Ithaca Universal Fund Ltd.

Audited Financial Statements

For the Year Ended December 31, 2012

BDO

Ithaca Universal Fund Ltd.

Audited Financial Statements

For the Year Ended December 31, 2012

ITHACA UNIVERSAL FUND LTD.

Table of Contents
For the Year Ended December 31, 2012

	Page
Directors' Report	1
Independent Auditors' Report	2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 18

Ithaca Universal Fund Ltd.

Directors' Report

The Directors present the audited financial statements of Ithaca Universal Fund Ltd. (the "Fund") for the period from January 1, 2012 to December 31, 2012.

Investments

As at 31 December 2012 the Fund held the following exposure greater than five percent of the total portfolio.

Investment: SPDR S&P 500 ETF (SPY)
No. Shs: Short 2000
Cost: $281,171.87
Maket Value:$284,820.00

Subsidiaries

The Fund has no subsidiary.

Related party transactions

During the period ended December 31, 2012, the Investment Manager charged $64,396 of management fees.

Fiduciary Group Limited, one of the directors of the Fund, is a dedicated Director Company wholly owned by Folio Administrators Limited. Folio Administrators Limited serves as the Administrator of the Fund. During the period ended December 31, 2012, the Administrator charged $24,000 of administration fees.

The Directors received a total remuneration of $12,500 for their services. None of the directors agreed to waive any emoluments.

Forecast

The Fund did not publish any forecast.

Accounting standards

The Fund's financial statements are prepared in accordance with International Financial Reporting Standards, under the historical cost convention, except for the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Results, assets and liabilities

The results, assets and liabilities for the period ended December 31, 2012 were as follows:

	2012
Net gain for the period	$29,432
Total assets	$4,534,767
Total liabilities, excluding the net assets attributable to holders of redeemable shares	$1,463,830

Willt Hams Tamara Singh

Fiduciary Group Limited
Director
June 27, 2013

Tel: (284) 494 3783
Fax: (284) 494 2220
www.bdo.vg

PO Box 34
Sea Meadow House
Tobacco Wharf
Road Town
Tortola VG1110
British Virgin Islands

Independent Auditor's Report

To the Shareholders of
Ithaca Universal Fund Ltd.
Tortola, British Virgin Islands

We have audited the accompanying financial statements of Ithaca Universal Fund Ltd., which comprise of the statement of financial position as at December 31, 2012, and the related statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. These 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ithaca Universal Fund Ltd. as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards.

BDO Limited

June 27, 2013
Tortola, British Virgin Islands

ITHACA UNIVERSAL FUND LTD.

Statement of Financial Position
December 31, 2012
(Expressed in United States Dollars)

	Note	2012	2011
ASSETS			
Financial assets at fair value through profit or loss	3	4,302,222	2,986,621
Receivables		9,324	-
Due from related parties	5	-	7,376
Cash and cash equivalents		174,025	183,036
Due from broker		49,196	753,179
Total current assets		4,534,767	3,930,212
LIABILITIES			
Financial liabilities at fair value through profit or loss	3	1,383,959	935,073
Due to Investment Manager	5	44,220	20,146
Accounts payable and accruals	5	35,651	8,301
Total current liabilities		1,463,830	963,520
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		$ 3,070,937	$ 2,966,692

APPROVED ON BEHALF OF THE BOARD

William Tamara Singh Director

27 June 2013 Date Approved

The accompanying notes form an integral part of these financial statements

ITHACA UNIVERSAL FUND LTD.

