

# **Abbey Capital Multi-Manager Fund Limited**

**Annual Report & Audited Financial Statements  
January 1, 2012 to December 31, 2012**

**Abbey Capital Limited is an Alternative Investment Manager, regulated by the Central Bank of Ireland. Abbey Capital Limited is the Commodity Pool Operator of the Abbey Capital Multi-Manager Fund Limited and operates it as an exempt pool pursuant to sub-section 4.7 of the Regulations issued pursuant to the Commodity Exchange Act, as amended. Abbey Capital Limited is a member of the National Futures Association (“NFA”), and is registered as an Investment Advisor with the Securities Exchange Commission (“SEC”). None of the regulators listed above endorse, indemnify, or guarantee the member’s business practices, selling methods, the class or type of securities offered, or any specific security.**

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A copy of the Audited Financial Statements of the ACL Alternative Fund (“the ACL Alternative Fund”) is included with these Financial Statements. The ACL Alternative Fund is a segregated account of ACL Alternative Fund SAC Limited, a segregated accounts company incorporated as an open-ended investment company with limited liability under the laws of Bermuda.

**Affirmation Statement**

Abbey Capital Multi-Manager Fund Limited  
Victoria Place  
31 Victoria Street  
Hamilton HM 10  
Bermuda

**Affirmation Required by the Commodity Exchange Act, Regulation§4.7(b)(3)(i)**

I, Anthony Gannon, Director of Abbey Capital Limited (Commodity Pool Operator of Abbey Capital Multi-Manager Fund Limited) hereby affirm that, to the best of my knowledge and belief, the information contained in this annual report is accurate and complete.



Anthony Gannon  
Director,  
Abbey Capital Limited  
February 28, 2013

## **Directory**

**Registered Office: Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda**

### **Directors**

Anthony Gannon  
(Non-Executive Director)  
Nicholas Hoskins  
(Independent Non-Executive Director)  
Roderick Forrest  
(Independent Non-Executive Director)

### **Investment Manager**

Abbey Capital Limited  
1-2 Cavendish Row  
Dublin 1  
Ireland

### **Listing Sponsor**

Harbour Financial Services Limited  
Victoria Place  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### **Auditor**

KPMG  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### **Legal Adviser**

Conyers Dill & Pearman  
Clarendon House  
2 Church Street  
Hamilton  
Bermuda

### **Administrator, Registrar & Transfer Agent**

BNY Mellon Alternative Investment Services Ltd  
48 Par-la-ville Road  
Suite 464  
Hamilton HM 11  
Bermuda

### **Corporate Secretary & Bermuda Registrar**

M.Q. Services Limited  
Victoria Place  
31 Victoria Street  
Hamilton HM 10  
Bermuda

# Abbey Capital Multi-Manager Fund Limited December 31, 2012

## Investment Manager's Report

### Legal Structure

The Abbey Capital Multi-Manager Fund Limited (the "Company" or "Fund") was incorporated in Bermuda on October 4, 2006 as an open-ended investment fund with variable capital and limited liability.

The Fund has created four Share Classes; a USD Share Class A, a USD Share Class B, a USD Share Class C and a USD Share Class D. The Fund offers investors monthly dealing and the NAV for the USD Share Class A is listed on the Bermuda Stock Exchange. The Directors have the power to issue further Share Classes in different currencies in the future.

Share Class in Issue	Launch Date	NAV per share as of December 31, 2012
USD Share Class A	January 2, 2007	\$119.12
USD Share Class B	August 3, 2009	\$94.16
USD Share Class C	October 1, 2010	\$84.43
USD Share Class D	January 3, 2011	\$83.73

The Fund is a feeder fund to the ACL Alternative Fund (the "ACL Alternative Fund") as it invests substantially all of its assets in the ACL Alternative Fund. The ACL Alternative Fund is a segregated account of ACL Alternative SAC Limited (the "ACL Alternative Fund SAC"). ACL Alternative Fund SAC is a segregated accounts company incorporated as an open-ended investment company with limited liability under the laws of Bermuda. The investment objective of the Fund is to seek long-term capital appreciation for its shareholders within a rigorous risk management framework.

### Investment Objective and Strategy

The investment objective of the Fund is to seek long-term capital appreciation for its shareholders within a rigorous risk management framework. The Fund aims to deliver its Investment Objective by investing in a range of trading strategies through a direct investment in the ACL Alternative Fund (the memorandum for this fund is available on request). The Investment Manager of the Fund is also the Investment Manager of ACL Alternative Fund and is responsible for choosing the Trading Advisors for that fund.

The ACL Alternative Fund allocated in excess of 77% of its assets to twenty six Trading Funds\* as at December 31, 2012, each Trading Fund being a separate and distinct segregated account established and maintained by the ACL Alternative Fund SAC. Through its shareholdings in the Trading Funds, the ACL Alternative Fund operates as a multi-advisor fund. The Trading Advisors of the Trading Funds are given a power of attorney to trade on behalf of the respective Trading Fund through a managed account in the Trading Fund's name held with one of the Trading Fund's principal brokers.

Diversification is achieved at both the Trading Advisor strategy and market sector level. The ACL Alternative Fund invests in a range of trading styles applied by the Trading Advisors, including long-term trend following, short-term systematic, value, discretionary macro and specialist FX strategies. Market exposure is broadly diversified with positions in global currency, financial and commodity markets. The Trading Advisors are selected on the basis of a variety of quantitative and qualitative criteria, including:

*\*One of the Fund's underlying managers was terminated in December 2012. By December 31, 2012 all positions held by that Trading Fund had been fully liquidated, however some residual cash remained in the Trading Fund. All residual cash was fully redeemed from the Trading Fund by February 1, 2013.*

# Abbey Capital Multi-Manager Fund Limited December 31, 2012

## Investment Manager's Report (continued)

### Investment Objective and Strategy (continued)

- long-term positive returns on capital invested
- favorable risk-adjusted performance measures
- favorable correlation of a Trading Advisor's strategy with the strategies of other Trading Advisors in light of the ACL Alternative Fund's investment objective
- proven track record and risk management capability

Attention is also paid to the correlation between each Trading Advisor's returns and the returns on equities. Ideally Trading Advisors that have displayed a tendency to have a negative correlation with equities when equities are declining are preferred. This has resulted in the ACL Alternative Fund's low long-term correlation with equity markets.

### Fund Performance to date

The Abbey Capital Multi-Manager Fund USD Share Class A closed 2012 with a loss of -9.5%.

The ACL Alternative Fund USD Share Class A closed 2012 with a loss of -7.7%. Since inception in January 2002 the Fund has returned cumulatively +135.3%, providing an annualised return of +8.1%\*\*.

The ACL Alternative Fund experienced poor performance from the core Trendfollowing strategy and from the largest satellite strategy, Short-term Systematic over 2012. Trading across a number of market sectors was challenging, but commodity markets proved particularly difficult and accounted for most of the losses. Unusually, the ACL Alternative Fund suffered losses in every commodity sector.

Volatility across many markets was lower than in recent years but the market environment continued to be characterised by frequent trend reversals, making conditions difficult for Long-term Trendfollowers. These reversals were often driven by new policies or policy statements from central bankers and government officials. Indeed, aggressive market intervention from central banks (such as the Federal Reserve's (the "Fed") quantitative easing ("QE III") and the ECB's Outright Monetary Transactions ("OMT")) were seen as reducing tail risk in markets and may have limited the potential for markets to develop sustained trends at various times during the year.

The ongoing and unprecedented monetary stimulus from central banks ensured that interest rates stayed at historic lows, and that the trend of declining bond yields and rising interest rate futures continued through much of the year. These trends provided some of the few bright spots for Trendfollowers. The low interest rate/low volatility environment also provided a positive backdrop for investment strategies that exploit carry opportunities and asset mispricing (such as long/short equity, event-driven and many credit strategies). Historically, these strategies have typically outperformed Trendfollowing strategies, which often profit from prices moving away from fair value, during relatively benign market conditions.

Indeed, this pattern of performance was reflected in the ACL Alternative Fund's performance. One of the ACL Alternative Fund's Value managers, who aims to exploit valuation differentials between assets rather than trading directionally, was the ACL Alternative Fund's best performer in risk-adjusted terms. Within Trendfollowing, the dispersion of returns between managers was in line with previous years, with differences in performance accounted for by differing average holding periods and

*\*\*The ACL Alternative Fund is a segregated account of ACL Alternative Fund SAC Limited. The ACL Alternative program commenced in December 2000 and was incorporated as a fund in January 2002. Return figures shown are net of fees and include interest.*

# Abbey Capital Multi-Manager Fund Limited December 31, 2012

## Investment Manager's Report (continued)

### Fund Performance to date (continued)

different risk allocations between markets. Global Macro managers were small positive contributors to performance, although the choppy nature of markets made conditions generally difficult for Global Macro managers in the industry. Short-term Systematic strategies had a disappointing year with the low level of volatility in equity markets in particular proving a challenge.

Although 2012 was a difficult year for managed futures generally, the Abbey Capital Multi-Manager Fund did underperform the Newedge CTA Index<sup>\*\*\*</sup>. This largely reflects the higher volatility of the Fund and greater diversification in terms of strategy exposure and commodity diversification in the Fund. Notwithstanding recent underperformance, over the longer term the ACL Alternative Fund has outperformed the Newedge CTA Index and other comparable managed futures indices<sup>\*\*\*\*</sup>.

We made a number of changes to the portfolio through the year adding new managers in Trendfollowing, Global Macro and Short-term Systematic and removing two managers. We reduced the allocation to Short-term Systematic and increased the allocation to Trendfollowing, Global Macro and Value. The ACL Alternative Fund's underlying managers also continued to invest in research and enhance their systems and trading strategies in response to market conditions.

### Abbey Capital Limited – Investment Manager

Abbey Capital completed its twelfth year of track record in 2012 and we continue to invest and build out our business. We attracted new investors through the year and further diversified the Fund's investor base. We continued to invest in our team in 2012, expanding by over 10% in terms of headcount to a team of 60 people across our Dublin and New York offices. We added a Market Specialist to our team in Dublin and made further hires to bolster our Client Services and IT teams. We have further invested in our IT infrastructure and proprietary risk systems this year.

In November, Abbey Capital won Best Investor Relations Team at the Hedge Funds Review European Fund of Hedge Funds Awards. We were delighted to receive this recognition of the service that we have given investors over the years. The ACL Alternative Fund was also nominated for the Best Specialist Fund of Hedge Funds at the same awards.

While we cannot control when, or where, profitable trends in financial markets will emerge, we remain focused on the aspects of the business that we can control: enhancing our investment process, maintaining our risk control, investing in our teams and infrastructure, and delivering top quality client service.

### Abbey Capital Limited February 2013

*\*\*\*None of the funds managed by Abbey Capital are benchmarked against any index.*

*\*\*\*\*The total cumulative return for the Program since inception is +181.3% versus +138% for the CISDM Index, +93.1% for the Newedge CTA Index and +90% for the BTOP 50 Index.*



**KPMG**  
**Chartered Accountants**  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

## **Independent Auditor's Report**

To the Shareholders of Abbey Capital Multi-Manager Fund Limited:

We have audited the accompanying financial statements of Abbey Capital Multi-Manager Fund Limited ("the Fund"), which comprise the Statement of Assets and Liabilities as at December 31, 2012, and the related Statements of Operations, Changes in Net Assets and Financial Highlights for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Directors, 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 opinion.





