during the years ended 31 December 2010 and 2009. Consequently, no Statement of Changes in Equity is presented.

Capital Management

As a result of the ability to issue and redeem Shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of Shares.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques.
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Fund cost-efficient.

Refer to 'Financial risk management objectives and policies' (Note 5) for the policies and processes applied by the Fund in managing its capital.

15. Comparatives

Certain comparative figures have been reclassified to conform to the current year's presentation. Audit fees have been included in 'Professional fees' in the Statement of Comprehensive Income. Increase in 'Advance Subscriptions' and decrease in 'Equalisation credit' is now shown separately in the Statement of Cash Flows.

16. Subsequent Events

Subsequent to year end, the Fund experienced net redemption activity of US$2,455,000 through until 3 May 2011.

There were no other significant events after the reporting date.

Notice of Meeting

HSBC Bank Bermuda
6 Front Street, Hamilton HM11
Bermuda

NOTICE is HEREBY GIVEN of the Annual General Meeting of the Members of JUPITER HYDE PARK HEDGE FUND LIMITED ('the Company') to be held at Cumberland House, 1 Victoria Street, Hamilton HM11, Bermuda, on 16 June 2011 at 9:30am (Bermuda time).

AGENDA

1. To appoint a Chairman of the Meeting.
2. To receive and adopt the Chairman's Review and the Audited Financial Statements of the Company for the year ended 31 December 2010.
3. To determine the number of Directors.

   It is proposed to set the number of Directors at seven.
4. To elect the Board of Directors.

   It is proposed that the following persons, having indicated their willingness to stand, and being eligible, be separately re-elected Directors:

   Mr Richard Thomas, Mr John Collis, and that Mr. Ian Davidson and Mr. Garth Lorimer Turner be elected, leaving three vacancies to be filled at the discretion of the Board.
5. To approve Directors' fees for the year ending 31 December 2011 in the amount of US$25,000 per annum for the Chairman and US$20,000 per annum for each of the other Directors.
6. To appoint Auditors.

   It is proposed that Ernst & Young be reappointed Independent Auditors of the Company for the year ending 31 December 2011, at a fee to be approved by the Directors.

By Order of the Board

Company Secretary

Dated: 3 May 2011

Note: Members unable to attend are requested to complete the enclosed form of proxy and return it for the attention of the Company's Secretary at HSBC Bank Bermuda, 6 Front Street, Hamilton HM11, Bermuda by airmail and by facsimile to 001 441 299 6587.

Form of Proxy

To be used for the Annual General Meeting of the above-named Company to be held at Cumberland House, 1 Victoria Street, 3rd Floor, Hamilton HM11, Bermuda, on 16 June 2011 commencing at 9:30am (Bermuda time).

I/We

of

being (a) shareholder(s) of Jupiter Hyde Park Hedge Fund Limited hereby appoints the Chairman of the Meeting, and grant authority to him, to appoint any such person to act in his stead whom he deems fit, failing whom

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 16 June 2011 at 9:30am and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions set out in the Notice convening the Annual General Meeting as follows :

Ordinary Resolutions	***For**	**Against**
THAT the Chairman's Review and the audited Financial Statements of the Company for the year ended 31 December 2010, together with the Auditors' Report thereon, be received and adopted.	☐	☐
THAT the number of Directors be set at seven, and that any vacancy on the Board be filled at the discretion of the Directors.	☐	☐
THAT Mr. Richard Thomas be re-elected as a Director	☐	☐
THAT Mr. John Collis be re-elected as a Director.	☐	☐
THAT Mr. Ian Davidson be elected as a Director	☐	☐
THAT Mr. Garth Lorimer Turner be elected as a Director	☐	☐
THAT the Directors be remunerated at the rate of US$25,000 per annum for the Chairman and US$20,000 per annum for each of the other Directors for the year ending 31 December 2011.	☐	☐
THAT Ernst & Young be reappointed Independent Auditors of the Company for the year ending 31 December 2011 at a fee to be approved by the Directors.	☐	☐

Dated this day of 2011 Signature

*Please indicate how you wish your proxy to vote by placing a tick in the appropriate box. If you do not do so, your proxy will abstain or vote for or against the resolution at his/her discretion.

NOTES:

(1) If you wish to appoint as your proxy some person other than the Chairman of the Meeting, please insert in BLOCK CAPITALS the full name of the person of your choice, delete the words 'the Chairman of the Meeting, failing whom' and initial the amendment.

(2) This proxy (and the Power of Attorney and other authority, if any under which it is signed or a notarially certified office copy thereof) must be deposited with the Company's Secretary at HSBC Bank Bermuda, 6 Front Street, Hamilton HM11, Bermuda, (fax number 001 441 299 6587) prior to the time appointed for the holding of the Meeting or adjourned Meeting.

(3) If the appointer is a Corporation, this proxy must be executed under its Common Seal or under the hand of some Officer or Attorney duly authorised on its behalf.

(4) In the case of joint holders, any such person may sign.