Statement of Comprehensive Income
For the Year Ended December 31, 2012
(Expressed in United States Dollars)

	Note	2012	2011
INCOME			
Net realised loss on financial assets and financial liabilities at fair value through profit or loss		(4,099)	(193,329)
Net unrealised movement on financial assets and financial liabilities at fair value through profit or loss		154,761	(149,588)
Dividend income (net of withholding taxes of $36,637 [2011: $22,509])		58,016	53,275
Other income		9,324	-
		218,002	(289,642)
EXPENSES			
Administration fees	5	24,000	24,666
Commission		22,779	36,875
Directors fees	5	14,583	12,500
Bank and interest expense		20,048	14,165
Management fees	5	64,396	59,196
Other expenses		9,176	12,906
Professional fees		33,588	13,400
		188,570	173,708
NET INCOME (LOSS) FOR THE YEAR		**$ 29,432**	**$ (463,350)**

The accompanying notes form an integral part of these financial statements

ITHACA UNIVERSAL FUND LTD.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
For the Year Ended December 31, 2012
(Expressed in United States Dollars)

		2012		2011
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES				
Opening balance		2,966,692		2,230,042
REDEEMABLE SHARE TRANSACTIONS				
Issue of redeemable shares		200,000		1,200,000
Redemption of redeemable shares		(125,187)		-
		74,813		1,200,000
NET INCOME (LOSS) FOR THE YEAR		29,432		(463,350)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES				
Ending Balance	$	3,070,937	$	2,966,692

The accompanying notes form an integral part of these financial statements

ITHACA UNIVERSAL FUND LTD.

Statement of Cash Flows
For the Year Ended December 31, 2012
(Expressed in United States Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the year	29,432	(463,350)
Adjustments to reconcile net income to cash from operations before working capital changes:		
Net realised loss on financial assets and financial liabilities at fair value through profit or loss	4,099	193,329
Net unrealised movement on financial assets and financial liabilities at fair value through profit or loss	(154,761)	149,588
Dividend income, net of withholding taxes	(58,016)	(53,275)
Cash from operations before working capital changes:		
Purchase of financial assets and financial liabilities at fair value through profit or loss	(30,517,200)	(25,947,923)
Sale of financial assets and financial liabilities at fair value through profit or loss	29,801,147	27,701,240
Decrease (increase) in due from related parties	7,376	(4,350)
Increase in receivables	(9,324)	-
Decrease (increase) in due from broker	703,983	(753,179)
Increase (decrease) in due to related parties	24,074	(6,526)
Decrease in due to broker	-	(1,945,664)
Increase (decrease) in payables	27,350	(9,451)
Dividend received, net of withholding taxes	58,016	53,275
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(83,824)	(1,086,286)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from share subscriptions	200,000	1,200,000
Net payments for share redemptions	(125,187)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	74,813	1,200,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,011)	113,714
CASH AND CASH EQUIVALENTS		
At beginning of year	183,036	69,322
At end of year	$ 174,025	$ 183,036

The accompanying notes form an integral part of these financial statements

1. Incorporation and Activity

Ithaca Universal Fund Ltd. (the "Fund") was incorporated in the British Virgin Islands on November 12, 2009 under the BVI Business Companies Act, 2004 (as amended) and the Fund is recognised as a professional fund under the Securities and Investment Business Act, 2010. The Fund commenced operations on May 1, 2010 ("Commencement"). The Fund is listed with the Bermuda Stock Exchange since December 17, 2010. The Fund's registered office is located at Folio House, James Walter Francis Drive, P.O. Box 800, Road Town Tortola, British Virgin Islands.

The Fund's objective is to achieve capital appreciation, whilst limiting risk of loss, by investing long and short in listed equities on Global Markets, equity linked derivatives, money market instruments and cash. The Investment Manager will employ a bottom up approach to equity selection and actively uses the interplay between (described below) long and short components to manipulate the portfolio's risk versus the market.

The Fund's investment activities are managed by Ithaca Capital Advisers Ltd. (the "Investment Manager"). Folio Administrators Limited (the "Administrator") provides administrative services to the Fund.

2. Significant Accounting Policies

(a) Basis of preparation

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss. The Fund's financial accounting records are kept in United States ("US") dollars.