## Independent Auditor's Report (continued)

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2012, and its financial performance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'KPMG'.

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

Date: February 28, 2013

**Abbey Capital Multi-Manager Fund Limited**

December 31, 2012

**Statement of Assets & Liabilities**

<b>Assets</b>	<b>2012 US\$</b>
Investment in ACL Alternative Fund (Note 3)	637,678,796
Cash at bank	6,356,269
Equalization credits & depreciation deposits receivable	4,399,595
<b>Total assets</b>	<b><u>648,434,660</u></b>
<b>Liabilities</b>	
Payables and accrued expenses (Note 7)	1,062,700
Subscriptions received in advance	4,441,054
Redemptions payable (Note 2)	19,457,734
<b>Total liabilities</b>	<b><u>24,961,488</u></b>
<b>Net assets</b>	<b><u>623,473,172</u></b>
Paid-in capital (Note 6)	709,195,855
Distributable earnings	(85,722,683)
<b>Net assets</b>	<b><u>623,473,172</u></b>
Shares in issue – USD Share Class A	4,091,596
Shares in issue – USD Share Class B	457,287
Shares in issue – USD Share Class C	384,258
Shares in issue – USD Share Class D	723,253
Net Asset Value per share – USD Share Class A	\$119.12
Net Asset Value per share – USD Share Class B	\$94.16
Net Asset Value per share – USD Share Class C	\$84.43
Net Asset Value per share – USD Share Class D	\$83.73

These Financial Statements were approved by the Board of Directors and signed on their behalf by:



Director



Director

Date: February 28, 2013

The accompanying notes are an integral part of these Financial Statements.

**Abbey Capital Multi-Manager Fund Limited**  
**Statement of Operations**

December 31, 2012

	2012 US\$
<b>Income</b>	
Interest income (Note 2)	2,990
<b>Expenses</b>	
Administration fees (Note 4)	63,725
Audit & tax fees	169,298
Distribution fees (Note 4)	11,760,602
Corporate, legal & other fees	46,509
<b>Expenses</b>	<u>12,040,134</u>
<b>Net investment loss</b>	<u>(12,037,144)</u>
<b>Net realized gain on</b>	
Investments in ACL Alternative Fund	10,088,566
<b>Net unrealized loss on</b>	
Investments in ACL Alternative Fund	(65,942,548)
Net realized and unrealized loss from investments in ACL Alternative Fund	<u>(55,853,982)</u>
<b>Net decrease in net assets resulting from operations</b>	<u>(67,891,126)</u>

These Financial Statements were approved by the Board of Directors and signed on their behalf by:



Director



Director

Date: February 28, 2013

The accompanying notes are an integral part of these Financial Statements.

**Abbey Capital Multi-Manager Fund Limited**  
**Statement of Changes in Net Assets**

December 31, 2012

	2012 US\$
<b>Net decrease in net assets resulting from operations</b>	
Net investment loss for the year	(12,037,144)
<b>Net realized gain on</b> Investments in ACL Alternative Fund	10,088,566
<b>Net unrealized loss on</b> Investments in ACL Alternative Fund	(65,942,548)
<b>Decrease in net assets as a result of operations</b>	<u>(67,891,126)</u>
<b>Capital transactions</b>	
Proceeds on issue of shares	163,954,843
Paid on redemption of shares	(151,105,831)
<b>Net proceeds from capital transactions</b>	<u>12,849,012</u>
Total decrease in net assets	(55,042,114)
<b>Net assets:</b>	
Beginning of year	678,515,286
<b>End of year</b>	<u>623,473,172</u>

The accompanying notes are an integral part of these Financial Statements.

## Financial Highlights

The following table includes selected data for the four USD Share Classes outstanding throughout the year and other performance information derived from the Financial Statements. The per share amounts which are shown reflect the income and expenses of the Fund.

	USD Share Class A	USD Share Class B	USD Share Class C	USD Share Class D
	USD	USD	USD	USD
Net investment loss *	(2.22)	(1.39)	(1.62)	(1.28)
Net realized & unrealized loss on investments	(10.29)	(6.43)	(7.49)	(5.92)
Net decrease in net asset value per share	(12.51)	(7.82)	(9.11)	(7.20)
Net asset value per share:				
Beginning of year	131.63	101.98	93.54	90.93
End of year	119.12	94.16	84.43	83.73
Total investment return	(9.50%)	(7.67%)	(9.74%)	(7.91%)
Ratio of expenses to average net assets *	(2.04%)	(0.04%)	(2.04%)	(0.04%)
Ratio of net investment* (loss) to average net assets	(2.04%)	(0.04%)	(2.04%)	(0.04%)
Net assets at end of year	487,408,377	43,060,311	32,443,153	60,561,331

\* Calculated based on average shares outstanding during the year.

The accompanying notes are an integral part of these Financial Statements.

# Abbey Capital Multi-Manager Fund Limited December 31, 2012

## Notes to the Financial Statements

### 1. The Fund and its activities

The Fund was incorporated on the October 4, 2006 under the laws of Bermuda as an open-ended investment fund with variable capital and limited liability. The Fund has created four Share Classes, the USD Share Class A, the USD Share Class B, the USD Share Class C and the USD Share Class D. All Share Classes offer investors monthly dealing. The Directors have the power to issue further Share Classes in different currencies in the future. The Fund is a feeder fund to the ACL Alternative Fund (the "ACL Alternative Fund") as it invests substantially all of its assets into the ACL Alternative Fund. The ACL Alternative Fund is a segregated account of the ACL Alternative Fund SAC Limited, a segregated accounts company incorporated as an open-ended investment company with limited liability under the laws of Bermuda. The NAV for the Fund's USD Share Class A is listed on the Bermuda Stock Exchange.

The Financial Statements of the ACL Alternative Fund, including the Condensed Schedule of Investments, are attached to these Financial Statements and should be read in conjunction with the Fund's Financial Statements.

The investment objective of the Fund is to seek long-term capital appreciation for its Shareholders within a rigorous risk management framework. The Fund aims to achieve this objective through its direct investment in the ACL Alternative Fund.

### 2. Significant accounting policies

These financial statements are presented using the US Dollar (USD) as the functional currency and are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

#### **Estimates and assumptions**

The preparation of Financial Statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the Financial Statements and accompanying notes. Actual amounts could differ from these estimates. The following is a summary of the significant accounting policies:

#### **Basis of preparation**

The Financial Statements are prepared under the historical cost convention, as modified by the revaluation of investment to fair value.

#### **Investment income and expenses**

Investment income and expenses are recognized in the Statement of Operations on an accruals basis.

#### **Valuation of investments**

The Fund records its investment in the ACL Alternative Fund at fair value. Fair value represents the price listed on the Irish Stock Exchange for Class A shares as at close of business on the relevant valuation day. The value of Class B shares is based on the official net asset value per share as calculated by the Administrator of the ACL Alternative Fund on the relevant valuation day as this is most representative of fair value. The valuation of investments held by the ACL Alternative Fund is discussed in the notes to the ACL Alternative Fund Financial Statements which are attached to these Financial Statements.

## **Notes to the Financial Statements (continued)**

### **2. Significant accounting policies (continued)**

#### **Foreign currency**

Other assets and liabilities denominated in foreign currencies are translated into USD amounts at the date of valuation. Income and expense items denominated in foreign currencies are translated into USD amounts on the respective dates of such transactions.

#### **Redemptions payable**

In accordance with FASB ASC Subtopic 480-10, Distinguish Liabilities from Equity, a request for a redemption of shares by an investor is considered a mandatory redeemable financial investment and shall be classified as a liability. Accordingly, requests for redemptions amounting to \$18,824,193 which were effective for January 2, 2013 have been reclassified to redemptions payable on the Statement of Assets and Liabilities. Further redemption amounts dealt in December 2012 totaling \$633,541 remained payable to investors at year end.

#### **Accounting Pronouncements**

In December 2011, the FASB issued ASU 2011-11, "Disclosures about offsetting Assets and Liabilities". ASU 2011-11 requires entities to disclose both gross and net information about financial instruments and derivative instruments that are either (i) offset in the statement of assets and liabilities, or (ii) subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are offset in the statement of assets and liabilities. In addition, ASU 2011-11 requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

The requirements of ASU 2011-11 are effective for interim and annual reporting periods beginning on or after January 1, 2013. The guidance requires retrospective application for all comparative periods presented.

The adoption of ASU 2011-11 will not have any impact on the Fund's financial position or results of operations, as ASU 2011-11 only affects disclosures about offsetting. Management is currently evaluating the implications of ASU 2011-11 and its impact on the financial statements and disclosures.

### **3. Fair value measurements**

The Fund's financial assets and liabilities carried at fair value have been classified for disclosure purposes, based on a hierarchy defined by FASB ASC 820, Fair Value Measurement.

The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

**Notes to the Financial Statements (continued)**

**3. Fair value measurements (continued)**

- Level 2 - Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The below table shows information about the Fund's assets and liabilities measured at fair value as of December 31, 2012. All values shown are stated in USD.

	Quoted Prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Balance as at December 31, 2012
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment in the ACL Alternative Fund	637,678,796	-	-	<b>637,678,796</b>
<b>Total</b>	<u>637,678,796</u>	<u>-</u>	<u>-</u>	<u><b>637,678,796</b></u>

There were no significant transfers into or out of Level 1 during the year ended December 31, 2012. In addition there were no Level 3 Assets or Liabilities held by the Fund as at December 31, 2012 or at any time during the year then ended.

**4. Fees and Expenses**

**Registrar and Transfer Agent, Administrator and Secretarial Services**

The Fund pays \$25 per transaction on the Share Register (including subscriptions, and redemptions) to the Registrar and Transfer Agent and \$1,000 per month to the Administrator for the calculation of the Net Asset Value and preparation of accounts. These fees accrue daily and are paid monthly in arrears. The Fund pays the Corporate Secretary and Bermuda Registrar an annual fee of \$5,750 for corporate administration services.

The Fund is responsible for out of pocket expenses incurred by the Administrator, the Registrar and Transfer Agent, the Corporate Secretary and Bermuda Registrar for the benefit of the Fund. As a shareholder of ACL Alternative Fund, the Fund is required to pay its pro-rata share of the various fees and expenses of ACL Alternative Fund including brokerage commissions, administrative expenses, audit, legal etc.

**Fund Distributors**

The Fund Distributors may receive a placement fee of up to 2% on all sales of the Shares. Each subscriber is informed of the placement fee attributable to such subscriber's Shares prior to committing to acquiring such Shares. Placement fees are paid in addition to the subscription amount.



