

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

**Financial Statements and
Independent Auditors' Report**

December 31, 2011

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, 2011, 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, 2011 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 30, 2012

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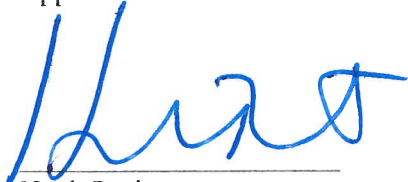
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Member of Deloitte Touche Tohmatsu Limited

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
STATEMENT OF NET ASSETS**
as at December 31, 2011
(Expressed in U.S. dollars)

	2011	2010
ASSETS		
Investments at fair value (cost: \$500,867,788 and \$402,625,244)	\$ 516,624,522	\$ 409,008,444
Cash and cash equivalents	9,468,790	13,306,536
Accrued interest receivable	4,150,026	3,171,423
Prepaid expenses	2,000	-
	530,245,338	425,486,403
LIABILITIES		
Accounts payable and accrued expenses	146,094	215,172
Management fees payable	132,359	316,828
	278,453	532,000
NET ASSETS	\$ 529,966,885	\$ 424,954,403
Accumulation Shares issued and outstanding (Note 3)	264,826	222,678
Net Asset Value per Accumulation Share	\$ 2,001.19	\$ 1,908.38

Approved on behalf of the Board:



Hugh Barit
Director



Winston Robinson
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, 2011
(Expressed in U.S. dollars)

Investments

Nominal	Fixed Income Securities	Fair Value
2,885,000	Aesop 2011-2A A 2.37% 11/20/14	\$ 2,880,492
124,000	Aid-Egypt 4.45% 9/15/15	138,700
6,183,000	Allstate LF GLB FN Trst 5.375% 4/30/13	6,511,762
2,595,000	Ally Financial Inc 1.75% 10/30/12	2,628,478
4,650,000	American Express Credit Co 2.75% 9/15/15	4,669,730
100,000	American Intl Group 5.05% 10/1/15	96,857
3,173,000	Astrazeneca Plc 5.4% 9/15/12	3,277,389
3,975,000	AT&T Inc 2.5% 8/15/15	4,115,242
3,700,000	Bank of America Corp 5.42% 3/15/17	3,353,749
2,990,000	Bellsouth Corp 5.2% 9/15/14	3,301,627
3,175,000	Berkshire Hathaway Fin 4.6% 5/15/13	3,338,481
161,000	Berkshire Hathaway Fin 4.75% 5/15/12	163,426
5,475,000	Berkshire Hathaway Fin 5.4% 5/15/18	6,379,946
1,250,000	Berkshire Hathaway Inc 1.4% 2/10/12	1,251,171
872,000	Blackrock Inc 2.25% 12/10/12	883,327
3,650,000	Blackrock Inc 4.25% 5/24/21	3,810,896
500,000	Boeing Co 1.875% 11/20/12	505,327
2,307,000	Bottling Group LLC 6.95% 3/15/14	2,599,567
1,100,000	Burlingt North Santa Fe 5.75% 3/15/18	1,280,975
2,000,000	Caterpillar Financial Se 2.% 4/5/13	2,031,520
1,973,000	CDP Financial 3% 11/25/14	2,050,371
2,986,000	Cellco Part/Veri Wirelss 7.375% 11/15/13	3,322,612
5,423,773	CFAIT 2009-1 A3	5,457,946
1,402,000	Chevron Corp 3.95% 3/3/14	1,499,018
1,500,000	Cisco Systems Inc 1.625% 3/14/14	1,529,244
3,200,000	Cisco Systems Inc 3.15% 3/14/17	3,464,285
3,098,000	Cisco Systems Inc 5.5% 2/22/16	3,595,505
3,748,000	Citigroup Funding Inc 2.125% 7/12/12	3,787,219
122,000	Citigroup Inc 5% 9/15/14	120,555
2,847,000	Citigroup Inc 5.125% 5/5/14	2,918,186
5,720,000	Commonwealth Bank Aust 2.7% 11/25/14	5,952,364
7,758,000	COMNI 2009-A12 A12	7,856,591
3,623,000	Conocophillips 4.75% 2/1/14	3,916,637
4,775,000	Credit Suisse New York 5% 5/15/13	4,898,864
3,399,000	Deutsche Bank AG London 4.875% 5/20/13	3,470,294
4,000,000	Deutsche Bank AG London 6.% 9/1/17	4,483,432
2,000,000	Dow Chemical Co 5.7% 5/15/18	2,243,520
3,984,881	DTAOT 2011-3A A	3,991,219
3,006,000	Duke Energy Carolinas 5.3% 10/1/15	3,420,828