(b) Standards, amendments and interpretations to existing standards effective and relevant to the Fund

- **IFRS 7 (amendment), Financial Instruments: Disclosures**. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period (effective for annual period beginning on or after July 1, 2011).

The application of the above mentioned amendments had no significant effect on the current period or any prior period. None of the other new standards, interpretations and amendments effective for the first time from January 1, 2012, have had a material effect on the financial statements.

(c) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Fund

The following new standards, interpretations and amendments, which have not been applied in these financial statements will or may have an effect of the Fund's future financial statements:

- **IFRS 7 (amendment), Financial Instruments: Disclosures.** The amendments will require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position (effective for annual periods beginning on or after January 1, 2015).

2. Significant Accounting Policies (continued)

(c) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Fund (continued)

- **IFRS 9, Financial Instruments.** This new standard completes the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement. The classification of financial instruments will be based on how an entity manages its financial instruments and the contractual cash flows. IFRS 9 will also permit a single impairment method. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. As a result, this new standard will increase comparability, enhance the ability of the users to understand the accounting of financial instruments and reduce the complexity (effective for annual periods beginning on or after January 1, 2015).
- **IFRS 13, Fair Value Measurement.** This new standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs (effective for annual periods beginning on or after January 1, 2013).

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2012 and which have not been adopted early, are expected to have no material effect on the Fund’s future financial statements.

(d) Foreign currency

Transactions entered into by the Fund in a currency other than US dollars (the “foreign currencies”) are recorded at the rates ruling when the transaction occurs. Foreign currency monetary assets and liabilities are translated at the rates ruling at the date of financial statements.

Foreign exchange gains and losses arising from translation of financial assets and financial liabilities at fair value through profit or loss are recognised in the statement of comprehensive income within “Net realised gain on financial assets and financial liabilities at fair value through profit or loss”. All other foreign exchange gains and losses are recognised in the statement of comprehensive income within “Net foreign currency gain (loss)”.

(e) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates and assumptions.

(f) Financial assets

The Fund classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Fund has not classified any of its financial assets as held-to-maturity or available-for-sale.

(i) Fair value through profit or loss

This category comprises investments held long and in-the-money derivatives (see Financial liabilities for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income within “Unrealised movement on financial assets and financial liabilities at fair value through profit or loss”.

2. Significant Accounting Policies (continued)

(f) Financial assets (continued)

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Fund will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Fund's loans and receivables comprise receivables, due from related parties, cash and cash equivalents and due from broker.

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three month or less .

Amounts due from broker represents cash, foreign cash, margin debit balances, receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the financial statements respectively.

(g) Financial liabilities

The Fund classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Fund's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises investments sold, but not yet purchased and out-of-the-money derivatives (see Financial assets for in-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

(ii) Other financial liabilities

Other financial liabilities include the following items:

- Payables, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- The redeemable shares are carried at the redemption amount that is payable at the date of the financial statements if the holder exercises the right to put the share back to the Fund.

(h) Fair value measurement

Securities which are freely transferable, shall be valued at the last sales price on the date of determination, or, if no sales occurred on such day, at the bid price at the close of business on such day if held long and at the asked price at the close of business on such day if held short. The market value for a future, commodity future, forward or similar contract or any option on any such instrument traded on an exchange shall be the most recent available closing quotation on such exchange.

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on the last sales price, when available. IAS 39, however, suggests that the appropriate market price for an asset held is the current bid price and, for a liability held, the asking price. Management of the Fund considers that the fair value measurement as set forth in the prospectus would not lead to a significant difference with that of IAS 39.

2. Significant Accounting Policies (continued)

(h) Fair value measurement (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

(i) Fair value hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities at fair value through profit or loss to use a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or the financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

(j) Investment transaction and revenue recognition

The Fund records investment transactions based on settlement date.