**Notes to the Financial Statements (continued)**

**4. Fees and Expenses (continued)**

**Fund Distributors (continued)**

In addition the Fund may pay the Fund Distributors an ongoing Distribution Fee equal to 2% of the average month-end Net Asset Value of the Fund for USD A Share Class investors and the USD C Share Class, accrued and payable monthly in arrears. Distribution fees for the year ended December 31, 2012 were \$11,760,602 of which \$895,709 were payable by the Fund at year end. There are no Distribution Fees in the USD Share Class B or USD Share Class D.

**Investment Manager's Fee**

There are no investment management fees or incentive fees at the Fund level, but as a Shareholder of ACL Alternative Fund, the Fund will pay its pro-rata share of the management and incentive fees arising from the Fund's investment in the ACL Alternative Fund.

Refer to the financial statements of the ACL Alternative Fund for further information on fees and expenses arising at the ACL Alternative Fund level. The Investment Manager will not receive any additional fees for acting as trading advisor to the Fund or ACL Alternative Fund.

**5. Taxation**

At the present time, no income, profit or capital gains taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by the Fund.

The Fund has applied for, and obtained from, the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gains or appreciation of any tax or nature of estate duty or inheritance tax, such tax shall not until March 31, 2035 be applicable to the Fund or to any persons not ordinarily resident in Bermuda and holding such Shares, debentures or other obligations of the Fund.

As an exempted mutual fund company, the Fund is liable to pay in Bermuda an annual government registration fee, at a current rate of \$1,995 per annum, based upon the Fund's authorized share capital.

**6. Share Capital**

The capital of the Fund is divided into 100 Founder Shares and such number of classes of Shares as the Directors may from time to time determine with the rights and restrictions contained in the Bye-laws as outlined in the Placement Memorandum.

(a) Voting Rights: On a show of hands every Shareholder who is present in person or by proxy shall have one vote and every Founder Shareholder who is present, in person or by proxy, shall have one vote in respect of all of the Founder Shares. On a poll, every Shareholder present in person or by proxy shall be entitled to one vote in respect of each.

Share held by him, and every Founder Shareholder who is present in person or by proxy, shall be entitled to one vote in respect of all of the Founder Shares.

**Notes to the Financial Statements (continued)**

**6. Share Capital (continued)**

(b) Dividends: Shareholders shall be entitled to such dividends as the Directors may from time to time declare. The Founder Shareholders shall not be entitled to any dividends in respect of such Founder Shares.

(c) Redemption: Shares may be redeemed by Shareholders on any Dealing Day in accordance with the Bye-laws.

(d) Winding Up: If the Directors decide that it is in the best interests of Shareholders to wind up the Fund, the Secretary shall forthwith at the Directors' request, convene a special general meeting of the Fund to consider a proposal to appoint a liquidator to wind up the Fund. The liquidator, on appointment, shall firstly apply the assets of the Fund in satisfaction of creditors' claims as he deems appropriate. The assets of the Fund shall then be distributed amongst the Shareholders. The assets available for distribution amongst the Shareholders shall be applied as per the procedure outlined in the Bye-laws.

Transactions in Shares for the year ending December 31, 2012 were as follows:

<b>USD Share Class A</b>	<b>No. of Shares</b>	<b>Total US \$</b>
Balance at December 31, 2011	4,182,305	562,377,681
Shares issued during the year	764,900	100,046,503
Shares redeemed during the year	(732,654)	(93,323,499)
Balance at December 31, 2012	<u>4,214,551</u>	<u>569,100,685</u>
Shares redeemed on January 2, 2013	(122,955)	(14,647,017)
<b>Balance at December 31, 2012</b> (in accordance with ASC Subtopic 480-10)	<u><b>4,091,596</b></u>	<u><b>554,453,668</b></u>

<b>USD Share Class B</b>	<b>No. of Shares</b>	<b>Total US \$</b>
Balance at December 31, 2011	456,744	48,340,459
Shares issued to during the year	221,609	22,269,216
Shares redeemed to during the year	(219,986)	(22,342,024)
Balance at December 31, 2012	<u>458,367</u>	<u>48,267,651</u>
Shares redeemed on January 2, 2013	(1,080)	(101,788)
<b>Balance at December 31, 2012</b> (in accordance with ASC Subtopic 480-10)	<u><b>457,287</b></u>	<u><b>48,165,863</b></u>

**Notes to the Financial Statements (continued)**

**6. Share Capital (continued)**

<b>USD Share Class C</b>	<b>No. of Shares</b>	<b>Total US \$</b>
Balance at December 31, 2011	313,959	31,447,267
Shares issued to during the year	121,997	11,295,725
Shares redeemed to during the year	(33,266)	(2,987,482)
Balance at December 31, 2012	<u>402,690</u>	<u>39,755,510</u>
Shares redeemed on January 2, 2013	(18,432)	(1,556,279)
<b>Balance at December 31, 2012</b> (in accordance with ASC Subtopic 480-10)	<u><b>384,258</b></u>	<u><b>38,199,231</b></u>

<b>USD Share Class D</b>	<b>No. of Shares</b>	<b>Total US \$</b>
Balance at December 31, 2011	572,614	54,181,436
Shares issued to during the year	333,204	30,343,399
Shares redeemed to during the year	(152,481)	(13,628,633)
Balance at December 31, 2012	<u>753,337</u>	<u>70,896,202</u>
Shares redeemed on January 2, 2013	(30,084)	(2,519,109)
<b>Balance at December 31, 2012</b> (in accordance with ASC Subtopic 480-10)	<u><b>723,253</b></u>	<u><b>68,377,093</b></u>

**7. Sundry payables and accrued expenses**

	<b>December 31, 2012</b>
	<b>US \$</b>
Distribution Fees	895,709
Administration, Corporate & Legal Fees	6,991
Audit & Tax Fees	160,000
<b>Total Sundry payables and accrued expenses</b>	<u><b>1,062,700</b></u>

**8. Financial Instruments**

The main risks arising from the Fund's financial instruments are as follows:

**Investment in ACL Alternative Fund**

The Fund is subject to the risks associated with the ACL Alternative Fund's investments and may also be adversely impacted by the activities of other shareholders in the ACL Alternative Fund. The risks arising from the ACL Alternative Fund's investments are set out in the notes to the ACL Alternative Fund's financial statements.

**Notes to the Financial Statements (continued)**

**8. Financial Instruments (continued)**

**Market risk**

Market risk represents the potential loss that can be caused by a change in the market value of the financial instruments. The Fund's exposure to market risk results from its direct investment in the ACL Alternative Fund and is therefore indirectly determined by a number of factors including interest rates, foreign currency exchange and market volatility arising from the ACL Alternative Fund's investments in the Trading Funds. Investments by the ACL Alternative Fund into the Trading Funds may be made in markets located in countries which are exposed to the risks of political change or years of political uncertainty which could adversely affect the market value of the investments held by the ACL Alternative Fund.

The ACL Alternative Fund, through its investments into the Trading Funds, may invest in securities or derivatives which are unlisted or for which there is no active market.

For example, the Trading Funds may invest in derivatives with direct or indirect exposure to emerging markets and such investments may be subject to increased political risk or adverse currency movements than securities traded in more developed markets. In addition, the Trading Funds may acquire investments which are only traded over-the-counter. Accurately valuing and realizing such investments, or closing out positions in such investments at appropriate prices, may not always be possible.

**9. Related party disclosures**

The Directors do not receive any remuneration from the Fund. All other related party transactions have been fully disclosed in the Financial Statements, including investment in affiliated funds.

**10. Cash at bank**

Amounts held with the Fund's Bank (The Bank of New York Mellon) as at December 31, 2012, amounted to \$6,356,269.

**11. Accounting for uncertainty in income taxes**

Accounting Standards Codification ("ASC") 740-10 "*Accounting for Uncertainty in Income Taxes - an interpretation of ASC 740*" clarifies the accounting for uncertainty in income taxes recognized in the Fund's financial statements in conformity with ASC 740 "*Accounting for Income Taxes*". ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position or expected position to be taken on a tax return. Given the Fund's domicile, the investment objective of the Fund and the strategy, the Directors of the Fund have determined there are no uncertain tax positions.

In addition, the Fund is not subject to any tax examinations by the tax authorities in its country of domicile or taxing authorities in other jurisdictions.

**12. Subsequent events**

Events subsequent to December 31, 2012 have been evaluated up to February 28, 2013, the date these Financial Statements were available to be issued. No material subsequent events have occurred since December 31, 2012 that would require recognition or disclosure in these Financial Statements.

**Abbey Capital Multi-Manager Fund Limited** December 31, 2012  
**Notes to the Financial Statements (continued)**

**13. Approval of Audited Financial Statements**

These Audited Financial Statements were approved by the Board of Directors on February 28, 2013.

# **ACL Alternative Fund**

**A segregated account of ACL Alternative Fund SAC Limited**

**Annual Report & Audited Financial Statements  
January 1, 2012 to December 31, 2012**

**Abbey Capital Limited is an Alternative Investment Manager, regulated by the Central Bank of Ireland. Abbey Capital Limited is the Commodity Pool Operator of the ACL Alternative Fund SAC Limited and operates it as an exempt pool pursuant to sub-section 4.7 of the Regulations issued pursuant to the Commodity Exchange Act, as amended. Abbey Capital Limited is a member of the National Futures Association (“NFA”), and is registered as an Investment Advisor with the Securities Exchange Commission (“SEC”). None of the regulators listed above endorse, indemnify, or guarantee the member’s business practices, selling methods, the class or type of securities offered, or any specific security.**

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

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# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

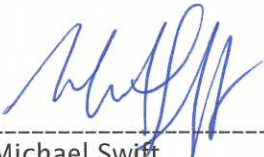
December 31, 2012

## Affirmation Statement

ACL Alternative Fund SAC Limited  
Victoria Place  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### Affirmation Required by the Commodity Exchange Act, Regulation §4.7(b)(3)(i)

I, Michael Swift, Director of Abbey Capital Limited (Commodity Pool Operator of ACL Alternative Fund SAC Limited), hereby affirm that, to the best of my knowledge and belief, the information contained in this annual report is accurate and complete.



-----  
Michael Swift  
Director,  
Abbey Capital Limited  
February 28, 2013



# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Directory

**Registered Office of ACL Alternative Fund SAC Limited: Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda**

### Directors

Anthony Gannon  
(Non-Executive Director)  
William D. Thomson\*  
(Independent Non-Executive Director)  
Nicholas Hoskins  
(Independent Non-Executive Director)

### Investment Manager

Abbey Capital Limited  
1-2 Cavendish Row  
Dublin 1  
Ireland

### Auditor

KPMG  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### Listing Sponsor

McCann FitzGerald Listing Services Limited  
Riverside One  
Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Legal Adviser

Conyers Dill & Pearman  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Custodian

The Bank of New York Mellon  
One Wall Street  
New York, NY 10286  
United States of America

### Corporate Secretary & Bermuda Registrar

M.Q. Services Limited  
Victoria Place  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### Administrator, Registrar & Transfer Agent

BNY Mellon Alternative Investment Services, Ltd.  
48 Par-la-ville-Road  
Suite 464  
Hamilton HM 11  
Bermuda

\* In office until January 29, 2013

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Investment Manager's Report

### Legal Structure

The ACL Alternative Fund (the "Fund") is a segregated account of the ACL Alternative Fund SAC Limited (the "Company"). The Company was incorporated as an open-ended investment company in Bermuda on January 4, 2002. The Company commenced operating as a Segregated Accounts Company on July 9, 2009 following its restructure under the Segregated Account Companies Act 2000 of Bermuda, as amended (the "Act").

