

**Performa Reserve Fund Ltd. –
Performa International Bond Fund
(USD)**

**Financial Statements and
Independent Auditors' Report**

December 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
of Performa Reserve Fund Ltd. – Performa International Bond Fund (USD)

We have audited the accompanying financial statements of Performa Reserve Fund Ltd. – Performa International Bond Fund (USD) (the “Fund”), which comprise the statement of net assets, including the schedule of investments, as at December 31, 2010, and the related statements of operations and changes in net assets for the year then ended.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Canada and Bermuda, and for such internal control 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 conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and the results of its operations and changes in its net assets for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Deloitte + Touche Ltd.

March 31, 2011

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
STATEMENT OF NET ASSETS**
as at December 31, 2010
(Expressed in U.S. dollars)

	2010	2009
ASSETS		
Investments at fair value (cost: \$402,625,244 and \$389,977,377)	\$ 409,008,444	\$ 393,208,183
Cash and cash equivalents	13,306,536	1,732,581
Accrued interest receivable	3,171,423	2,755,500
Prepaid expenses	-	11,188
	425,486,403	397,707,452
LIABILITIES		
Management fees payable	316,828	304,457
Accounts payable and accrued expenses	215,172	142,784
	532,000	447,241
NET ASSETS	\$ 424,954,403	\$ 397,260,211
Accumulation Shares issued and outstanding (Note 3)	222,678	218,456
Net Asset Value per Accumulation Share	\$ 1,908.38	\$ 1,818.49

Approved on behalf of the Board:

Hugh Barit
Director

Shawn Murphy
Director

The accompanying notes form an integral part of these statements

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
SCHEDULE OF INVESTMENTS**
as at December 31, 2010
(Expressed in U.S. dollars)

Investments

Nominal	Fixed Income Securities	Fair Value
124,000	Aid-Egypt 4.45% 9/15/15	\$ 136,295
2,698,000	Allstate Life Global Finance Trust 5.38% 4/30/13	2,931,150
5,190,000	Ally Financial Inc. 1.75% 10/30/12	5,286,908
100,000	American International Group 5.05% 10/1/15	102,165
2,728,000	AstraZeneca PLC 5.4% 9/15/12	2,938,375
5,873,000	Bank of America Corporation 3.13% 6/15/12	6,086,654
2,800,000	Bank of America Corporation 5.42% 3/15/17	2,782,416
2,505,000	Bellsouth Corporation 5.2% 9/15/14	2,736,642
2,730,000	Berkshire Hathaway Financial 4.6% 5/15/13	2,928,774
161,000	Berkshire Hathaway Financial 4.75% 5/15/12	169,390
1,250,000	Berkshire Hathaway Financial 1.4% 2/10/12	1,259,355
872,000	Blackrock Inc 2.25% 12/10/12	891,384
500,000	Boeing Co. 1.875% 11/20/12	509,114
1,907,000	Bottling Group LLC 6.95% 3/15/14	2,201,370
2,000,000	Caterpillar Financial Services Corp. 2% 4/5/13	2,030,606
1,723,000	CDP Financial 3% 11/25/14	1,748,668
2,486,000	Cellco Part/Verizon Wireless 7.375% 11/15/13	2,880,200
1,102,000	Chevron Corporation 3.95% 3/3/14	1,173,591
2,498,000	Cisco Systems Inc. 5.5% 2/22/16	2,841,892
3,748,000	Citigroup Funding Inc. 2.125% 7/12/12	3,833,376
122,000	Citigroup Inc. 5% 9/15/14	125,947
2,327,000	Citigroup Inc. 5.125% 5/5/14	2,464,728
5,720,000	Commonwealth Bank Australia 2.7% 11/25/14	5,885,136
3,123,000	ConocoPhillips 4.75% 2/1/14	3,382,109
4,350,000	Credit Suisse New York 5% 5/15/13	4,680,648
2,649,000	Deutsche Bank AG London 4.875% 5/20/13	2,837,662
4,000,000	Deutsche Bank AG London 6% 9/1/17	4,478,248
2,506,000	Duke Energy Carolinas 5.3% 10/1/15	2,809,158
2,150,000	E.I. Du Pont De Nemours 4.75% 11/15/12	2,297,451
2,506,000	E.I. Du Pont De Nemours 4.875% 4/30/14	2,721,103
2,728,000	E.ON International Finance BV 5.8% 4/30/18	3,077,023
2,929,000	Electricite de France 5.5% 1/26/14	3,214,000
2,180,000	European Investment Bank 1.75% 9/14/12	2,218,037
5,648,000	Fannie Mae 3.625% 2/12/13	5,985,547
6,731,000	Freddie Mac 1.625% 4/15/13	6,853,370
7,198,000	Freddie Mac 4.125% 9/27/13	7,788,056

