

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

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2014**

## 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 condensed schedule of investments, as at December 31, 2014, 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 United States of America, 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 the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014 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 United States of America.

*Deloitte Ltd.*

March 31, 2015

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**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
STATEMENT OF NET ASSETS**  
as at December 31, 2014  
*(Expressed in U.S. dollars)*

ASSETS

Investments at fair value (cost: \$464,131,008)	\$ 464,461,946
Cash and cash equivalents	21,574,315
Accrued interest receivable	1,746,808
	<hr/>
	487,783,069
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LIABILITIES

Management fees payable	124,424
Accounts payable and accrued expenses	95,167
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	219,591
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NET ASSETS	\$ 487,563,478
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Accumulation Shares issued and outstanding (Note 3)	229,485
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Net Asset Value per Accumulation Share	\$ 2,124.60
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Approved on behalf of the Board:

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Hugh Barit  
Director

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Winston Robinson  
Director

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
CONDENSED SCHEDULE OF INVESTMENTS**

as at December 31, 2014

*(Expressed in U.S. dollars)*

Investments in securities, at fair value	Fair Value	% of
Corporate debt	\$	Net Assets
<b>Australia</b>		
Financial	2,187,109	0.45%
Industrial	3,796,503	0.78%
<b>Total - Australia (cost - \$5,938,964)</b>	5,983,612	1.23%
<b>Canada</b>		
Financial	24,531,290	5.02%
Industrial	4,313,775	0.89%
<b>Total - Canada (cost - \$29,008,285)</b>	28,845,065	5.91%
<b>Egypt</b>		
Sovereign	127,300	0.03%
<b>Total - Egypt (cost - \$128,278)</b>	127,300	0.03%
<b>France</b>		
Industrial	6,806,817	1.40%
<b>Total - France (cost - \$6,836,128)</b>	6,806,817	1.40%
<b>Netherlands</b>		
Financial	4,080,375	0.84%
<b>Total - Netherlands (cost - \$4,043,518)</b>	4,080,375	0.84%
<b>Norway</b>		
Industrial	5,393,190	1.11%
<b>Total - Norway (cost - \$5,488,095)</b>	5,393,190	1.11%
<b>Singapore</b>		
Sovereign	146,975	0.03%
<b>Total - Singapore (cost - \$142,857)</b>	146,975	0.03%
<b>Switzerland</b>		
Financial	2,901,574	0.60%
<b>Total - Switzerland (cost - \$3,014,185)</b>	2,901,574	0.60%

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
CONDENSED SCHEDULE OF INVESTMENTS**

as at December 31, 2014

*(Expressed in U.S. dollars)*

<b>Investments in securities, at fair value (cont'd)</b>	<b>Par Value</b>	<b>Fair value</b>	<b>% of</b>
<b>Corporate debt (cont'd)</b>	<b>\$</b>	<b>\$</b>	<b>Net Assets</b>
<b>United Kingdom</b>			
Industrial		9,390,419	1.92%
		9,390,419	1.92%
<b>Total - United Kingdom (cost - \$9,401,143)</b>			
<b>United States</b>			
Asset Backed Securities	26,117,603	25,981,349	5.33%
Mortgage Backed Securities	67,240,735	68,064,046	13.95%
Financial	97,760,000	99,456,150	20.40%
Industrial	124,977,796	126,142,106	25.87%
U.S. Agency	16,525,147	16,479,343	3.38%
U.S. Treasury 0.25% - 2.75%			
Maturity 9/30/2015 – 02/15/2014	58,366,000	58,707,253	12.04%
Utility	5,800,000	5,956,372	1.22%
		400,786,619	82.19%
<b>Total - United States (cost - \$400,129,555)</b>			
<b>Total – Corporate debt (cost - \$464,131,008)</b>			
		464,461,946	95.26%
<b>Total investments in securities, at fair value</b>			
<b>(cost - \$464,131,008)</b>			
		464,461,946	95.26%

*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, 2014  
*(Expressed in U.S. dollars)*

INCOME

Bond interest	\$ 9,938,740
Interest on cash and cash equivalents	173,752
	10,112,492

EXPENSES

Management fees (Note 4)	1,456,225
Administration fees (Note 4)	582,490
Custodian fees (Note 4)	139,816
Professional fees	51,516
Miscellaneous fees	8,139
	2,238,186

NET INVESTMENT INCOME	7,874,306
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REALIZED AND UNREALIZED (LOSS) GAIN ON INVESTMENTS

Net realized loss on investments	(341,536)
Change in unrealized appreciation of investments	3,781,647
	3,440,111

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 11,314,417
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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, 2014  
*(Expressed in U.S. dollars)*

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 11,314,417
CAPITAL TRANSACTIONS	
Issuance of Accumulation Shares	62,039,731
Redemption of Accumulation Shares	(56,381,494)
	5,658,237
NET INCREASE IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	5,658,237
NET INCREASE IN NET ASSETS	16,972,654
NET ASSETS, BEGINNING OF YEAR	470,590,824
NET ASSETS, END OF YEAR	\$ 487,563,478

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

*(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 year ended December 31, 2014.