The Fund has created twenty Share Classes, of which fourteen are currently in issue (see table below for details). The Directors have the power to issue further Share Classes in different currencies in the future.

Share Classes in Issue	Launch Date	NAV per share as of December 31, 2012
USD Share Class A	January 31, 2002	\$235.31
USD Share Class B	July 3, 2006	\$140.03
USD Share Class C	January 2, 2009	\$86.78
Euro Hedged Share Class A	July 1, 2004	€167.89
Euro Hedged Share Class B	July 1, 2009	€95.38
Euro Hedged Share Class C	January 29, 2010	€93.30
GBP Hedged Share Class A	June 1, 2010	£92.14
GBP Hedged Share Class B	January 30, 2006	£152.32
GBP Hedged Share Class C	February 4, 2011	£81.68
CHF Hedged Share Class A	April 15, 2011	CHF84.35
CHF Hedged Share Class B	March 1, 2010	CHF93.46
CHF Hedged Share Class C	October 15, 2010	CHF80.91
JPY Hedged Share Class B	January 21, 2011	¥8,465
JPY Hedged Share Class D	August 31, 2010	¥8,896

The Fund has five feeder funds. The Abbey Global, LP and ACL Global Fund (a sub-fund of the ACL Fund SICAV Plc) invest in excess of 40% of their assets in the Fund. The Abbey Capital Multi-Manager Fund Limited, the Abbey Capital ACL Alternative Fund (a sub-fund of the ACL Fund SICAV Plc) and the Abbey Capital (Japan) Alternative Fund, a series trust of the umbrella trust known as Abbey Capital (Japan) Trust, invest the majority of their assets into the Fund.

### Investment Objective and Strategy

At December 31, 2012 the Fund allocated in excess of 77% of its assets to 26 Trading Funds\*, each Trading Fund being a separate and distinct fund established and maintained by the Company. Through its shareholdings in the Trading Funds, the Fund operates as a multi-manager Fund. The Trading Advisors of the Trading Funds are given a power of attorney to trade on behalf of a Trading Fund through a managed account in the Trading Fund's name held with one of the Trading Fund's principal brokers. As at December 31, 2012, the ACL Alternative Fund allocated to 24 underlying managers with a total of 25 programs.

Diversification is achieved at both the Trading Fund trading style and market sector level. The Fund, through its allocation of assets to the Trading Funds, invests in a range of trading styles, including long-term trend following, short-term systematic, value, discretionary macro and specialist FX strategies. Market exposure is broadly diversified with positions in global currency, financial and commodity markets.

*\*One of the Fund's underlying managers was terminated in December 2012. By December 31, 2012 all positions held by that Trading Fund had been fully liquidated, however some residual cash remained in the Trading Fund. All residual cash was fully redeemed from the Trading Fund by February 1, 2013.*

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Investment Manager's Report (continued)

### Investment Objective and Strategy (continued)

The Trading Advisors for the Trading Funds are selected on the basis of a variety of quantitative and qualitative criteria, including:

- long-term positive returns on capital invested
- favorable risk-adjusted performance measures
- favorable inter-Trading Advisor correlations to provide diversification benefits between Trading Advisors
- proven track record and risk management capability

Attention is also paid to the correlation between each Trading Advisor's returns and the returns on equities. Ideally Trading Advisors that have displayed a tendency to have a negative correlation with equities when equities are declining are preferred. This has resulted in the Fund's low long-term correlation with equity markets.

### Fund Performance to date

The ACL Alternative Fund USD Share Class A closed 2012 with a loss of -7.7%. Since inception in January 2002 the Fund has returned cumulatively +135.3%, providing an annualised return of +8.1%\*\*.

The Fund experienced poor performance from the core Trendfollowing strategy and from the largest satellite strategy, Short-term Systematic over 2012. Trading across a number of market sectors was challenging, but commodity markets proved particularly difficult and accounted for most of the losses. Unusually, the Fund suffered losses in every commodity sector.

Volatility across many markets was lower than in recent years but the market environment continued to be characterised by frequent trend reversals, making conditions difficult for Long-term Trendfollowers. These reversals were often driven by new policies or policy statements from central bankers and government officials. Indeed, aggressive market intervention from central banks (such as the Federal Reserve's (the "Fed") quantitative easing ("QE III") and the ECB's Outright Monetary Transactions ("OMT")) were seen as reducing tail risk in markets and may have limited the potential for markets to develop sustained trends at various times during the year.

The ongoing and unprecedented monetary stimulus from central banks ensured that interest rates stayed at historic lows, and that the trend of declining bond yields and rising interest rate futures continued through much of the year. These trends provided some of the few bright spots for Trendfollowers. The low interest rate/low volatility environment also provided a positive backdrop for investment strategies that exploit carry opportunities and asset mispricing (such as long/short equity, event-driven and many credit strategies). Historically, these strategies have typically outperformed Trendfollowing strategies, which often profit from prices moving away from fair value, during relatively benign market conditions.

Indeed, this pattern of performance was reflected in the Fund's performance. One of the Fund's Value managers, who aims to exploit valuation differentials between assets rather than trading directionally, was the Fund's best performer in risk-adjusted terms. Within Trendfollowing, the dispersion of returns between managers was in line with previous years, with differences in performance accounted for by differing average holding periods and

*\*\*The ACL Alternative Fund is a segregated account of ACL Alternative Fund SAC Limited. The ACL Alternative program commenced in December 2000 and was incorporated as a fund in January 2002. Return figures shown are net of fees and include interest.*

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Investment Manager's Report (continued)

### Fund Performance to date (continued)

different risk allocations between markets. Global Macro managers were small positive contributors to performance, although the choppy nature of markets made conditions generally difficult for Global Macro managers in the industry. Short-term Systematic strategies had a disappointing year with the low level of volatility in equity markets in particular proving a challenge. Although 2012 was a difficult year for managed futures generally, the Fund did underperform the Newedge CTA Index\*\*\*. This largely reflects the higher volatility of the Fund and greater diversification in terms of strategy exposure and commodity diversification in the Fund. Notwithstanding recent underperformance, over the longer term the Fund has outperformed the Newedge CTA Index and other comparable managed futures indices\*\*\*\*.

We made a number of changes to the portfolio through the year adding new managers in Trendfollowing, Global Macro and Short-term Systematic and removing two managers. We reduced the allocation to Short-term Systematic and increased the allocation to Trendfollowing, Global Macro and Value. The Fund's underlying managers also continued to invest in research and enhance their systems and trading strategies in response to market conditions.

### Abbey Capital Limited – Investment Manager

Abbey Capital completed its twelfth year of track record in 2012 and we continue to invest and build out our business. We attracted new investors through the year and further diversified the Fund's investor base. We continued to invest in our team in 2012, expanding by over 10% in terms of headcount to a team of 60 people across our Dublin and New York offices. We added a Market Specialist to our team in Dublin and made further hires to bolster our Client Services and IT teams. We have further invested in our IT infrastructure and proprietary risk systems this year.

In November, Abbey Capital won Best Investor Relations Team at the Hedge Funds Review European Fund of Hedge Funds Awards. We were delighted to receive this recognition of the service that we have given investors over the years. The ACL Alternative Fund was also nominated for the Best Specialist Fund of Hedge Funds at the same awards.

While we cannot control when, or where, profitable trends in financial markets will emerge, we remain focused on the aspects of the business that we can control: enhancing our investment process, maintaining our risk control, investing in our teams and infrastructure, and delivering top quality client service.

**Abbey Capital Limited**  
**February 2013**

\*\*\*None of the funds managed by Abbey Capital are benchmarked against any index.

\*\*\*\*The total cumulative return for the Program since inception is +181.3% versus +138% for the CISDM Index, +93.1% for the Newedge CTA Index and +90% for the BTOP 50 Index.



**KPMG**  
**Chartered Accountants**  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

## **Independent Auditor's Report**

To the Shareholders of ACL Alternative Fund:

We have audited the accompanying financial statements of ACL Alternative Fund ("the Fund"), which comprise the statement of assets and liabilities and the condensed schedule of investments as at December 31, 2012, and the related statements of operations, changes in net assets and financial highlights for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Directors' Responsibility for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Directors, 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 opinion.



## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2012, and its financial performance for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

**KPMG**  
Chartered Accountants  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

Date: February 28, 2013

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Condensed Schedule of Investments

Short term deposits	Fair Value (US\$)	% of Net Asset Value	
Bank of Montreal, Jan 2, 2013, 0.08%	203,646,737	5.69%	
Mizuho Corporate Bank, Jan 2, 2013, 0.16%	261,661,804	7.32%	
The Bank of Nova Scotia, Jan 2, 2013, 0.09%	238,904,732	6.68%	
SEB Merchant Banking, Jan 2, 2013, 0.13%	258,874,020	7.24%	
Standard Chartered Bank, Jan 2, 2013, 0.12%	267,050,221	7.47%	
UBS AG, Jan 2, 2013, 0.02%	10,803,019	0.30%	
Rabobank Ireland Plc, Jan 2, 2013, 0.14%	263,777,123	7.38%	
ABN AMRO, Jan 2, 2013, 0.15%	259,244,799	7.25%	
ING Wholesale Banking, Jan 2, 2013, 0.22%	209,110,975	5.85%	
HSBC Bank Plc, Jan 2, 2013, 0.10%	186,439,116	5.21%	
DNB Bank ASA, Jan 2, 2013, 0.15%	263,289,022	7.36%	
Bank of Tokyo, Jan 2, 2013, 0.09%	122,653,553	3.43%	
<b>Total short term deposits (cost: US\$2,545,455,121)</b>	<b>2,545,455,121</b>	<b>71.18%</b>	
<b>Investment in Treasury Bills, March 21, 2013</b>	<b>999,924</b>	<b>0.03%</b>	
<b>Purchased Option Contracts</b>	<b>No. of contracts</b>	<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
Various Currency Futures Contracts (Jan-Feb13)	2,570	11,690,750	0.33%
Various Energy Futures Contracts (Jan13)	405	195,850	0.01%
Various Grains Futures Contracts (Feb-Nov13)	405	113,443	0.00%
Various Bond Futures Contracts (Jun14)	8,000	2,800,000	0.08%
Various Meat Futures Contracts (Feb13)	50	16,500	0.00%
<b>Total options (cost:US\$7,128,636)</b>	<b>11,430</b>	<b>14,816,543</b>	<b>0.42%</b>
<b>Investments in Long Futures Contracts</b>	<b>No. of contracts</b>	<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
Various Currency Futures Contracts (Mar13)	16,062	(6,802,384)	(0.19%)
Various Energy Futures Contracts (Jan13-Nov15)	5,408	8,129,055	0.23%
Various Grains Futures Contracts (Jan13-Dec13)	5,122	(7,603,390)	(0.21%)
Various Index Futures Contracts (Jan13-Mar13)	36,203	30,419,962	0.85%
Various Interest Rate Futures Contracts (Mar13-Mar17)	50,001	(3,131,134)	(0.09%)
Various Bond Futures Contracts (Mar13-Dec15)	106,977	2,760,124	0.08%
Various Meat Futures Contracts (Feb13-Oct13)	3,851	(1,382,340)	(0.04%)
Various Metal Futures Contracts (Feb13-Oct13)	1,293	1,371,347	0.04%
Various Industrial Futures Contracts (Jan13-May13)	690	941,084	0.03%
Various LME Futures Contracts (Jan13-Mar14)	2,991	(17,434,602)	(0.49%)
<b>Total long futures contracts</b>	<b>228,598</b>	<b>7,267,722</b>	<b>0.21%</b>
<b>Investment in short futures contracts</b>	<b>No. of contracts</b>	<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
Various Currency Futures Contracts (Jan13-Mar13)	5,624	21,272,072	0.59%
Various Energy Futures Contracts (Jan13-Aug13)	4,646	(8,884,325)	(0.25%)
Various Grains Futures Contracts (Jan13-Nov13)	23,537	16,734,307	0.47%
Various Index Futures Contracts (Jan13-Mar13)	219	(2,078,946)	(0.06%)

## ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

### Condensed Schedule of Investments (continued)

<b>Investment in short futures contracts (continued)</b>	<b>No. of contracts</b>	<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
Various Interest Rate Futures Contracts (Jan13-Apr13)	1,688	(20,260)	0.00%
Various Bond Futures Contracts (Mar13-Sep13)	14,824	620,361	0.01%
Various Meat Futures Contracts (Jan13-Apr13)	10	(25,225)	0.00%
Various Metal Futures Contracts (Feb13-Aug13)	737	(4,709,181)	(0.13%)
Various Industrial Futures Contracts (Feb13-Apr13)	194	(504,873)	(0.01%)
Various Tropical Futures Contracts (Mar13-Jul13)	546	(1,171,906)	(0.03%)
Various LME Futures Contracts (Feb13-Sep13)	833	(10,334,493)	(0.29%)
<b>Total short futures contracts</b>	<b>52,858</b>	<b>10,897,531</b>	<b>0.30%</b>
		<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
<b>Investments in Long FX Options Contracts</b>			
Various FX Options Contracts (Jan13-Apr13)		(44,461)	0.00%
<b>Total FX Options Contracts (cost US\$597,240)</b>		<b>(44,461)</b>	<b>0.00%</b>
		<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
<b>Investments in Long Forward Foreign Exchange Contracts</b>			
Various Foreign Exchange Forward Contracts		9,639,417	0.26%
<b>Total Long Forward Foreign Exchange Contracts</b>		<b>9,639,417</b>	<b>0.26%</b>
		<b>Fair Value US\$</b>	<b>% of Net Asset Value</b>
<b>Investments in Short Forward Foreign Exchange Contracts</b>			
Various Foreign Exchange Forward Contracts		4,842,989	0.13%
<b>Total Long Forward Foreign Exchange Contracts</b>		<b>4,842,989</b>	<b>0.13%</b>
<b>Net unrealized gains on futures, options and forward contracts</b>		<b>47,419,741</b>	<b>1.32%</b>
<b>Other net assets and liabilities</b>		<b>982,228,267</b>	<b>27.47%</b>
<b>Net assets</b>		<b>3,576,103,053</b>	<b>100%</b>

In accordance with FASB ASC Topic 810, Consolidations, the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the assets of the ACL Alternative Fund in these financial statements.



## ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

### Statement of Assets and Liabilities

	2012 US\$
<b>Assets</b>	
Investments in Short Term deposits (Note 3)	2,545,455,121
Investments in Treasury Bills at fair value (Note 3)	999,924
Investments in derivative & foreign exchange contracts (Note 3,7)	47,419,741
Cash held at Custodian (The Bank Of New York Mellon)	101,125,860
Due from broker	979,084,067
<b>Total Assets</b>	<b><u>3,674,084,713</u></b>
<b>Liabilities</b>	
Depreciation deposits / Equalization credits (Note 4)	41,736,534
Subscriptions received in advance	4,841,183
Redemptions payable (Note 2)	42,430,837
Fees payable (Note 4)	8,973,106
<b>Total Liabilities</b>	<b><u>97,981,660</u></b>
<b>Net Assets</b>	<b><u>3,576,103,053</u></b>
<b>Analysis of Net Assets</b>	
Paid-in capital (Note 6)	3,616,935,145
Distributable earnings	(40,832,092)
<b>Net Assets</b>	<b><u>3,576,103,053</u></b>

### NAV Information & Shares in Issue

Share Class	NAV per Share	Shares in issue
USD Share Class A	\$235.31	9,309,184
USD Share Class B	\$140.03	4,590,038
USD Share Class C	\$86.78	676,615
Euro Hedged Share Class A	€167.89	243,093
Euro Hedged Share Class B	€95.38	342,214
Euro Hedged Share Class C	€93.30	267,091
GBP Hedged Share Class A	£92.14	505,953
GBP Hedged Share Class B	£152.32	313,718
GBP Hedged Share Class C	£81.68	63,480
CHF Hedged Share Class A	CHF84.35	8,273
CHF Hedged Share Class B	CHF93.46	329,483
CHF Hedged Share Class C	CHF80.91	103,704
JPY Hedged Share Class B	¥8,465	1,132,392
JPY Hedged Share Class D	¥8,896	2,323,182

In accordance with FASB ASC Topic 810, Consolidations, the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the assets of the ACL Alternative Fund in these financial statements.

The accompanying notes are an integral part of these Financial Statements.

**ACL Alternative Fund**

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

**Statement of Assets and Liabilities (continued)**

These Financial Statements were approved by the Board of Directors and signed on their behalf by

Director

Date: February 28, 2013

Director



## ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

### Statement of Operations

	2012 US\$
<b>Investment income</b>	
Interest income (Note 2)	4,163,502
<b>Expenses</b>	
Trading advisors' management fees (Note 4)	39,536,086
Trading advisors' incentive fees (Note 4)	28,947,169
Investment manager management fees (Note 4)	36,744,720
Administration fees (Note 4)	2,859,019
Audit & Tax fees (Note 4)	250,457
Directors' fees (Note 4)	18,000
Legal & other professional fees (Note 4)	70,224
<b>Total expenses</b>	<u>108,425,675</u>
<b>Net investment loss</b>	<u>(104,262,173)</u>
<b>Net realized loss on:</b>	
Investments in derivative contracts and foreign currency	(209,983,763)
<b>Net change in unrealized loss on :</b>	
Investments in derivative contracts and foreign currency	(42,670,863)
<b>Net realized and unrealized loss from investments in derivative contracts and foreign currency</b>	<u>(252,654,626)</u>
<b>Net decrease in net assets resulting from operations</b>	<u>(356,916,799)</u>

In accordance with FASB ASC Topic 810, Consolidations, the gains and losses of the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the gains and losses of the ACL Alternative Fund in these financial statements.

The accompanying notes are an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and signed on their behalf by

Director

Date: February 28, 2013

Director

## ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

### Statement of Changes in Net Assets

2012  
US\$

#### Net decrease in net assets resulting from operations:

Net investment loss for the year (104,262,173)

#### Net realized loss on:

Investments in derivative contracts and foreign exchange (209,983,763)

#### Net unrealized loss on:

Investments in derivative contracts and foreign exchange (42,670,863)

Decrease in net assets as a result of operations (356,916,799)

#### Capital transactions

Proceeds on issue of shares 795,092,070

Paid on redemption of shares (927,600,185)

Depreciation deposits applied (Note 4) 980,824

Net payments on capital transactions (131,527,291)

**Net decrease in net assets (488,444,090)**

#### Net Assets:

Beginning of year 4,064,547,143

**End of year 3,576,103,053**

In accordance with FASB ASC Topic 810, Consolidations, the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the assets of the ACL Alternative Fund in these financial statements.

The accompanying notes are an integral part of these Financial Statements.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Financial Highlights

The following tables include selected data for each Share Class outstanding at each month end throughout the year and other performance information derived from the Financial Statements. The per share amounts which are shown reflect the income and expenses of the Fund.

Share Class	USD Share Class A	USD Share Class B	USD Share Class C	GBP Hedged Share Class A	GBP Hedged Share Class B
Currency	USD	USD	USD	GBP	GBP
Net investment loss	(5.47)	(3.60)	(3.11)	(2.07)	(3.79)
Net realized & unrealized loss on investments	(14.09)	(8.43)	(5.29)	(5.33)	(8.86)
Net decrease in net asset value per share*	(19.56)	(12.03)	(8.40)	(7.40)	(12.65)
Net asset value per share:					
Beginning of year	254.87	152.06	95.18	99.54	164.97
End of year	235.31	140.03	86.78	92.14	152.32
Total return before Trading Advisor incentive fees	(6.96%)	(7.20%)	(8.12%)	(6.72%)	(6.96%)
Trading Advisor incentive fees	(0.71%)	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net return	(7.67%)	(7.91%)	(8.83%)	(7.43%)	(7.67%)
Expenses to average net assets before Trading Advisor incentive fees	(2.82%)	(3.07%)	(4.07%)	(2.82%)	(3.07%)
Trading Advisor incentive fee	(0.71%)	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net expenses**	(3.53%)	(3.78%)	(4.78%)	(3.53%)	(3.78%)
Net investment loss before Trading Advisor incentive fees	(1.71%)	(1.96%)	(2.96%)	(1.71%)	(1.96%)
Trading Advisor incentive fees	(0.71%)	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net investment loss	(2.42%)	(2.67%)	(3.67%)	(2.42%)	(2.67%)
Net assets, End of year in USD	2,190,516,148	642,753,730	58,716,570	75,727,005	77,624,551

\* Calculated based on the average number of shares outstanding during the year

\*\* As set out in Note 4 to these Financial Statements, the Fund does not pay fees and expenses directly. All fees and expenses of the Fund are distributed to and paid by each Trading Fund based on the Fund's holding in each Trading Fund.

In accordance with FASB ASC Topic 810, Consolidations, the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the assets of the ACL Alternative Fund in these financial statements.

