**Financial Statements** 

(With Independent Auditors' Report Thereon)

Year Ended December 31, 2011

### CORPORATE INFORMATION

### **Directors**

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

Kathryn R. Siggins 130 Harbour Road Paget PG 05 Bermuda

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

### **Principal Office**

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

### **Investment Manager**

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

Phone: 305-666-1700 Fax: 305-666-1919 Contact: Jennifer Mead

### Administrator

Citco Fund Services (Bermuda) Limited Mintflower Place 8 Par-la-Ville Road, 4<sup>th</sup> Floor Hamilton HM 08 Bermuda Phone: 441-295-7149

Fax: 441-295-0992 Contact: Alan Farrell

### Auditors

KPMG Chartered Accountants Crown House 4 Par-la-Ville Road Hamilton HM 08 Bermuda

Phone: 441-295-5063 Fax: 441-295-9132 Contact: Todd Kearns



**KPMG** 

Crown House 4 Par-la-Ville Road Hamilton HM 08, Bermuda Mailing Address: P.O. Box HM 906 Hamilton HM DX, Bermuda Telephone 441 295-5063 Fax 441 295-9132 www.kpmg.bm

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets and liabilities of Everest Capital Emerging Markets Ltd. (the "Fund") as of December 31, 2011 and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everest Capital Emerging Markets Ltd. as of December 31, 2011, the results of its operations and changes in its net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

Chartered Accountants Hamilton, Bermuda April 4, 2012

KIMG

Statement of Assets and Liabilities

December 31, 2011

(Expressed in thousands of United States Dollars)

Assets	
Investment in Everest Capital Emerging Markets Fund, L.P.	
(the "Partnership") (Note 2(b))	\$ 270,715
Capital withdrawals receivable from the Partnership	11,742
Other assets	1,230
	1,230
Total assets	283,687
	263,087
Liabilities	
Management fees payable (Note 3)	912
Solicitation fees payable (Note 3)	158
Redemptions payable	11,742
Other liabilities	
	1,232
Total liabilities	14.044
	14,044
Net assets (Note 4)	\$ 260,642
Ž v	\$ 269,643

Net asset value per share (Note 4)

See accompanying notes to financial statements

# Statement of Operations

Year Ended December 31, 2011 (Expressed in thousands of United States Dollars)

Net investment income allocated from the Partnership Interest income Dividends (net of withholding taxes of \$828) Interest expense	\$	1,647 6,423
Interest income Dividends (net of withholding taxes of \$828) Interest expense	\$	
Interest expense	J	
Interest expense		0,423
		(957)
Dividends on securities sold short		(1,356)
Other expenses		(1,033)
	-	(1,055)
Net investment income allocated from the Partnership		4,724
Expenses	()-	*
Management fees (Note 3)		(4,264)
Solicitation fees (Note 3)	_	(683)
Total expenses		(4,947)
Net investment expense		(223)
Realized and unrealized gains and losses on investments allocated from the Partnership		
Net realized loss on sale of investments		(9,133)
Net change in unrealized gains and losses on investments	9	(35,769)
Net realized and unrealized gains and losses on investments allocated from the Partnership		(44,902)
Incentive allocation (Note 3)		(76)
Net decrease in net assets from operations	\$	(45,201)

See accompanying notes to financial statements

# Statement of Changes in Net Assets

Year Ended December 31, 2011 (Expressed in thousands of United States Dollars)

Net decrease in net assets from operations		
Net investment expense	\$	(223)
Net realized loss on sale of investments allocated from the Partnership		(9,133
Net change in unrealized gains and losses on investments allocated from the Partnership		(35,769)
Incentive allocation		(76)
Net decrease in net assets from operations		(45,201)
Canital above two postions (Nets 4)		
Capital share transactions (Note 4) Proceeds from issue of Class A Shares		
		29
Proceeds from issue of Class A1 Shares		63
Proceeds from issue of Class B Shares		596
Proceeds from issue of Class B1 Shares		3
Proceeds from issue of Class C Shares		33
Proceeds from issue of Class E Shares		1,533
Payment on redemption of Class A Shares		(2,006)
Payment on redemption of Class Al Shares		(32,807)
Payment on redemption of Class B Shares		(7,666)
Payment on redemption of Class B1 Shares		(6,489)
Payment on redemption of Class D Shares		(55)
Payment on redemption of Class E Shares	28	(1,696)
Net decrease in net assets from capital share transactions		(48,462)
Net decrease in net assets	9,	(93,663)
Net assets at beginning of year	82 <u></u>	363,306
Net assets at end of year	\$	269,643

See accompanying notes to financial statements

Notes to Financial Statements

December 31, 2011

### 1. Organization and description of business

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

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

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

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

### 2. Significant accounting policies

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

### (a) Basis of presentation

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

### (b) Fair value measurement

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

The value of the investment in the Partnership reflects the balance of the Fund's capital account in Everest Capital Emerging Markets Fund, L.P. as of December 31, 2011. The balance of each partner's capital account reflects its proportionate share of the net asset value of the Partnership. As of December 31, 2011, the Fund's capital account in the Partnership represents 78.2% of the Partnership's capital. The Partnership's investments are valued as described in Note 2 of its financial statements.