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
SCHEDULE OF INVESTMENTS**
as at December 31, 2010
(Expressed in U.S. dollars)

Investments (cont'd)

Nominal	Fixed Income Securities	Fair Value
3,506,000	General Electric Capital Corporation 2.25% 3/12/12	\$ 3,579,363
1,141,000	General Electric Capital Corporation 3.75% 11/14/14	1,182,155
3,360,000	General Electric Capital Corporation 5.625% 5/1/18	3,662,319
1,530,000	Genworth Global Funding 5.125% 3/15/11	1,542,845
3,507,000	GlaxoSmithKline Capital Inc. 5.65% 5/15/18	4,001,024
2,505,000	Goldman Sachs Group Inc. 5.75% 10/1/16	2,729,130
2,506,000	Hewlett-Packard Company 6.125% 3/1/14	2,829,710
2,731,000	HSBC Capital Funding LP 4.61%	2,558,389
2,734,000	IBM Corporation 5.7% 9/14/17	3,138,389
1,000,000	Illinois State-Taxable 2.766% 1/1/12	1,008,110
2,000,000	ING Bank NV 2.625% 2/9/12	2,040,772
7,749,000	Inter-American Development Bank 4.375% 9/20/12	8,228,632
1,304,000	International Lease Finance Corporation 5.75% 6/15/11	1,315,410
4,697,000	John Deere Capital Corporation 2.875% 6/19/12	4,852,673
3,450,000	JP Morgan Chase Bank NA 5.875% 6/13/16	3,807,713
2,680,000	JP Morgan Chase Bank NA 6% 10/1/17	2,967,376
1,763,000	JP Morgan Chase & Company 2.125% 6/22/12	1,802,720
147,000	JP Morgan Chase & Company 5.25% 5/1/15	156,208
100,000	Merck & Company Inc. 4.75% 3/1/15	109,974
4,330,000	Microsoft Corporation 2.95% 6/1/14	4,501,273
3,660,000	Morgan Stanley 6% 4/28/15	3,949,294
2,854,000	Morgan Stanley 6.75% 4/15/11	2,900,848
1,965,000	National Australia Bank 3.375% 7/8/14	2,073,393
1,965,000	Nationwide Building Society 2.5% 08/17/12	2,011,492
5,000,000	New York Life Global Funding 4.65% 5/9/13	5,364,095
2,010,000	OeKB Oest. Kontrollbank 3.625% 6/17/13	2,124,359
2,470,000	Ontario (Province of) 2.625% 1/20/12	2,521,667
3,000,000	Ontario (Province of) 2.95% 2/05/15	3,094,869
2,595,000	Ontario (Province of) 4.1% 6/16/14	2,805,974
2,506,000	Pepsico Inc. 5% 6/1/18	2,747,674
3,808,000	Philip Morris International Inc. 4.875% 5/16/13	4,117,861
5,872,000	PNC Funding Corporation 2.3% 6/22/12	6,019,734
2,517,000	Pricoa Global Funding 1 5.4% 10/18/12	2,691,551
2,479,000	Procter & Gamble Company 1.375% 8/1/12	2,507,233
4,595,000	Rabobank Nederland 4.2% 5/13/14	4,884,954
4,660,000	Roche Holdings Inc. 5% 3/1/14	5,084,293
3,968,000	Royal Bank of Canada 3.125% 4/14/15	4,077,279