The accompanying notes are an integral part of these Financial Statements.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Financial Highlights (continued)

Share Class	GBP Hedged Share Class C	Euro Hedged Share Class A	Euro Hedged Share Class B	Euro Hedged Share Class C	CHF Hedged Share Class A
Currency	GBP	EUR	EUR	EUR	CHF
Net investment loss	(2.84)	(3.99)	(2.51)	(3.41)	(2.07)
Net realized & unrealized loss on investments	(4.83)	(10.32)	(5.87)	(5.81)	(5.33)
Net decrease in net asset value per share*	(7.67)	(14.31)	(8.38)	(9.22)	(7.40)
Net asset value per share:					
Beginning of year	89.35	182.20	103.76	102.52	91.75
End of year	81.68	167.89	95.38	93.30	84.35
Total return before Trading Advisor incentive fees	(7.87%)	(7.14%)	(7.37%)	(8.28%)	(7.36%)
Trading Advisor incentive fees	(0.71%)	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net return	(8.58%)	(7.85%)	(8.08%)	(8.99%)	(8.07%)
Expenses to average net assets before Trading Advisor incentive fees	(4.07%)	(2.82%)	(3.07%)	(4.07%)	(2.82%)
Trading Advisor incentive fees	(0.71%)	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net expenses**	(4.78%)	(3.53%)	(3.78%)	(4.78%)	(3.53%)
Net investment loss before Trading Advisor incentive fees	(2.96%)	(1.71%)	(1.96%)	(2.96%)	(1.71%)
Trading Advisor incentive fees	(0.71%)	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net investment loss	(3.67%)	(2.42%)	(2.67%)	(3.67%)	(2.42%)
Net assets, End of Year in USD	8,422,333	53,861,997	43,074,197	32,885,935	762,647

\* Calculated based on the average number of shares outstanding during the year

\*\* As set out in Note 4 to these Financial Statements, the Fund does not pay fees and expenses directly. All fees and expenses of the Fund are distributed to and paid by each Trading Fund based on the Fund's holding in each Trading Fund.

In accordance with FASB ASC Topic 810, Consolidations, the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the assets of the ACL Alternative Fund in these financial statements.

The accompanying notes are an integral part of these Financial Statements.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Financial Highlights (continued)

Share Class	CHF Hedged Share Class B	CHF Hedged Share Class C	JPY Hedged Share Class B	JPY Hedged Share Class D
Currency	CHF	CHF	JPY	JPY
Net investment loss	(2.53)	(3.03)	(233)	(291)
Net realized & unrealized loss on investments	(5.92)	(5.17)	(545)	(575)
Net decrease in net asset value per share*	(8.45)	(8.20)	(778)	(866)
Net asset value per share:				
Beginning of year	101.91	89.11	9,243	9,762
End of year	93.46	80.91	8,465	8,896
Total return before Trading Advisor incentive fee	(7.58%)	(8.49%)	(7.71%)	(8.16%)
Trading Advisor incentive fee	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net return	(8.29%)	(9.20%)	(8.42%)	(8.87%)
Expenses to average net assets before Trading Advisor incentive fee	(3.07%)	(4.07%)	(3.07%)	(3.57%)
Trading Advisor incentive fee	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net expenses**	(3.78%)	(4.78%)	(3.78%)	(4.28%)
Net investment loss before Trading Advisor incentive fee	(1.96%)	(2.96%)	(1.96%)	(2.46%)
Trading Advisor incentive fee	(0.71%)	(0.71%)	(0.71%)	(0.71%)
Total net investment loss	(2.67%)	(3.67%)	(2.67%)	(3.17%)
Net assets, End of Year in USD	33,654,866	9,169,756	110,563,443	238,369,875

\* Calculated based on the average number of shares outstanding during the year

\*\* As set out in Note 4 to these Financial Statements, the Fund does not pay fees and expenses directly. All fees and expenses of the Fund are distributed to and paid by each Trading Fund based on the Fund's holding in each Trading Fund.

In accordance with FASB ASC Topic 810, Consolidations, the Trading Funds to which the ACL Alternative Fund allocates its assets have been consolidated with the assets of the ACL Alternative Fund in these financial statements.

The accompanying notes are an integral part of these Financial Statements.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements

### 1. The Fund and its activities

The ACL Alternative Fund (the "Fund") is a segregated account of the ACL Alternative Fund SAC Limited (the "Company"). The Company is an open-ended investment Fund, located in Bermuda with variable capital and limited liability. The Company was incorporated on January 4, 2002.

The Company commenced operating as a Segregated Accounts Company on July 9, 2010 following its restructure under the Segregated Account Companies Act 2000 of Bermuda, as amended (the "Act"). As a result of this restructure, the Company created segregated accounts, including the Fund and the Trading Funds. As segregated accounts, the assets and liabilities of each segregated account are segregated, which means the assets of each segregated account are available to meet the liabilities to creditors in respect of that segregated account only and will be protected from creditors of the Company or the Company's other segregated accounts.

Investors may invest in the Fund directly or via one of the affiliated funds, namely the ACL Global Fund or the Abbey Global, LP or via one of the feeder funds, namely the Abbey Capital Multi-Manager Fund Limited, the Abbey Capital ACL Alternative Fund or the Abbey Capital (Japan) Alternative Fund. The investment objective of the Fund is to achieve long term capital appreciation for its Shareholders.

The Fund currently allocates in excess of 77% of its assets to 26 Trading Funds, each Trading Fund being a segregated account of the Company. Appointed Trading Advisors are given a power of attorney to trade on behalf of a Trading Fund through a managed account in the Trading Fund's name held with one of the Trading Fund's principal brokers. Through its allocation of assets to the Trading Funds, the Fund operates as a multi-advisor fund. As at December 31, 2012, the ACL Alternative Fund allocated to 24 underlying managers with a total of 25 programs.

The Fund has created twenty Share Classes, of which fourteen are currently in issue; a USD Share Class A, a USD Share Class B, a USD Share Class C, a Euro Hedged Share Class A, a Euro Hedged Share Class B, a Euro Hedged Share Class C, a GBP Hedged Share Class A, a GBP Hedged Share Class B, a GBP Hedged Share Class C, a CHF Hedged Share Class A, a CHF Hedged Share Class B, a CHF Hedged Share Class C, a JPY Hedged Share Class B and a JPY Hedged Share Class D. The USD Share Class A, Euro Hedged Share Class A and GBP Hedged Share Class A are listed on the Irish Stock Exchange. The Euro Hedged Share Class A and GBP Hedged Share Class A were listed on the Irish Stock Exchange on December 11, 2012. The functional currency is the United States Dollar (USD).

### 2. Significant accounting policies

These Financial Statements are presented using the United States Dollar (USD) as the functional currency and are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

#### Estimates and assumptions

The preparation of Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures in the Financial Statements and accompanying notes. Actual amounts could differ from these estimates.



# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### **Basis of preparation and consolidation**

These Financial Statements are prepared under the historical cost convention, as modified by the revaluation of investments to fair value. The fund has a 100% interest in each of its 26 Trading Funds. Accordingly, these financial statements consolidate the Trading Funds. Intercompany transactions, balances and gains and losses on transactions between the Fund and the Trading Funds are eliminated in the consolidation process. As at December 31, 2012, the ACL Alternative Fund allocated to 24 underlying managers with a total of 25 programs.

#### **Recognition of income**

Interest income is accounted for on an accrual basis and recognized in the statement of operations.

#### **Valuation of investments**

The value of any security traded on a stock exchange is valued at the last reported trade quoted on such exchange or, if not available, at the mean between the exchange quoted bid and ask prices at the close of business. This equates to fair value as it represents the amount at which the security could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Derivative instruments dealt on a market will be valued at the settlement price as of the date of valuation for such instruments on such markets as this equates to fair value.

In the event of no ready market value or counterparty quote being available, or if such valuation is not representative of the asset's fair market value, BNY Mellon Alternative Investment Services Ltd (the "Administrator") is entitled to use other generally recognized valuation principles in order to reach a proper valuation of that specific asset. These valuation techniques may involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

Realized gains and losses on investments are determined on a first-in first-out basis, except for futures where opening trades undertaken on the same day are netted prior to the application of first-in, first-out.

#### **Foreign currency**

Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

#### **Options purchased**

When an option is purchased, an amount equal to the premium paid is recorded as an investment and is subsequently adjusted to the current market value of the option purchased. Premiums paid for the purchase of options which expire unexercised are treated by the Fund on the expiration date as realized losses. If a purchased call

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### Options purchased (continued)

option is exercised, the premium increases the cost basis of the security or foreign currency purchased by the Fund.

#### Short-term deposits

Short-term deposits are stated at amortized cost, which approximates fair value.

#### Forward currency contracts

The unrealized gain or loss on open forward currency contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract. Unrealized gains and unrealized losses are disclosed net on the statement of assets and liabilities. Realized gains or losses include amounts on contracts which have been settled or offset by other contracts with the same counterparty.

The unrealized gains and losses as a result of marking these forward exchange contracts to market at December 31, 2012 are included in the Statement of Assets and Liabilities. The change in market value of forward exchange contracts is included in the Statement of Operations.

#### Futures contracts

Initial margin deposits are made upon entering into futures contracts and are generally made in cash. During the year the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading.

Unrealized gains and unrealized losses are disclosed net on the Statement of Assets and Liabilities. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract.

#### Brokerage commissions

Brokerage commissions, including other trading expenses, are charged to expenses as they are incurred to open a position, and an amount accrued for the close out of the position.

#### Redemptions payable

In accordance with FASB ASC Subtopic 480-10, Distinguishing Liabilities from Equity, a request for a redemption of shares by an investor is considered a mandatory redeemable financial instrument and shall be classified as a liability. Accordingly, requests for redemptions amounting to \$18,985,807 were effective for January 2, 2013 have been reclassified to redemptions payable on the Statement of Assets and Liabilities. Further redemption amounts dealt in December 2012 totaling \$23,445,030 remained payable to investors at year end.

#### Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, "Disclosures about offsetting Assets and Liabilities". ASU 2011-11 requires entities to disclose both gross and net information about financial instruments and derivative instruments that are either (i) offset in the statement of assets and liabilities, or (ii) subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are offset in the statement of assets and liabilities. In addition, ASU 2011-11 requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 2. Significant accounting policies (continued)

#### Accounting Pronouncements (continued)

The requirements of ASU 2011-11 are effective for interim and annual reporting periods beginning on or after January 1, 2013. The guidance requires retrospective application for all comparative periods presented.

The adoption of ASU 2011-11 will not have any impact on the Fund's financial position or results of operations, as ASU 2011-11 only affects disclosures about offsetting. Management is currently evaluating the implications of ASU 2011-11 and its impact on the financial statements and disclosures.

### 3. Fair value measurements

The Fund's financial assets and liabilities carried at fair value have been classified for disclosure purposes, based on a hierarchy defined by FASB ASC 820, Fair Value Measurement.

The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The below table shows information about the Fund's assets and liabilities measured at fair value as of December 31, 2012. All values shown are stated in USD.

	Quoted Prices in Active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Balance as at December 31, 2012
<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments in short term deposits	2,545,455,121	-	-	-
Investments in Treasury Bills	999,924	-	-	-
Investments in derivative and foreign exchange contracts	47,419,741	-	-	-
<b>Total</b>	<b>2,593,874,786</b>	<b>-</b>	<b>-</b>	<b>-</b>

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 3. Fair value measurements (continued)

There were no significant transfers into or out of Level 1 during the year ended December 31, 2012. In addition there were no Level 3 Assets or Liabilities held by the Fund as at December 31, 2012 or at any time during the year then ended.

### 4. Fees and expenses

There are no class specific expenses except where in the interests of seeking the optimal protection of a shareholder's investment, the Fund may engage in foreign exchange hedging transactions for the Euro Hedged Share Class A, the Euro Hedged Share Class B, the Euro Hedged Share Class C, the GBP Hedged Share Class A, the GBP Hedged Share Class B, the GBP Hedged Share Class C, the CHF Hedged Share Class A, the CHF Hedged Share Class B, the CHF Hedged Share Class C, the JPY Hedged Share Class B or the JPY Hedged Share Class D (where profits, gains and losses, costs, income and expenditure consequent upon such hedging transactions are allocated to that class).