Dividend income and expense from financial assets and financial liabilities at fair value through profit or loss are recognised when the Fund's right to receive payments or the Fund's obligation is established, usually the ex-dividend date. Interest income is accrued on a time basis and recognised based on the effective interest rate, which is the rate that effectively discounts estimated future cash payments or receipts throughout the expected life of the financial instrument.

(k) Taxation

Under current legislation in the British Virgin Islands, there is no income, estate, corporate, capital gain or other taxes payable by the Fund. Accordingly, no income tax has been provided.

The Fund may be subject to foreign withholding taxes on certain interest, dividends and capital gains.

3. Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

The following table analyses, within the fair value hierarchy, the Fund's investments (by class) measured at fair value at December 31, 2012:

	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Equity securities	4,275,895	-	-	4,275,895
Options	-	26,327	-	26,327
Total financial assets at fair value through profit or loss	$ 4,275,895	$ 26,327	$ -	$ 4,302,222

(Expressed in United States Dollars)

3. Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss (continued)

FINANCIAL LIABILITIES				
Equity securities	1,383,959	-	-	1,383,959
Total financial liabilities at fair value through profit or loss	$ 1,383,959	$ -	$ -	$ 1,383,959

The below table presents a summary of the options and written options at December 31, 2012.

	Put/Call	Expiry	Underlying	Notional	Fair Value
FINANCIAL ASSETS					
	Put	Feb-13	Index	240,000	1,740
	Put	Jan-13	Index	384,000	3,930
	Put	Fen-13	Index	270,000	2,380
	Put	Jan-13	Index	135,000	425
	Put	Jan-13	Index	350,000	2,975
	Put	Jan-13	Index	634,000	6,457
	Put	Mar-13	Index	270,000	4,710
	Put	Jan-13	Index	248,500	3,710
					$ 26,327

The following table analyses, within the fair value hierarchy, the Fund's investments (by class) measured at fair value at December 31, 2011:

	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Equity securities	2,982,136	-	-	2,982,136
Options	-	4,485	-	4,485
Total financial assets at fair value through profit or loss	$ 2,982,136	$ 4,485	$ -	$ 2,986,621
FINANCIAL LIABILITIES				
Equity securities	935,073	-	-	935,073
Total financial liabilities at fair value through profit or loss	$ 935,073	$ -	$ -	$ 935,073

(Expressed in United States Dollars)

3. Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss (continued)

The below table presents a summary of the options and written options at December 31, 2011.

	Put/Call	Expiry	Underlying	Notional	Fair Value
FINANCIAL ASSETS					
	Put	Jan-12	Index	263,500	1,315
	Call	Jan-12	Index	40,000	80
	Put	Feb-12	Index	108,000	3,090
				$	4,485

For the years ended December 31, 2012 and 2011, the Fund has no individual investment representing more than 5% of the total portfolio.

4. Share Capital

The authorised share capital is consisting of 9,999,000 Class A shares of no par value (the "redeemable shares") and 1,000 Class B shares (the "management shares") of no par value.

Transactions in Class A shares, for the year ended December 31, 2012, are as follows which are all issued and fully paid, with the exception of the management shares which are issued but not paid.

	Beginning balance	Shares subscribed	Shares redeemed	Transfers	Ending balance
Lead Series	18,501.0000	-	-	-	18,501.0000
2010-06 Series	3,000.0000	-	-	-	3,000.0000
2010-07 Series	1,000.0000	-	-	-	1,000.0000
2010-10 Series	250.0000	-	-	-	250.0000
2011-03 Series	5,500.0000	-	(1,500.0000)	-	4,000.0000
2011-04 Series	1,000.0000	-	-	-	1,000.0000
2011-05 Series	1,000.0000	-	-	-	1,000.0000
2011-06 Series	2,000.0000	-	-	-	2,000.0000
2011-08 Series	1,500.0000	-	-	-	1,500.0000
2011-10 Series	1,000.0000	-	-	-	1,000.0000
2012-02 Series	-	1,000.0000	-	-	1,000.0000
2012-04 Series	-	1,000.0000	-	-	1,000.0000
	34,751.0000	2,000.0000	(1,500.0000)	-	35,251.0000

(Expressed in United States Dollars)

4. Share Capital (continued)

Transactions in Class A shares, for the year ended December 31, 2011, are as follows which are all issued and fully paid, with the exception of the management shares which are issued but not paid.