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, 2011

(Expressed in U.S. dollars)

Investments (cont'd)

Nominal	Fixed Income Securities	Fair Value
2,150,000	E.I. Du Pont De Nemours 4.75% 11/15/12	2,223,691
3,006,000	E.I. Du Pont De Nemours 4.875% 4/30/14	3,284,479
3,228,000	E. on Intl Finance BV 5.8% 4/30/18	3,695,550
3,429,000	Electricite De France 5.5% 1/26/14	3,664,260
2,180,000	European Investment Bank 1.75% 9/14/12	2,193,745
6,060,000	Fannie Mae 1.125% 6/27/14	6,144,367
4,050,000	Fannie Mae 3% 9/16/14	4,310,298
4,250,000	Federal Home Loan Bank 1.375% 5/28/14	4,341,337
7,198,000	Freddie Mac 4.125% 9/27/13	7,667,957
6,064,000	Freddie Mac 5% 07/15/14	6,736,758
1,311,000	General Elec Cap Corp 3.75% 11/14/14	1,381,926
5,680,000	General Elec Cap Corp 6% 8/7/19	6,507,197
4,007,000	Glaxosmithkline Cap Inc 5.65% 5/15/18	4,819,159
4,940,000	Goldman Sachs Group Inc 5.75% 10/1/16	5,161,262
3,650,000	Google Inc 3.625% 5/19/21	4,006,401
8,090,000	HDMOT 2010-1 A3	8,052,368
3,006,000	Hewlett-Packard Co 6.125% 3/1/14	3,235,887
4,000,000	Home Depot Inc 5.4% 3/1/16	4,621,536
3,331,000	HSBC Capital Funding LP 4.61% 12/29/49	3,042,829
3,234,000	IBM Corp 5.7% 9/14/17	3,909,091
1,000,000	Illinois-TXBL 2.766% 1/1/12	1,000,000
4,949,000	Inter-American Devel Bk 4.375% 9/20/12	5,084,405
4,150,000	JP Morgan Chase Bank NA 5.875% 6/13/16	4,512,168
5,030,000	JP Morgan Chase Bank NA 6% 10/1/17	5,382,694
7,650,000	JPMCC 2011-C3 A3	8,160,631
1,763,000	JP Morgan Chase & Co 2.125% 6/22/12	1,779,302
147,000	JP Morgan Chase & Co 5.25% 5/1/15	155,619
4,000,000	Kinder Morgan Ener Part 5.95% 2/15/18	4,562,548
2,825,000	McDonald's Corp 5.3% 3/15/17	3,340,709
4,375,000	Medtronic Inc 4.45% 3/15/20	4,943,075
100,000	Merck & Co Inc 4.75% 3/1/15	111,247
5,080,000	Microsoft Corp 2.95% 6/1/14	5,381,965
3,673,810	MMCA 2011-A A2	3,674,303
3,660,000	Morgan Stanley 6% 4/28/15	3,659,323
1,965,000	National Australia Bank 3.375% 7/8/14	2,069,589
1,965,000	Nationwide Bldg Society 2.5% 8/17/12	1,986,637
4,750,000	NBC Universal Media LLC 3.65% 4/30/15	4,989,110
5,000,000	New York Life Global Fdg 4.65% 5/9/13	5,230,010

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, 2011

(Expressed in U.S. dollars)

Investments (cont'd)