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
SCHEDULE OF INVESTMENTS**
as at December 31, 2010
(Expressed in U.S. dollars)

Investments (cont'd)

Nominal	Fixed Income Securities	Fair Value
1,695,000	Shell International Financial 4% 3/21/14	\$ 1,803,714
100,000	SouthTrust Corporation 5.8% 6/15/14	107,433
2,935,000	State Street Corporation 2.15% 4/30/12	2,998,105
143,000	Temasek Financial I Ltd 4.5% 9/21/15	153,763
4,300,000	TIAA Global Markets 5.125% 10/10/12	4,610,494
3,192,000	UBS AG Stamford 3.875% 1/15/15	3,286,981
2,817,000	United Technologies Corporation 4.875% 5/1/15	3,112,799
1,730,000	US Bancorp 1.125% 10/30/13	1,709,775
9,616,009	US Treasury Inflation Protected Securities 1.375% 7/15/18	10,147,144
6,900,000	US Treasury Notes 0.75% 11/30/11	6,928,301
36,794,000	US Treasury Notes 0.625% 7/31/12	36,900,358
49,152,000	US Treasury Notes 1.75% 7/31/15	49,027,200
17,350,000	US Treasury Notes 3.125% 5/15/19	17,557,387
15,598,000	US Treasury Notes 3.5% 2/15/18	16,416,895
14,422,000	US Treasury Notes 3.5% 5/15/20	14,798,324
2,805,000	Utah Build America Bonds Series D 4.554% 7/1/24	2,809,179
2,029,000	Wachovia Capital Trust III 5.8% 3/15/11	1,748,491
2,766,000	Wal-Mart Stores Inc. 4.5% 7/01/15	3,014,561
2,707,000	Wal-Mart Stores Inc. 5.8% 2/15/18	3,099,296
2,626,000	Walt Disney Company 4.5% 12/15/13	2,867,897
150,000	Wells Fargo & Company 4.875% 1/12/11	150,127
3,550,000	Wells Fargo Bank NA 4.75% 2/9/15	3,754,910
715,000	Westpac Banking Corporation 2.25% 11/19/12	728,007
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		\$ 409,008,444
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**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
SCHEDULE OF INVESTMENTS**
as at December 31, 2009
(Expressed in U.S. dollars)