Notes to Financial Statements

December 31, 2011

### 2. Significant accounting policies (continued)

### (c) Partnership allocations

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

### (d) Allocation of income and expenses

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

### (e) Use of estimates

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

### 3. Management, incentive and solicitation fees

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

In addition, the Investment Manager is entitled to receive quarterly, in arrears, a management fee equal to ½ of 2.0% (1.5% prior to February 1, 2006) per annum of the net assets of the Fund on the last day of each calendar quarter, excluding Class E and Class F Shares (Note 4). Special grandfathering provisions are in place that apply to shareholders admitted on or before January 1, 2006 or shareholders who are subject to the same grandfathering provisions by agreement with the Investment Manager ("Prior Shareholders"). Under these provisions, the Prior Shareholders will continue to be charged a management fee of 1.5% per annum. These special grandfathering provisions are in effect as long as the Prior Shareholders remain invested in the Fund.

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

Notes to Financial Statements

December 31, 2011

### 4. Share capital

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

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

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

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

Upon written notice of 60 days to the Investment Manager, shareholders may redeem all or a portion of their shares as of the first business day of each calendar quarter at the net asset value as of the close of business on the last day of the calendar month preceding the redemption day. The Directors and Investment Manager, in their sole discretion, may waive or modify any terms related to redemptions for a shareholder.

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

Notes to Financial Statements

December 31, 2011

### 4. Share capital (continued)

The net assets (expressed in thousands), net asset value ("NAV") per share and number of shares in issue of each class and series of shares at December 31, 2011 were as follows:

Share class and series	Number of shares	NAV	per share		ssets of class aber 31, 2011
Class A Shares Class A Series 1 Class A Series 1 2011 Class A Series 3	527,618.849 65,309.231 372.009	\$	57.5742 57.0320 57.5543	\$	30,377 3,725 21
Total Class A Shares	593,300.089			\$	34,123
Class Al Shares Class Al Series 1 Class Al Series 4 Class Al Series 11	3,598,965.067 98,564.455 14,926.728	\$	59.2212 59.2563 58.6192	\$	213,135 5,840 875
Total Class Al Shares	3,712,456.250			\$	219,850
Class B Shares Class B Series 1 2011 Class B Series 2 2011 Class B Series 10 2011 Total Class B Shares	51,170.251 1,260.746 2,982.372 55,413.369	\$	55.0907 54.8913 55.0907	\$ \$	2,819 69 164 3,052
Class B1 Shares Class B1 Series 1	48,217.157	\$	59.1493	\$	2,852
Class C Shares Class C Series 1	28,997.278	\$	54.7129	\$	1,587
Class E Shares Class E	111,119.510	\$	73.6083	\$	8,179
Net assets				\$	269,643

Notes to Financial Statements

December 31, 2011

## 4. Share capital (continued)

Details of the number of shares issued and redeemed by class and series for the year ended December 31, 2011 were as follows:

				Consolidation/		
	Shares at	Shares	Shares	conversion	Shares at	
Share class and series	Dec 31, 2010	issued	redeemed	of shares	Dec 31, 2011	
			<del></del>	52 51,111 52	20001,2011	
Class A Shares						
Class A Series 1	548,351.533	-	(20,732.684)	_	527,618.849	
Class A Series 1 2011	_	460.474	(8,578.197)	73,426.954	65,309.231	
Class A Series 2	15,700.262	<u> </u>	_	(15,700.262)	_	
Class A Series 3	372.009	1242	_	_	372.009	
Class A Series 7 2009	735.142	-	-	(735.142)	_	
Class A Series 10	25,605.294	_	_	(25,605.294)	_	
Class A Series 11 2007	1,444.940	_	(1,444.940)	(,	_	
Class A Series 12	32,668.742	_		(32,668.742)	_	
			At the state of th			
Total Class A Shares	624,877.922	460,474	(30,755.821)	(1,282.486)	593,300.089	
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		(,)	(-,===,)	2,2,200.003	
Class Al Shares						
Class Al Series 1	4,105,190.933	598.262	(507,182.567)	358.439	3,598,965.067	
Class Al Series 4	98,186.486	377.969	(507,102.507)	-	98,564.455	
Class Al Series 4A	122.579	-		(122.579)	70,304.433	
Class Al Series 4B	122.683	_	- (122.579) - (122.683)		10. <del></del>	
Class Al Series 4C	120.963		- (122.883) - (120.963)		_	
Class A1 Series 11	14,926.728			(120.703)	14,926.728	
Oldoo III Delles II	11,720.720				14,920.728	
Total Class Al Shares	4,218,670.372	976.231	(507,182.567) (7.786)		3,712,456.250	
TOWN CHAST IN CHARGE	1,210,070.572	770.231	(507,102.507)	(7.700)	3,712,430.230	
Class B Shares						
Class B Series 1	8,604.456	223	(8,604.456)			
Class B Series 1 2011	-	3,583.188	(113,614.043)	161,201.106	51,170.251	
Class B Series 1 2010	109,256.891	5,565.166	(113,014.043)	(109,256.891)	31,170.231	
Class B Series 2 2011	107,250.071	3,082.528	(1,821.782)	(109,230.691)	1 260 746	
Class B Series 4 2010	15,846.137	5,002.520	(1,021.702)	(15,846.137)	1,260.746	
Class B Series 9 2009	4,694.703			(4,694.703)	, <u></u>	
Class B Series 9 2010	1,889.262		-	(1,889.262)	_	
Class B Series 10 2010	8,205.828	_	10		-	
Class B Series 10 2011	0,203.626	2,982.372	13 <del>-1</del> 4	(8,205.828)	2 002 272	
Class B Series 10 2011 Class B Series 11	18,030.629	4,704.312	5 <del>.7.</del> 55	(19.020.620)	2,982.372	
Ciass D Series 11	10,030.029	<del></del>		(18,030.629)		
Total Class B Shares	166,527.906	9,648.088	(124 040 201)	2 277 656	55 412 260	
Total Class D Silates	100,527.900	9,040.008	(124,040.281)	3,277.656	55,413.369	