Nominal	Fixed Income Securities	Fair Value
4,195,000	Northrop Grumman Corp 5.05% 8/1/19	4,696,819
3,600,000	Novartis Secs Invest Ltd 5.125% 2/10/19	4,205,218
2,010,000	Oekb Oest. Kontrollbank 3.625% 6/17/13	2,075,036
3,000,000	Ontario (Province Of) 2.95% 2/5/15	3,158,598
3,095,000	Ontario (Province Of) 4.1% 6/16/14	3,326,822
5,267,000	Pepsico Inc 5% 6/1/18	6,117,141
4,635,000	Philip Morris Intl Inc 2.5% 5/16/16	4,788,683
5,872,000	PNC Funding Corp 2.3% 6/22/12	5,931,495
3,017,000	Pricoa Global Funding 1 5.4% 10/18/12	3,116,089
2,894,000	Procter & Gamble Co 1.375% 8/1/12	2,908,201
5,095,000	Rabobank Nederland 4.2% 5/13/14	5,368,188
3,216,000	Roche Hldgs Inc 5% 3/1/14	3,483,738
6,968,000	Royal Bank of Canada 3.125% 4/14/15	7,287,552
2,195,000	Shell International Fin 4% 3/21/14	2,351,255
100,000	Southtrust Corp 5.8% 6/15/14	107,107
143,000	Temasek Financial I Ltd 4.5% 9/21/15	156,176
3,650,000	Texas Instruments Inc 2.375% 5/16/16	3,800,132
4,300,000	TIAA Global Markets 5.125% 10/10/12	4,441,874
9,955,050	US Treasury Inflation Protected Securities 1.375% 7/15/18	11,267,872
3,692,000	UBS AG Stamford CT 3.875% 1/15/15	3,680,012
3,617,000	United Technologies Corp 4.875% 5/1/15	4,046,508
1,730,000	US Bancorp 1.125% 10/30/13	1,730,782
9,124,000	US Treasury Notes 0.625% 7/31/12	9,151,800
23,059,000	US Treasury Notes 1.75% 5/31/16	24,117,372
9,688,000	US Treasury Notes 1.75% 7/31/15	10,113,364
6,558,000	US Treasury Notes 2.125% 8/15/21	6,727,073
15,765,000	US Treasury Notes 2.375% 7/31/17	16,947,375
17,350,000	US Treasury Notes 3.125% 5/15/19	19,455,043
10,673,000	US Treasury Notes 3.5% 2/15/18	12,172,640
19,937,000	US Treasury Notes 3.5% 5/15/20	22,939,232
2,805,000	UT-BABS-SER D 4.554% 7/1/24	3,243,337
2,629,000	Wachovia Cap Trust III 5.56975% 3/29/49	2,208,360
2,766,000	Wal-Mart Stores Inc 4.5% 7/1/15	3,097,137
5,002,000	Wal-Mart Stores Inc 5.8% 2/15/18	6,128,395
3,126,000	Walt Disney Company/The 4.5% 12/15/13	3,361,088
5,950,000	Wells Fargo Bank NA 4.75% 2/9/15	6,218,363
715,000	Westpac Banking Corp 2.25% 11/19/12	722,529
5,760,000	WFNMT 2011-A A	5,755,331
		\$ 516,624,522

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

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 (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

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 (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
		\$ 409,008,444
		\$ 409,008,444

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, 2011
(Expressed in U.S. dollars)

	2011	2010
INCOME		
Bond interest	\$ 15,212,446	\$ 13,084,420
Interest on cash and cash equivalents	2,468	3,519
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	15,214,914	13,087,939
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EXPENSES		
Management fees (Note 4)	1,404,492	1,224,454
Administration and office fees (Note 4)	382,556	206,269
Custodian fees (Note 4)	312,269	278,013
Professional fees	30,148	35,245
Government fees	1,028	10,687
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	2,130,493	1,754,668
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NET INVESTMENT INCOME	13,084,421	11,333,271
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REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments (Note 6)	768,939	4,860,469
Change in unrealized appreciation of investments	9,373,534	3,152,394
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	10,142,473	8,012,863
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 23,226,894	\$ 19,346,134
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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 CHANGES IN NET ASSETS**

for the year ended December 31, 2011

(Expressed in U.S. dollars)

	2011	2010
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 23,226,894	\$ 19,346,134
CAPITAL TRANSACTIONS		
Issuance of 51,582 and 38,657 Accumulation Shares	100,199,528	72,895,233
Redemption of 9,434 and 34,435 Accumulation Shares	(18,413,940)	(64,547,175)
NET INCREASE IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	81,785,588	8,348,058
NET INCREASE IN NET ASSETS	105,012,482	27,694,192
NET ASSETS, BEGINNING OF YEAR	424,954,403	397,260,211
NET ASSETS, END OF YEAR	\$ 529,966,885	\$ 424,954,403

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, 2011
(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 and the Company maintains a separate Fund (sub-Fund) in respect of each class. All income and capital gains earned on the assets of each sub-Fund shall accrue to such sub-Fund and all expenses and liabilities related to a particular sub-Fund and any redemptions of the Shares related thereto shall be charged to and paid from the sub-Fund in question. Thus, the trading results of any one sub-Fund should have no effect on the value of any other sub-Fund and the holders of any class of Share will not have any interest in any assets of the Company other than the sub-Fund attributable to the class of Shares held by them. Performa Reserve Fund Ltd. – Performa International Bond Fund (USD) (the “Fund”) is a sub-fund of the Company and was the only share class of the Company outstanding during the years ended December 31, 2011 and December 31, 2010.