	Beginning balance	Shares subscribed	Shares redeemed	Transfers	Ending balance
Lead Series	18,501.0000	-	-	-	18,501.0000
2010-06 Series	3,000.0000	-	-	-	3,000.0000
2010-07 Series	1,000.0000	-	-	-	1,000.0000
2010-10 series	250.0000	-	-	-	250.0000
2011-03 series	-	5,500.0000	-	-	5,500.0000
2011-04 series	-	1,000.0000	-	-	1,000.0000
2011-05 series	-	1,000.0000	-	-	1,000.0000
2011-06 series	-	2,000.0000	-	-	2,000.0000
2011-08 series	-	1,500.0000	-	-	1,500.0000
2011-10 series	-	1,000.0000	-	-	1,000.0000
	22,751.0000	12,000.0000	-	-	34,751.0000

Each management share confers the right to one vote but no right to redeem, to any dividend or other distribution and to receive any payment in the distribution of the surplus of assets on the Fund's liquidation. Each redeemable Class A share has no right to receive notice of, attend at or vote at any meeting of the shareholders but has the right to redeem such share, to an equal share in any dividend or other distribution and to receive an equal share in the distribution of the surplus assets of the Fund properly attributable to the redeemable shares with reference to each class.

The redeemable shares will be issued in a different series at each date the Fund accepts subscriptions. The initial series in each class will be designated as "Series One" and each subsequently issued series will be numbered sequentially. Any series of shares issued other than Series One issued during any fiscal year will be converted immediately after the close of business on the last day of such fiscal into Series One shares of the applicable class, or, if Series One of such class has a loss carryforward outstanding, into the first profitable series of such class, on the basis of the relative net asset value per share of the particular series of shares of the relevant class being converted and of the applicable series of shares of the class being issued; provided, however, no such conversion will occur while any loss carry forward attributable to the shares being converted remains outstanding. Such conversion will be effected by redeeming the shares to be converted from the holder of such shares and applying the proceeds of such redemption in paying for the relevant class of new Series One shares.

The net asset value per redeemable share is determined by dividing the net assets attributable to a specific class series by the number of redeemable shares outstanding in that specific class series.

Generally, a shareholder may redeem all or any portion of their shares effective as of the last business day of each calendar month upon at least six (6) days' prior written notice to the Investment Manager. The Investment Manager may waive the notice requirement in its sole discretion. The redemption price will be the net asset value per share of the relevant class and series as of the redemption date. A penalty equal to 3% of the amount redeemed will be deducted from any amount invested in the Fund for less than 12 months, 2% from any amount invested in the Fund for less than two years and 1% from any amount invested in the Fund for less than 3 years and retained by the Fund for the benefit of the remaining shareholders. The Investment Manager may in its sole discretion waive any requirement relating to redemptions, suspend redemptions under certain circumstances, and elect to make redemption payments in cash or in kind.

(Expressed in United States Dollars)

4. Share Capital (continued)

The table below shows the respective net asset value per class series of redeemable share.

	2012	2011
Lead Series	86.3966	85.5638
Series 2010-06	90.5626	89.6896
Series 2010-07	90.9703	90.0933
Series 2010-10	93.8656	92.9607
Series 2011-03	81.1533	80.3710
Series 2011-04	84.2621	83.4498
Series 2011-05	82.3454	81.5517
Series 2011-06	84.4043	83.5907
Series 2011-08	90.1366	89.2677
Series 2011-10	94.0560	93.1493
Series 2012-02	99.6149	-
Series 2012-04	97.4833	-

5. Related Party Transactions and Balances

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. The Investment Manager and the Fund are considered related parties by virtue of having common directors. The Administrator and the Fund are considered related parties by virtue of having common directors.