Investments

Nominal	Fixed Income Securities	Fair Value
124,000	Aid-Egypt 4.45% 9/15/15	\$ 129,376
2,698,000	Allstate Life Global Finance Trust 5.38% 4/30/13	2,881,665
2,023,000	American General Finance 4.88% 5/15/10	2,015,414
100,000	American International Group 5.05% 10/1/15	83,125
2,728,000	Astrazeneca PLC 5.4% 9/15/12	2,981,523
2,938,000	Bank of America Corporation 3.13% 6/15/12	3,049,019
2,800,000	Bank of America Corporation 5.42% 3/15/17	2,776,299
4,008,000	Bank One Corporation 5.25% 1/30/13	4,242,263
2,505,000	Bellsouth Corporation 5.2% 9/15/14	2,686,088
102,000	Berkshire Hathaway Financial 4.13% 1/15/10	102,100
2,730,000	Berkshire Hathaway Financial 4.6% 5/15/13	2,901,956
161,000	Berkshire Hathaway Financial 4.75% 5/15/12	171,233
872,000	Blackrock Inc. 2.25% 12/10/12	867,894
500,000	Boeing Co. 1.875% 11/20/12	497,605
1,907,000	Bottling Group LLC 6.95% 3/15/14	2,210,156
2,508,000	BP Capital Markets PLC 5.25% 11/7/13	2,732,610
2,728,000	Burlington Resources Finance 6.68% 2/15/11	2,896,470
1,723,000	CDP Financial 3% 11/25/14	1,685,793
2,486,000	Cellco / Verizon Wireless 7.375% 11/15/13	2,858,413
1,102,000	Chevron Corporation 3.95% 3/3/14	1,158,738
2,498,000	Cisco Systems Inc. 5.5% 2/22/16	2,754,783
3,748,000	Citigroup Funding Inc. 2.125% 7/12/12	3,784,127
5,855,000	Citigroup Inc. 2.88% 12/9/11	6,025,290
122,000	Citigroup Inc. 5% 9/15/14	117,866
2,327,000	Citigroup Inc. 5.125% 5/5/14	2,339,479
2,738,000	Coca-Cola 5.35% 11/15/17	2,972,905
5,720,000	Commonwealth Bank Australia 2.7% 11/25/14	5,613,848
4,350,000	Credit Suisse New York 5% 5/15/13	4,635,582
2,649,000	Deutsche Bank AG London 4.875% 5/20/13	2,817,245
4,000,000	Deutsche Bank AG London 6% 9/1/17	4,362,138
2,506,000	Duke Energy Carolinas 5.3% 10/1/15	2,736,550
2,150,000	E.I. Du Pont De Nemours 4.75% 11/15/12	2,314,829
2,506,000	E.I. Du Pont De Nemours 4.875% 4/30/14	2,679,723
2,728,000	E.On International Finance BV 5.8% 4/30/18	2,887,554
2,180,000	European Investment Bank 1.75% 9/14/12	2,171,504
10,580,000	Fannie Mae 3.25% 8/12/10	10,768,930
500,000	Federal Home Loan Bank 4.63% 2/18/11	522,049
10,063,000	Freddie Mac 3.25% 7/16/10	10,223,317

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
SCHEDULE OF INVESTMENTS**
as at December 31, 2009
(Expressed in U.S. dollars)

Investments (cont'd)

Nominal	Fixed Income Securities	Fair Value
7,198,000	Freddie Mac 4.13% 9/27/13	\$ 7,664,349
3,506,000	General Electric Capital Corporation 2.25% 3/12/12	3,563,614
1,141,000	General Electric Capital Corporation 3.75% 11/14/14	1,133,259
3,728,000	General Electric Capital Corporation 5.88% 2/15/12	3,994,491
1,530,000	Genworth Global Funding 5.125% 3/15/11	1,551,365
3,507,000	GlaxoSmithKline Capital Inc. 5.65% 5/15/18	3,779,357
5,190,000	GMAC Inc. 1.75% 10/30/12	5,168,433
2,214,000	Goldman Sachs Group Inc. 0.65% 10/7/11	2,204,655
2,505,000	Goldman Sachs Group Inc. 5.75% 10/1/16	2,647,330
2,506,000	Hewlett-Packard Company 6.125% 3/1/14	2,800,799
2,731,000	HSBC Capital Fund LP 4.61% 6/27/13	2,304,602
2,734,000	IBM Corporation 5.7% 9/14/17	2,990,970
2,000,000	ING Bank NV 2.625% 2/9/12	2,037,789
7,749,000	Inter-American Development Bank 4.375% 9/20/12	8,195,016
1,304,000	International Lease Finance Corporation 5.75% 6/15/11	1,193,160
1,762,000	John Deere Capital Corporation 2.875% 6/19/12	1,819,180
2,680,000	JP Morgan Chase Bank NA 6% 10/1/17	2,861,836
1,763,000	JP Morgan Chase & Company 2.125% 6/22/12	1,788,585
147,000	JP Morgan Chase & Company 5.25% 5/1/15	152,902
556,000	Lehman Brothers Holdings 5.72% 7/18/11	88,960
250,000	Lehman Brothers Holdings 4.5% 7/26/10	48,750
100,000	Merck & Company Inc. 4.75% 3/1/15	107,977
2,938,000	Morgan Stanley 3.25% 12/1/11	3,047,607
3,660,000	Morgan Stanley 6% 4/28/15	3,899,809
2,854,000	Morgan Stanley 6.75% 4/15/11	3,027,469
1,965,000	National Australia Bank 3.375% 7/8/14	1,974,071
1,965,000	Nationwide Building Society 2.5% 8/17/12	1,977,834
5,000,000	New York Life Global Funding 4.65% 5/9/13	5,261,264
2,010,000	OeKB Oest. Kontrollbank 3.625% 6/17/13	2,058,520
2,470,000	Ontario (Province of) 2.63% 1/20/12	2,517,488
2,595,000	Ontario (Province of) 4.1% 6/16/14	2,703,687
2,506,000	Pepsico Inc. 5% 6/1/18	2,617,204
3,808,000	Philip Morris International Inc. 4.875% 5/16/13	4,049,089
2,937,000	PNC Funding Corporation 2.3% 6/22/12	2,985,565
2,517,000	Pricoa Global Funding 1 5.4% 10/18/12	2,686,258
1,394,000	Procter & Gamble Company 4.6% 1/15/14	1,492,500
4,595,000	Rabobank Nederland 4.2% 5/13/14	4,724,781
3,504,000	Regions Bank 3.25% 12/9/11	3,632,157