#### Management and incentive fees

The Fund does not pay management or incentive fees directly to the Investment Manager. Management Fees are calculated at the Fund level and then distributed to and paid by each Trading Fund based on the Fund holdings in the Trading Funds at month end.

The Management Fees paid to the Investment Manager are charged at the following annual rates based on the Net Asset Value of the Fund on each Dealing Day of each month, payable weekly or monthly in arrears at a rate of 0.75% ("A" Share Classes), 1.00% ("B" Share Classes), 2.00% ("C" Share Classes) and 1.50% ("D" Share Classes) per annum of the Net Asset Value of the Fund.

The Investment Manager is also entitled to an incentive fee for each calendar quarter equal to 7.5% ("A" Share Classes), 10% ("B" Share Classes), 10% ("C" Share Classes) and 10% ("D" Share Classes) of the Net New Investment Profit (as defined below) for the quarter. "Net New Investment Profit" means, the increase in the Fund's Net Asset Value of the applicable share class outstanding in respect of each calendar quarter, prior to the deduction of the Investment Manager's incentive fee, and subject to a high water mark.

#### Investment manager and trading advisor equalization

The incentive fee will be accrued and taken into account in the calculation of the Net Asset Value per Share on each Valuation Day. The incentive fee calculation in respect of the Fund is computed by operating an equalization accounting system so that each Share is charged an incentive fee that is based upon that Share's performance. This structure is intended to reduce the impact on existing Shareholders of incentive fees attributable to capital contributed or withdrawn during a performance year, and allows that all Shares within the same Share class have the same Net Asset Value per Share.

Where an investor subscribes for Shares at a time when the Net Asset Value per Share is less than the high water mark then an adjustment is required to reduce inequalities that may otherwise result to the respective subscriber, to the other Shareholders of the Fund, or to the Investment Manager or Trading Advisor. The high water mark is the greater of (i) the highest Net Asset Value per Share on the last day of any calendar quarter and (ii) the initial issue price for the Shares, both adjusted to take into account any distributions made in the interim.

Where Shares are subscribed at a time when the Net Asset Value per Share is less than the high water mark, no incentive fee will be accrued for existing Shareholders until

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 4. Fees and expenses (continued)

#### **Investment manager and trading advisor equalization (continued)**

the high water mark has been recovered. New Shareholders will however, in effect, be required to pay an incentive fee with respect to any subsequent appreciation in the Net Asset Value per Share of those Shares until the high water mark has been achieved (the "Depreciation Deposit"). The Depreciation Deposit is the incentive fee that is payable if the Net Asset Value per Share increases up to the high water mark. The Depreciation Deposit is recorded on the statement of assets and liabilities as a liability. This liability is reduced when the related incentive fee is paid to the Investment Manager and Trading Advisors.

During the year ended December 31, 2012, incentive fees of \$980,824 were paid from the Depreciation Deposit account. As at December 31, 2012 the total amount of depreciation deposits payable to investors amounted to \$41,365,907. The Depreciation Deposit will be maintained in a bank account of the Fund and will not be invested in the Fund. Any interest earned on funds in this bank account will accrue for the benefit of the Fund.

Where Shares ("Premium Shares") are purchased at a time when the Net Asset Value per Share is greater than the high water mark, the prospective investor is required to pay an additional sum equal to the accrual then in place per Share in respect of the incentive fee (an "equalization credit"). The equalization credit is designed to ensure that all Shareholders have the same amount of capital at risk per Share. The equalization credit may be returned to the investor in the form of shares providing the net asset value per share remains above the high watermark at the end of a subsequent performance quarter.

To the extent that the net asset value per share declines below the offer price, so the proportionate reduction in the equalization credit is returned to the investor. The equalization credit is recorded on the Statement of Assets and Liabilities as a liability. This liability is reduced when shares are returned to the investor. As at December 31, 2012 the equalization credits payable to investors amounted to \$370,627.

The equalization credit will be maintained in a bank account of the Fund and will not be invested in the Fund. Any interest earned on funds in this bank account will accrue for the benefit of the Fund.

The Trading Funds will pay to the external Trading Advisors of the Company's other Segregated Accounts/Trading Funds an annual fee based on the Net Asset Value of the Trading Fund's assets allocated by the Investment Manager payable monthly in arrears.

The Company may increase/decrease the amount of Trading Funds and allocations thereto at its discretion and without Shareholder approval. Fees will range among the Trading Advisors from a minimum of 0% to a maximum of 2% per annum of each Trading Advisor's allocated assets.

The Trading Funds will also pay to the Trading Advisors an incentive fee for each calendar month or quarter. Incentive Fees will range from 0% to a maximum of 25% of Net New Trading Advisor Profit (as defined below) for the quarter (the "Incentive Fee"). "Net New Trading Advisor Profit" means, with respect to any calendar month or quarter, any net profits (or losses) realized on all transactions closed out in the Trading Fund during the month or quarter (after deduction of brokerage commissions, exchange fees, NFA fees and give-up fees), but prior to the deduction of any fees charged by the Investment Manager, Administrator or Custodian for services to the Fund, plus:

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 4. Fees and expenses (continued)

#### Trading Advisors for the Trading Funds (continued)

(A) the change in net unrealized profits (or losses) on open positions in the Trading Fund as of the end of the quarter versus the amount of such unrealized profits (or losses) on open positions in the Trading Fund as of the end of the preceding quarter, minus

(B) the Management Fees for the calendar quarter (but not including any Incentive Fee) and minus

(C) any cumulative net realized and unrealized trading losses (including expenses) incurred in the Trading Fund since the last preceding calendar quarter for which an Incentive Fee was payable. Trading Advisor management and incentive fees are not paid at the Fund level but by the individual Trading Funds.

#### Custodian, administration, secretary and registrar fees

The fees payable by each Trading Fund to The Bank of New York Mellon, in relation to registrar and transfer, administration and custodian services provided to the Funds, will be calculated as 14bp p.a. of the Net Asset Value of each Share Class of the ACL Alternative Fund, calculated on each Valuation Day, up to USD250 million, 12bp p.a. on the next USD250 million, 10bp p.a. on the next USD500 million, 8bp p.a. on the next USD500 million, 6bp p.a. on the next USD1.5 billion and 4bp p.a. thereafter. These fees will accrue daily and will be paid monthly in arrears, by the Trading Funds.

All of the fees specified in the foregoing paragraph above for administration, registrar and transfer, custody and secretarial services will be paid in aggregate by each Trading Fund from the account it maintains with the Custodian. The Custodian will then be responsible for paying the individual fees due to the Administrator, and the Registrar and Transfer Agent.

#### Director's fees

The Trading Funds shall pay the Directors such annual remuneration for acting as Directors of the Company as the Directors may from time to time agree, provided however that the annual remuneration of the Directors shall not, in the aggregate, exceed \$20,000. Mr. Gannon will not receive any Directors' fee. Such fees shall be payable semi-annually in arrears.

#### Fees payable

Fees payable by the Trading Funds as at December 31, 2012 were:

	<b>US\$</b>
Investment Manager management fees	2,708,417
Trading Advisor management fees	3,005,536
Trading Advisor incentive fees	2,056,772
Brokerage commissions and other fees	698,106
Audit & Tax fees	258,650
Administration fees	229,479
Other professional fees	16,146
<b>Total</b>	<b><u>8,973,106</u></b>

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 5. Taxation

At the present time, no income, profit or capital gains taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by the Fund. The Fund has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, the Company shall be exempt from all such taxes until March 31, 2035.

As an exempted mutual Company, the Fund is liable to pay in Bermuda an annual government registration fee, at a current rate of \$5,190 per annum, based upon the Fund's authorized share capital.

### 6. Share Capital

The Share Capital of the Fund is as follows:

Shares	Authorized and issued: 100 Founder Shares of US\$0.01 each, having been issued for the purposes of incorporation.
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Shares	Authorized and unissued: 100,000,000 redeemable shares of US\$0.001 par value, which are available for issue in classes, each with a designated currency of issue.  Twenty Share Classes were authorized as at December 31, 2012: a USD Share Class A, a USD Share Class B, a USD Share Class C, a USD Share Class D, a Euro Hedged Share Class A, a Euro Hedged Share Class B, a Euro Hedged Share Class C, a Euro Hedged Share Class D, a GBP Hedged Share Class A, a GBP Hedged Share Class B, a GBP Hedged Share Class C, a GBP Hedged Share Class D, a JPY Hedged Share Class A, a JPY Hedged Share Class B, a JPY Hedged Share Class C, a JPY Hedged Share Class D, a CHF Hedged Share Class A, a CHF Hedged Share Class B, a CHF Hedged Share Class C and a CHF Hedged Share Class D.  As at December 31, 2012, shares have been issued in fourteen share classes, namely the USD Share Class A, USD Share Class B, USD Share Class C, Euro Hedged Share Class A, Euro Hedged Share Class B, Euro Hedged Share Class C, GBP Hedged Share Class A, GBP Hedged Share Class B, GBP Hedged Share Class C, CHF Hedged Share Class A, CHF Hedged Share Class B, CHF Hedged Share Class C, JPY Hedged Share Class B and the JPY Hedged Share Class D.
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Each Share is entitled to a vote.

Redeemable shares are offered on each business day. Applications are subject to a sales charge of up to 3% (payable to the Fund and/or its placement agents). Fractional shares may be issued.

Applications and redemptions received by 5.00 pm Irish time (12.00 pm EST or 6.00 pm CET) are processed the following business day. The right to redeem will be temporarily suspended during any period when the calculation of the net asset value is suspended.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 6. Share Capital (continued)

Income, expenses, realized and unrealized gains are allocated between Classes based on their relative net assets (with the exception of Class specific income and expenses, in particular the gains or losses arising on the Euro Hedged Share Class A, Euro Hedged Share Class B, Euro Hedged Share Class C, GBP Hedged Share Class A, GBP Hedged Share Class B, GBP Hedged Share Class C, CHF Hedged Share Class A, CHF Hedged Share Class B, CHF Hedged Share Class C, JPY Hedged Share Class B and the JPY Hedged Share Class D currency hedging transactions).