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 United States of America (“U.S. GAAP”). 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.

Effective January 1, 2014, the Fund adopted U.S. GAAP. The adoption of U.S. GAAP had no impact on the net asset value or net assets of the Fund.

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**

December 31, 2014

*(Expressed in U.S. dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Cash and cash equivalents:

As at December 31, 2014 cash and cash equivalents consists of an investment of \$21,574,315 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 August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements (Subtopic 205-40): Going Concern (“ASU 2014-15”). The update provides guidance on management’s responsibility in evaluating whether there is substantial doubt about a Fund’s ability to continue as a going concern and about the related disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a Fund’s ability to continue as a going concern within one year from the date the financial statements are issued. ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016. Management has reviewed the requirements of ASU 2014-15 and there will be no impact on the financial statements of the Fund.

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, 2014.

Share transactions for the year ended December 31, 2014, we as follows:

Class	Shares at December 31, 2013	Issued	Redeemed	Shares at December 31, 2014
Accumulation shares	226,844	29,326	(26,685)	229,485

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

*(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. STP Investment Services, Inc. (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 0.12% per annum, on the daily net asset value of the Fund and paid quarterly in arrears.

Under the terms of an investment management processing service agreement between the Investment Advisor and the Administrator, the Investment Advisor has the right to participate in 40% of the Administrator's net taxable income as defined in the investment management processing service agreement. The Investment Advisor has no equity interest in the Administrator.

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

0.050% per annum on the first US\$100 million  
0.030% per annum on the next US\$200 million  
0.025% per annum on the excess of US\$300 million

5. CONCENTRATION OF CREDIT RISK

In the normal course of business, the Fund manages a variety of risks including market risk, credit risk and liquidity risk.

Market risk is the potential for changes in the value of investments due to market changes, including interest and foreign exchange rate movements and fluctuations in security prices. Market risk is directly impacted by the volatility and liquidity in the markets in which the underlying assets are traded. The Fund manages its exposure to market risk related to trading instruments on an aggregate basis combining the effects of cash instruments and fixed income securities.

As at December 31, 2014, 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**

December 31, 2014

*(Expressed in U.S. dollars)*

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgment by the Trading Advisor. The Trading Advisor considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Trading Advisor's perceived risk of that instrument.

Derivative instruments can be exchange-traded or privately negotiated over-the-counter ("OTC"). Exchange-traded derivatives, such as futures contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

OTC derivatives, including currency forwards, are valued using third party quotations which are calculated using straight line interpolation of mid forward points as reported by time zone close from the market on which the foreign currency primarily trades. Certain OTC derivatives, such as generic forwards, have inputs which can generally be corroborated by market data and are therefore classified within level 2.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

*(Expressed in U.S. dollars)*

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Those OTC derivatives that have less liquidity or for which inputs are unobservable are classified within level 3. While the valuations of these less liquid OTC derivatives may utilize some level 1 and/or level 2 inputs, they also include other unobservable inputs which are considered significant to the fair value determination. At each measurement date, the Trading Advisor updates the level 1 and level 2 inputs to reflect observable inputs, though the resulting gains and losses are reflected within level 3 due to the significance of the unobservable inputs. There were no level 3 financial instruments held during the year or at year end.

The following table presents the financial instruments carried on the statement of assets and liabilities by caption and by level within the valuation hierarchy as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b>Investments in securities</b>				
Corporate Bond				
Asset Backed Securities	\$ -	\$ 25,981,349	\$ -	\$ 25,981,349
Mortgage Backed Securities	-	68,064,046	-	68,064,046
Financial	-	133,156,498	-	133,156,498
Industrial	-	155,842,810	-	155,842,810
Sovereign	-	274,275	-	274,275
U.S. Agency	-	16,479,343	-	16,479,343
Utility	-	5,956,372	-	5,956,372
U.S. Treasury	58,707,253	-	-	58,707,253
	<u>\$ 58,707,253</u>	<u>\$ 405,754,693</u>	<u>\$ -</u>	<u>\$ 464,461,946</u>

7. 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 31, 2035.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA INTERNATIONAL BOND FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2014

*(Expressed in U.S. dollars)*

8. FINANCIAL HIGHLIGHTS

Financial highlights of the Fund for the year ended December 31, 2014 is as follows:

Per share operating performance

Net asset value per share at beginning of year	\$	2,074.52
Net investment income		34.13
Net realized and unrealized gain on investments		15.95
Net increase in net assets resulting from operations		50.08
Net asset value per share at end of year	\$	2,124.60
TOTAL RETURN:		2.41%
RATIO TO AVERAGE NET ASSETS:		
Expenses		0.46%
Net investment income		1.62%

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

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated up to the date of the audit report for recognition and disclosure, and determined that there were no material events that would require recognition or disclosure in the Fund's financial statement through that date.