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
SCHEDULE OF INVESTMENTS**
as at December 31, 2009
(Expressed in U.S. dollars)

Investments (cont'd)

Nominal	Fixed Income Securities	Fair Value
4,660,000	Roche Holdings Inc. 5% 3/1/14	\$ 4,995,952
100,000	SouthTrust Corporation 5.8% 6/15/14	104,385
143,000	Temasek Financial I Ltd. 4.5% 9/21/15	148,459
4,300,000	TIAA Global Markets 5.125% 10/10/12	4,626,944
2,817,000	United Technologies Corporation 4.875% 5/1/15	3,045,427
18,354,589	US Treasury Inflation Protected Securities 1.375% 7/15/18	18,397,609
42,146,000	US Treasury Notes 0.75% 11/30/11	41,869,416
17,401,000	US Treasury Notes 1.13% 12/15/12	17,123,671
52,684,000	US Treasury Notes 2.13% 11/30/14	51,457,451
9,291,000	US Treasury Notes 3.13% 10/31/16	9,179,217
10,460,000	US Treasury Notes 3.38% 11/15/19	10,069,384
1,867,100	US Treasury Notes 4.75% 2/15/10	1,876,436
2,805,000	Utah Build America Bonds Series D 4.54% 7/1/24	2,753,921
2,029,000	Wachovia Capital Trust III 5.8% 3/15/11	1,542,040
266,000	Wal-Mart Stores Inc. 4.5% 7/1/15	283,769
2,707,000	Wal-Mart Stores Inc. 5.8% 2/15/18	3,038,887
2,626,000	Walt Disney Company 4.5% 12/15/13	2,789,049
150,000	Wells Fargo & Company 4.88% 1/12/11	155,712
3,550,000	Wells Fargo Bank NA 4.75% 2/9/15	3,629,725
715,000	Westpac Banking Corporation 2.25% 11/19/12	712,588
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		\$ 393,208,183
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The accompanying notes form an integral part of these statements

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
STATEMENT OF OPERATIONS**
for the year ended December 31, 2010
(Expressed in U.S. dollars)

	2010	2009
INCOME		
Bond interest	\$ 13,084,420	\$ 9,442,254
Interest on cash and cash equivalents	3,519	23,667
	<u>13,087,939</u>	<u>9,465,921</u>
EXPENSES		
Management fees (Note 4)	1,224,454	824,941
Custodian fees (Note 4)	278,013	194,988
Administration and office fees (Note 4)	206,269	152,988
Professional fees	35,245	31,708
Government fees	10,687	4,314
Miscellaneous fees	-	2,525
	<u>1,754,668</u>	<u>1,211,464</u>
NET INVESTMENT INCOME	<u>11,333,271</u>	<u>8,254,457</u>
REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain (loss) on investments (Note 6)	4,860,469	(348,597)
Change in unrealized appreciation of investments	3,152,394	7,088,146
	<u>8,012,863</u>	<u>6,739,549</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 19,346,134</u>	<u>\$ 14,994,006</u>