(a) Management Fees

Under the terms of the discretionary asset management agreement, dated January 1, 2010, the Investment Manager is entitled to a monthly management fee equal to 2% per annum calculated on the ending net asset value. The management fee is payable monthly.

During the year ended December 31, 2012, total management fees amounting to $64,396 (2011: $59,196) was recorded of which $44,220 (2011: S20,146) is payable at December 31, 2012.

(b) Performance Fee

The Investment Manager is also entitled to a performance fee equal to 20% of the net profits of each series of the Fund above the hurdle rate of the 30 Day Eurodollar London Rate + 2% of the yearly increase in the net asset value of each series of the Fund. The performance shall be prorated to reflect partial year performance for any series launched during a performance period. Upon the crystallization of a performance fee for any series of the Fund at the calendar year end, the applicable net asset value of the series will become a high water mark and any losses in subsequent years will need to be recovered before future performance fee is payable. The performance fee is calculated monthly and payable yearly.

During the year ended December 31, 2012, total performance fees amounting to $Nil (2011: $(195)) were charged.

(Expressed in United States Dollars)

5. Related Party Transactions and Balances (continued)

(c) Administration Fee

Under the terms of the administration agreement dated January 1, 2010, the Administrator agreed to provide accounting and administration services to the Fund. The Fund will pay an annual fee at the higher rate of a flat fee of $24,000 or the application of basis points on the combined net asset value of the active share classes whichever fee base is higher, plus any reimbursable expenses. The fees will be charged in the following sliding scale:

15 Basis point:	Net assets of $0 to $10,000,000
12 Basis point:	Net assets of $10,000,001 to $20,000,000
9 Basis point:	Net assets of $20,000,001 to $50,000,000
7.5 Basis point:	Net assets above $50,000,001

During the year ended December 31, 2012, total administration fees amounting to $24,000 (2011: $24,666) were recorded of which $6,000 (2011: $6,001) is payable at the date of the financial statements. The amount is included within "accounts payable and accruals" in the statement of financial position.

(d) Directors' Fees

The Fund shall pay the directors such annual remuneration for acting as Directors of the Fund.

During the year ended December 31, 2012, total directors' fees amounting to $14,583 (2011: $12,500) of which $Nil (2011: $2,083) is payable as at the end of the reporting period. The amounts are included within "accounts payable and accruals" in the statement of financial position.

(e) Redeemable Shares

The Fund issued redeemable shares to the principal of the Investment Manager, which represents 2.84% (2011: 2.88%) of the net assets attributable to holders of redeemable shares.

(f) Due from related party

The Fund has a receivable of $Nil (2011: $7,376) from the Investment Manager. The amount is unsecured, interest free and repayable on demand.

6. Risk Management

The Fund is exposed through its operations to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

In common with all other businesses, the Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them.

The principal financial instruments used by the Fund, from which financial instrument risk arises, are as follows: financial assets and financial liabilities at fair value through profit or loss, receivables, cash and cash equivalents, due from broker, due from and to related parties and accounts payable and accruals.

The Fund is also exposed to operations risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

(a) General objectives, policies and processes

The Directors have overall responsibility for the determination of the Fund's risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Fund's management.