Notes to Financial Statements

December 31, 2011

### 4. Share capital (continued)

Share class and series	Shares at <u>Dec 31, 2010</u>	Shares issued	Shares redeemed	Consolidation/ conversion of shares	Shares at Dec 31, 2011
Class B1 Shares Class B1 Series 1 Class B1 Series 8	58,657.437 102,355.783	42.057	(109,706.746)	99,224.409 (102,355.783)	48,217.157
Total Class B1 Shares	161,013.220	42.057	(109,706.746)	(3,131.374)	48,217.157
Class C Shares Class C Series 1 Class C Series 9 2010		533.571		28,463.707 (28,463.707)	28,997.278
Total Class C Shares	28,463.707	533.571			28,997.278
Class D Shares Class D Series 1 Class D Series 7	833.709		(833.709)	833.709 (833.709)	
Total Class D Shares	833.709	-	(833.709)	-	_
Class E Shares Class E	115,066.534	18,111.198	(22,058.222)	_	111,119.510

### 5. Administrator

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

### 6. Taxation

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

### 7. Subsequent events

The Directors have assessed and evaluated all subsequent events arising from the date of the statement of assets and liabilities up until April 4, 2012 and have concluded that no additional disclosure is required.

Notes to Financial Statements

December 31, 2011

# Financial highlights

Financial highlights of the Fund1 are as follows:

		Class A Series 1 <u>Shares</u>	Class A1 Class B Series 1 Series 1 2011 <u>Shares</u> Shares	Class B ies 1 2011 <u>Shares</u>	Class B1 Series 1 <u>Shares</u>	Class C Series 1 <u>Shares</u>	Class E Series 1 Shares
Per Share Operating Performance:							
Net asset value per share, at beginning of year	69	8 9918.99	68.3927 \$	63.9346 \$	68.3097 \$	63.4961 \$	83.7726
From investment operations <sup>2</sup> Net investment income (expense) Net realized and unrealized gains and losses		(0.3054)	0.0100	(0.2923)	0.0100	(0.2903)	1.2061
on investments Incentive allocation		(8.9370)	(9.1815)	(8.5516)	(9.1704)	(8.4929)	(11.3704)
Total expense from investment operations		(9.2424)	(9.1715)	(8.8439)	(9.1604)	(8.7832)	(10.1643)
Net asset value per share, at end of year	643	57.5742 \$	57.5742 \$ 59.2212 \$	55.0907 \$ 59.1493 \$ 54.7129 \$	59.1493 \$	54.7129 \$	73.6083

Notes to Financial Statements

December 31, 2011

Financial highlights (continued) 8

Class E Shares	%	(12.13)	(12.13)		2.48	1.46	(1.02)	(0.00)	(1.02)
Class C Series 1 Shares	%	(13.83)	(13.83)		2.49	(0.47)	(2.96)	(0.00)	(2.96)
Class B1 Series 1 Shares	%	(13.41) (0.00)	(13.41)		2.61	0.01	(2.60)	(0.00)	(2.60)
Class B Series 1 2011 Shares	%	(13.83) (0.00)	(13.83)		1.93	(0.93)	(2.86)	(0.04)	(2.90)
Class A1 Series 1 Se Shares	%	(13.41)	(13.41)		2.43	(0.04)	(2.47)	(0.03)	(2.50)
Class A Series 1 Shares	%	(13.83)	(13.83)		2.46	(0.50)	(2.96)	(0.00)	(2.96)
		Total return before incentive allocation Incentive allocation	Total return	Ratios to average net assets <sup>2</sup>	Total investment income Net investment income (expense) excluding	incentive allocation	Operating expenses <sup>3</sup>	Incentive allocation	Total operating expenses and incentive allocation

Total return and ratios are calculated for the year based on Series One Shares of each class except for Class E Shares which has been calculated for the class as a whole. An investor's results may vary from the total return and ratios shown above due to different management and incentive fee arrangements (as applicable), the existence of loss carry-forwards and the starting date of a series. The per share amounts and ratios reflect income and expenses allocated from the Partnership.

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Includes dividend and interest expense.