The accompanying notes form an integral part of these statements

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
STATEMENT OF CHANGES IN NET ASSETS**
for the year ended December 31, 2010
(Expressed in U.S. dollars)

	2010	2009
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 19,346,134	\$ 14,994,006
CAPITAL TRANSACTIONS		
Issuance of 38,657 and 141,600 Accumulation Shares	72,895,233	250,288,408
Redemption of 34,435 and 44,672 Accumulation Shares	(64,547,175)	(77,476,058)
NET INCREASE IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	8,348,058	172,812,350
NET INCREASE IN NET ASSETS	27,694,192	187,806,356
NET ASSETS, BEGINNING OF YEAR	397,260,211	209,453,855
NET ASSETS, END OF YEAR	\$ 424,954,403	\$ 397,260,211

The accompanying notes form an integral part of these statements

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2010
(Expressed in U.S. dollars)

1. THE FUND

Performa Reserve Fund Ltd. (the “Company”) was incorporated under the laws of Bermuda on March 21, 1997, as an open-ended limited liability investment company.

The Company is organized into distinct classes of shares. Performa Reserve Fund Ltd. – Performa International Bond Fund (USD) (the “Fund”) is a share class of the Company and was the only share class of the Company outstanding during the years ended December 31, 2010 and December 31, 2009.

The Fund seeks to provide long-term capital accumulation through an optimized mix of international markets and investment grade securities while maintaining a relatively short duration, which will not exceed seven years.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting:

The financial statements have been prepared in conformity with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b. Investments:

Trading activity is recorded on a trade date basis. Securities that are listed on a national securities exchange are valued at their last sales prices on the date of valuation on the largest national securities exchange on which such securities have traded on such date. If no sales of such securities occurred on the date of valuation, the securities are valued at the “bid” price on the largest national securities exchange on which such securities are traded. The resulting unrealized appreciation and depreciation of securities is reflected in the statement of operations. Realized gains and losses on sales of securities are calculated using the first-in, first-out basis of accounting.

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2010
(Expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Cash and cash equivalents:

As at December 31, 2010 and December 31, 2009, cash and cash equivalents consists of an investment of \$13,306,536 and \$1,732,581 respectively, in a money market fund which is managed by P.R.P Performa Limited (the “Investment Advisor”).

d. Investment income:

Interest is recorded on the accrual basis of accounting.

e. New accounting standards:

In January 2011, the Canadian Accounting Standards Board approved a one year extension to the optional one year deferral from International Financial Reporting Standards (IFRSs) adoption for investment companies applying Accounting Guideline AcG-18, Investment Companies. Investment companies and segregated funds will now be required to mandatorily adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2013.

3. SHARE CAPITAL

The Company’s total authorized share capital is 12,000 Founder Shares with a par value of \$1.00 each and 10,000,000 Common Shares with a par value of \$0.01 each.

The Founder Shares are voting, non-redeemable and are not entitled to any dividends. The Founder Shares have been issued and are unpaid. The Company has issued all of the Founder Shares to the Investment Advisor. The Common Shares are non-voting, and are redeemable. Any number of classes of Common Shares can be issued as determined by the Directors of the Fund. Each class of Common Shares is further divided into Income Shares and Accumulation Shares. It is anticipated that Income Shares will receive dividends and that Accumulation Shares will receive no dividends. The Performa International Bond Fund (USD) Accumulation Shares is the only class of Common Shares outstanding at December 31, 2010 and December 31, 2009.