The Company seeks to achieve, through individual portfolios, an above average rate of total return by investing primarily in fixed income securities.

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, 2011
(Expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Cash and cash equivalents:

As at December 31, 2011 and December 31, 2010, cash and cash equivalents consists of an investment of \$9,468,790 and \$13,306,536 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.

The Accounting Standards Board (AcSB) has extended again the mandatory changeover date to International Financial Reporting Standards (IFRSs) for investment companies and segregated accounts of insurance enterprises. The new date of January 1, 2014 reflects the likelihood that the International Accounting Standards Board (IASB) will not issue the proposed guidance on investment entities before January 1, 2013. The deferred changeover prevents Canadian investment companies and segregated accounts of life insurance enterprises having to change their current accounting treatment for controlled investees.

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-participating and, 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, 2011 and December 31, 2010.

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2011
(Expressed in U.S. dollars)

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 monthly in arrears.

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

- b. Woodmont Management Ltd. (the "Administrator") provides 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% per annum, calculated daily and paid quarterly in arrears. Prior to January 15, 2011 the administration fee was calculated at 0.08% on the first \$100 million and 0.04% in excess of \$100 million per annum.

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

Under the terms of an investment management processing service agreement between the Investment Advisor and STP, the Investment Advisor has the right to participate in 40% of STP's net taxable income as defined in the investment management processing service agreement.

The Investment Advisor has no equity interest in STP.

- 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, 2011 and December 31, 2010, 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.

**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2011
(Expressed in U.S. dollars)

6. NET REALIZED GAIN ON INVESTMENTS

The net realized gain on investments was as follows:

	2011	2010
Proceeds on sale of investments	\$ 173,175,254	\$ 429,428,655
Maturities during year	9,984,000	2,125,000
	<hr/>	<hr/>
Proceeds on investment sales/maturities	183,159,254	431,553,655
	<hr/>	<hr/>
Less cost of investments sold:		
Investments owned at beginning of year	402,625,244	389,977,377
Investments purchased during the year	280,632,859	439,341,053
Investments owned at end of year	(500,867,788)	(402,625,244)
	<hr/>	<hr/>
Cost of investments sold during year	182,390,315	426,693,186
	<hr/>	<hr/>
Net realized gain on investments	\$ 768,939	\$ 4,860,469
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCIAL HIGHLIGHTS

Financial highlights of the Fund for the years ended December 31, 2011 and December 31, 2010 are as follows:

Per share operating performance	2011	2010
Net asset value per share at beginning of year	\$ 1,908.38	\$ 1,818.49
	<hr/>	<hr/>
Net investment income	52.80	51.40
Net realized and unrealized gain on investments	40.01	38.49
	<hr/>	<hr/>
Net increase in net assets resulting from operations	92.81	89.89
	<hr/>	<hr/>
Net asset value per share at end of year	\$ 2,001.19	\$ 1,908.38
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**PERFORMA RESERVE FUND LTD. –
PERFORMA INTERNATIONAL BOND FUND (USD)
NOTES TO THE FINANCIAL STATEMENTS**
for the year ended December 31, 2011
(Expressed in U.S. dollars)

7. FINANCIAL HIGHLIGHTS (cont'd)

	2011	2010
TOTAL RETURN:	4.86%	4.94%
	<u> </u>	<u> </u>
RATIO TO AVERAGE NET ASSETS:		
Expenses	0.44%	0.42%
	<u> </u>	<u> </u>
Net investment income	2.70%	2.72%
	<u> </u>	<u> </u>

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.

In March 2011, the Bermuda Government enacted the Exempted Undertakings Tax Protection Amendment Act 2011, allowing the Minister of Finance to grant assurance up to March 31, 2035.