6. Risk Management (continued)

(a) General objectives, policies and processes (continued)

The Fund's overall risk management program seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures. There can be no assurance that the Fund will be able to generate return for its investors or that the returns will commensurate with the risks of investing in the type of companies and transactions described in the Fund's offering memorandum. Accordingly, an investment in the Fund should only be considered by persons who can afford a loss in the full value of their investment either during the life of the Fund or on its termination.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on equities sold but not yet purchased is limited to the proceeds of those positions.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(i) Credit Risk

Credit risk is the risk of financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund is mainly exposed to credit risk from financial assets at fair value through profit or loss, receivables, cash and cash equivalents, due from broker and due from related parties.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The maximum exposure to credit risk before any credit enhancements at December 31, 2012 and December 31, 2011 is the carrying amount of the financial assets as set out in the statement of financial position.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with Concept Capital Markets, LLC (clearing through JP Morgan Clearing Corp.). This prime broker is a member of a major securities exchange, and is well known in the industry. At December 31, 2012 and 2011, substantially all balances due from brokers and investments are placed in custody with this broker.

(ii) Market Risk

Market risk arises from the Fund's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risk).

Interest rate risk

The Fund is exposed to cash flow interest rate risk from cash and cash equivalents and due from brokers that expose the Fund to fair value interest rate risk.

The Fund does not actively manage the interest rate risk.

At December 31, 2012, had market interest rate increased by 50 (2011: 50) basis points, with all other variables held constant, the Fund's profit or loss and net assets would have decreased by $5,803 (2011: decreased by $5). A decrease in the market interest rate of 50 (2011: 50) basis points, with all other variables held constant, would have an equal but opposite effect on the profit or loss and net assets of the Fund. A 50 basis point shift in the market interest rate represents management's assumption for the reasonably possible change in interest rates. The Fund's assumptions have not changed from prior year.

6. Risk Management (continued)

(a) General objectives, policies and processes (continued)

(ii) Market Risk (continued)

Foreign currency risk

At December 31, 2012 and 2011, the Fund has no financial assets and financial liabilities denominated in currencies other than the US dollar. As a result, the Fund is not exposed to significant foreign currency risk.

Other price risk

The Fund is exposed to other price risk on its financial assets and financial liabilities at fair value through profit or loss. This arises from investments held by the Fund for which fair values in the future are uncertain.

At December 31, 2012, had the relevant value increased by 5%, with all other variables held constant, the Fund's profit or loss and net assets would have increased by $145,913 (2011: $102,577). A decrease in the relevant value of 5%, with all other variables held constant, would have an equal but opposite effect on the profit or loss and net assets of the Fund. A 5% shift in the relevant value represents management's assumption for the reasonably possible change in fair value. The Fund's assumptions have not changed from prior year.

(iii) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to liquidity risk from its financial liabilities. The amounts due to related parties and the accounts payable and accruals are payable within one year and the holders of redeemable shares may request for monthly redemption.

The Fund's listed securities are considered readily realisable. The listed securities are represented by the equity securities categorised as level 1 in the fair value hierarchy.

The Fund mitigates its risk on redeemable shares by requesting from the holders of these redeemable shares to provide redemption written notices of at least 6 days which gives time to the Fund to gather the necessary amounts by selling investments.

The cash and cash equivalents and due from broker are considered being on demand. However, the balance due from brokers is restricted to the extent that the Fund has the obligation to cover the short position. The non-derivative financial assets are considered readily available as the majority is publicly traded.

The Fund may suspend the redemption of shares if circumstances, events or conditions exist which are beyond the control of the Fund. Additionally, if the net asset value cannot reasonably be determined in the normal and usual fashion customary to funds of this type because the appropriate exchange or inter-dealer market wherein a significant portion of the Fund's assets is regularly traded or quoted is closed or suspended, other than for regularly scheduled holidays, then a shareholder's right to redemption will be suspended until such markets are functioning normally.

(b) Capital Risk Management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a monthly basis as the Fund is subject to monthly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

6. Risk Management (continued)

(b) Capital Risk Management (continued)

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable shareholders.

7. Subsequent capital transactions

Subsequent to December 31, 2012 to June 27, 2013, the Fund paid redemptions of $51,007.

The Fund evaluated all events that occurred from January 1, 2013 through June 27, 2013. During the period, the Fund did not have any material recognizable subsequent events other than the subsequent capital transactions disclosed above.