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4. MANAGEMENT, ADMINISTRATION AND CUSTODIAN FEES

Under the terms of the Fund's prospectus:

- a. The Investment Advisor, an affiliated company, provides investment management and advisory services to the Fund. The Investment Advisor is responsible for the investment of the Fund's assets. The Investment Advisor earns an advisory fee equal to 0.30% per annum, calculated weekly and paid quarterly in arrears.

The Investment Advisor is related to the Fund by a common directorship.

- b. On September 30, 2009, Woodmont Management Ltd. (the "Administrator") began providing services as the Administrator, Share Registrar and Transfer Agent for the Fund. For these services, the Administrator receives an administration fee. The administration fee is calculated at a rate of 0.08% on the first \$100 million and 0.04% in excess of \$100 million per annum, calculated daily and paid quarterly in arrears.

Out of the administration fee, a fee for accounting services is paid to STP Investments Services, Inc. based on the daily net asset value of the Fund and paid quarterly in arrears at a variable rate that does not exceed the administration fee described above.

For period from January 1, 2009 to September 30, 2009, SS&C Technologies, Inc. ("SS&C") provided services as the Administrator, Share Registrar and Transfer Agent for the Fund. For these services, SS&C received an administration fee. The administration fee was calculated at a rate of 0.08% on the first \$100 million and 0.04% in excess of \$100 million per annum, calculated weekly and paid quarterly in arrears.

- c. The custodian, Comerica Bank, is entitled to receive fees calculated at the following rates:

0.088% per annum on the first \$100 million;
0.077% per annum on the next \$100 million;
0.055% per annum on the amount over \$200 million

The custodian fee is calculated weekly and paid quarterly in arrears.

5. CONCENTRATION OF CREDIT RISK

As at December 31, 2010 and December 31, 2009, the custody of cash and cash equivalents and investments are with Comerica Bank. The Fund has all its individual counterparty concentration with Comerica Bank, which is based in the United States of America.

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6. NET REALIZED GAIN (LOSS) ON INVESTMENTS

The net realized gain (loss) on investments was as follows:

	2010	2009
Proceeds on sale of investments	\$ 429,428,655	\$ 712,132,260
Maturities during year	2,125,000	141,772,000
	<hr/>	<hr/>
Proceeds on investment sales/maturities	431,553,655	853,904,260
	<hr/>	<hr/>
Less cost of investments sold:		
Investments owned at beginning of year	389,977,377	176,874,372
Investments purchased during the year	439,341,053	1,067,355,862
Investments owned at end of year	(402,625,244)	(389,977,377)
	<hr/>	<hr/>
Cost of investments sold during year	426,693,186	854,252,857
	<hr/>	<hr/>
Net realized gain (loss) on investments	\$ 4,860,469	\$ (348,597)
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCIAL HIGHLIGHTS

Financial highlights of the Fund for the years ended December 31, 2010 and December 31, 2009 are as follows:

Per share operating performance	2010	2009
Net asset value per share at beginning of year	\$ 1,818.49	\$ 1,723.51
	<hr/>	<hr/>
Net investment income	51.40	51.84
Net realized and unrealized gain on investments	38.49	43.14
	<hr/>	<hr/>
Net increase in net assets resulting from operations	89.89	94.98
	<hr/>	<hr/>
Net asset value per share at end of year	\$ 1,908.38	\$ 1,818.49
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for the year ended December 31, 2010
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7.	FINANCIAL HIGHLIGHTS (cont'd)	2010	2009
	TOTAL RETURN:	4.94%	5.51%
	RATIO TO AVERAGE NET ASSETS:		
	Expenses	0.42%	0.43%
	Net investment income	2.72%	2.91%

An individual investor's return may vary from these returns based on the timing of capital transactions.

8. TAXES

Under current laws, there are no income, profit, capital or capital gains taxes levied in Bermuda, and accordingly, no provision for such taxes has been recorded by the Fund. In the event that such taxes are levied, the Fund has received an undertaking from the Government of Bermuda exempting it from all such taxes until March 28, 2016.