USD Share Class A	Share No.	Share Capital	Share Premium	Total
Balance at December 31, 2011	10,080,854	10,081	2,247,499,080	2,247,509,160
Shares issued	1,290,766	1,290	328,618,150	328,619,440
Shares redeemed	(2,006,013)	(2,006)	(500,144,669)	(500,146,675)
Depreciation deposits applied	-	-	437,626	437,626
Shares to redeem (Jan 2, 2013)	(56,423)	(56)	(13,295,752)	(13,295,808)
<b>Balance at December 31, 2012</b>	<b>9,309,184</b>	<b>9,309</b>	<b>2,063,114,435</b>	<b>2,063,123,743</b>
USD Share Class B	Share No.	Share Capital	Share Premium	Total
Balance at December 31, 2011	4,544,609	4,545	700,426,422	700,430,967
Shares issued	1,174,775	1,175	177,958,986	177,960,161
Shares redeemed	(1,088,784)	(1,089)	(160,203,997)	(160,205,086)
Depreciation deposits applied	-	-	193,939	193,939
Shares to redeem (Jan 2, 2013)	(40,562)	(41)	(5,689,958)	(5,689,999)
<b>Balance at December 31, 2012</b>	<b>4,590,038</b>	<b>4,590</b>	<b>712,685,392</b>	<b>712,689,982</b>
USD Share Class C	Share No.	Share Capital	Share Premium	Total
Balance at December 31, 2011	952,651	953	97,447,271	97,448,224
Shares issued	71,291	71	6,750,680	6,750,751
Shares redeemed	(347,327)	(347)	(32,326,704)	(32,327,051)
Depreciation deposits applied	-	-	16,284	16,284
<b>Balance at December 31, 2012</b>	<b>676,615</b>	<b>677</b>	<b>71,887,531</b>	<b>71,888,208</b>



# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 6. Share Capital (continued)

<b>Euro Hedged Share Class A</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	416,134	416	52,954,983	52,955,399
Shares issued	22,066	22	5,264,505	5,264,527
Shares redeemed	(195,107)	(195)	(45,144,730)	(45,144,925)
Depreciation deposits applied	-	-	13,947	13,947
<b>Balance at December 31, 2012</b>	<b>243,093</b>	<b>243</b>	<b>13,088,705</b>	<b>13,088,948</b>

<b>Euro Hedged Share Class B</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	94,681	95	14,924,372	14,924,467
Shares issued	283,520	283	37,731,048	37,731,331
Shares redeemed	(35,987)	(36)	(4,655,283)	(4,655,319)
Depreciation deposit applied	-	-	6,339	6,339
<b>Balance at December 31, 2012</b>	<b>342,214</b>	<b>342</b>	<b>48,006,476</b>	<b>48,006,818</b>

<b>Euro Hedged Share Class C</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	484,236	484	71,735,426	71,735,910
Shares issued	21,883	22	2,863,505	2,863,527
Shares redeemed	(239,028)	(239)	(31,212,255)	(31,212,494)
Depreciation deposit applied	-	-	4,584	4,584
<b>Balance at December 31, 2012</b>	<b>267,091</b>	<b>267</b>	<b>43,391,260</b>	<b>43,391,527</b>

<b>GBP Hedged Share Class A</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	545,577	546	93,283,490	93,284,036
Shares issued	78,305	78	12,200,808	12,200,886
Shares redeemed	(117,929)	(118)	(18,513,601)	(18,513,719)
Depreciation deposit applied	-	-	7,846	7,846
<b>Balance at December 31, 2012</b>	<b>505,953</b>	<b>506</b>	<b>86,978,543</b>	<b>86,979,049</b>

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 6. Share Capital (continued)

<b>GBP Hedged Share Class B</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	210,923	211	58,952,632	58,952,843
Shares issued	127,146	127	32,689,156	32,689,283
Shares redeemed	(24,351)	(24)	(6,313,481)	(6,313,505)
Depreciation deposit applied	-	-	17,055	17,055
<b>Balance at December 31, 2012</b>	<b>313,718</b>	<b>314</b>	<b>85,345,362</b>	<b>85,345,676</b>

<b>GBP Hedged Share Class C</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	76,355	76	12,031,828	12,031,904
Shares issued	1,424	1	206,666	206,667
Shares redeemed	(14,299)	(14)	(1,965,748)	(1,965,762)
Depreciation deposit applied	-	-	501	501
<b>Balance at December 31, 2012</b>	<b>63,480</b>	<b>63</b>	<b>10,273,247</b>	<b>10,273,310</b>

<b>CHF Hedged Share Class A</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	40,353	40	4,495,704	4,495,744
Shares issued	1,217	1	117,619	117,620
Shares redeemed	(33,297)	(33)	(3,276,468)	(3,276,501)
Depreciation deposit applied	-	-	689	689
<b>Balance at December 31, 2012</b>	<b>8,273</b>	<b>8</b>	<b>1,337,544</b>	<b>1,337,552</b>

<b>CHF Hedged Share Class B</b>	<b>Share No.</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Total</b>
Balance at December 31, 2011	267,822	268	31,325,572	31,325,840
Shares issued	100,163	100	11,609,810	11,609,910
Shares redeemed	(38,502)	(39)	(4,056,270)	(4,056,309)
Depreciation deposit applied	-	-	39	39
<b>Balance at December 31, 2012</b>	<b>329,483</b>	<b>329</b>	<b>38,879,151</b>	<b>38,879,480</b>

## ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

### Notes to the Financial Statements (continued)

#### 6. Share Capital (continued)

CHF Hedged Share Class C	Share No.	Share Capital	Share Premium	Total
Balance at December 31, 2011	261,460	261	27,187,577	27,187,838
Shares issued	37,444	38	3,552,542	3,552,580
Shares redeemed	(195,200)	(195)	(18,197,531)	(18,197,726)
Depreciation deposit applied	-	-	5,362	5,362
<b>Balance at December 31, 2012</b>	<b>103,704</b>	<b>104</b>	<b>12,547,950</b>	<b>12,548,054</b>
JPY Hedged Share Class B	Share No.	Share Capital	Share Premium	Total
Balance at December 31, 2011	796,592	797	96,354,806	96,355,603
Shares issued	765,375	765	84,895,714	84,896,479
Shares redeemed	(429,575)	(430)	(47,869,252)	(47,869,682)
Depreciation deposit applied	-	-	236,582	236,582
<b>Balance at December 31, 2012</b>	<b>1,132,392</b>	<b>1,132</b>	<b>133,617,850</b>	<b>133,618,982</b>
JPY Hedged Share Class D	Share No.	Share Capital	Share Premium	Total
Balance at December 31, 2011	1,862,396	1,862	239,822,639	239,824,501
Shares issued	750,740	750	90,628,158	90,628,908
Shares redeemed	(289,954)	(289)	(34,729,335)	(34,729,624)
Depreciation deposit applied	-	-	40,031	40,031
<b>Balance at December 31, 2012</b>	<b>2,323,182</b>	<b>2,323</b>	<b>295,761,493</b>	<b>295,763,816</b>

As at December 31, 2012, 2.26% of the USD Share Class A Shares were held by the ACL Global Fund, 0.62% of the USD Share Class A Shares were held by Abbey Global LP, 24.18% of the USD Share Class A Shares were held by the Abbey Capital Multi-Manager Fund Limited, 14.50% of the USD Share Class B Shares were held by the Abbey Capital Multi-Manager Fund Limited and 18.30% of the JPY Hedged Share Class B Shares were held by the Abbey Capital (Japan) Alternative Fund.

The Abbey Capital ACL Alternative Fund held the following holdings in the Fund as at December 31, 2012; 1.79% of the USD Share Class A, 3.94% of the USD Share Class B, 3.92% of the USD Share Class C, 18.82% of the Euro Hedged Share Class A, 1.30% of the Euro Hedged Share Class B, 0.34% of the Euro Hedged Share Class C, 59.68% of the GBP Hedged Share Class A, 0.42% of the GBP Hedged Share Class B, 3.99% of the GBP Hedged Share Class C, 100% of CHF Hedged Share Class A and 35.83% of the CHF Hedged Share Class B.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 7. Financial instruments

The Fund allocated in excess of 77% of its assets currently to 26 Trading Funds. The main risks arising from the Trading Fund's financial instruments are as follows:

#### Market risk

Market risk represents the potential loss that can be caused by a change in the market value of the financial instruments. The Trading Funds' exposure to market risk is determined by a number of factors including interest rates, foreign currency exchange and market volatility. Investments may be made in markets located in countries which are exposed to the risks of political change or years of political uncertainty which could adversely affect the market value.

#### Counterparty Risk

There is a risk that counterparties may not perform their obligations and that settlement of transactions may not occur.

The U.S. Commodity Exchange Act, as amended (the "CEA"), requires a clearing broker to segregate all funds received from such broker's customers in respect of futures (but not forwards) transactions from such broker's proprietary funds. If any of the Trading Fund's commodity brokers were not to do so to the full extent required by law, or in the event of a substantial default by one or more of such broker's other customers, the assets of the Trading Fund might not be fully protected in the event of the bankruptcy of such broker.

Furthermore, in the event of such a bankruptcy, the Trading Funds would be limited to recovering only a pro rata share of all available funds segregated on behalf of the affected commodity broker's combined customer accounts, even though certain property specifically traceable to the Trading Funds (for example, United States Treasury bills or cash deposited by the Trading Funds with such broker) was held by such broker. Commodity broker bankruptcies have occurred in which customers were not able to recover from the broker's estate the full amount of their funds on deposit with such broker and owing to them.

Commodity broker bankruptcies are not insured by any governmental agency, and investors would not have the benefit of any protection such as that afforded customers of bankrupt securities broker-dealers by the U.S. Securities Investors Protection Corporation. In respect of its forward trading, the Trading Funds will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the principals or agents with or through which the Trading Funds trade. Any failure or refusal to discharge their contractual obligations by the counterparties with which the Trading Funds deal on the forward markets, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses.

The Trading Funds will not be excused from performance under any forward contracts into which it has entered due to defaults under other forward contracts which in the Investment Manager's strategy were to have substantially "covered" the former. The Trading Funds deal in the forward markets only with major financial institution counterparties which the Investment Manager considers to be creditworthy. However, defaults have occurred in the forward markets, and the risk of such defaults cannot be eliminated from the Trading Funds' trading markets, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses.

The Company, on behalf of the Trading Funds, enters into forward contracts with counterparties. Forward contracts are traded in unregulated markets between

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 7. Financial instruments (continued)

#### Counterparty Risk (continued)

principals, and consequently the Trading Funds assume a credit risk on these contracts.

#### Off balance sheet risk/derivative risk

An off balance sheet market risk exists when the maximum potential loss on a particular investment is greater than the value of such investment, as reflected on the Trading Funds' Statement of Assets and Liabilities.

Off balance sheet risk exists, among other situations, when the collateral received by the Trading Funds from counterparties to an agreement with the Company on behalf of the Trading Funds proves to be insufficient to cover the Trading Funds' losses resulting from default by the counterparties of its obligation to perform under the agreement. Futures contracts and forward contracts expose the Trading Funds to a market risk equal to the value of the contracts purchased.

As at December 31, 2012, the volume of the Fund's derivative activities based on their notional amounts and number of contracts are as follows:

Primary underlying risk	Long exposure		Short exposure	
	Notional amount US\$'000	No. of contracts	Notional amount US\$'000	No. of contracts
<b>Foreign exchange price</b>				
Futures contracts	1,889,717	16,062	716,404	5,624
Forward contracts	1,476,797,949	207	582,411,478	413
Option contracts	3,366	2,570	-	-
<b>Commodity price</b>				
Futures contracts	1,103,805	19,355	1,252,374	30,503
Options contracts	862	860	-	-
<b>Bond price</b>				
Futures contracts	32,651,309	106,977	3,395,906	14,824
Options contracts	2,900	8,000	-	-
<b>Interest rate price</b>				
Futures contracts	11,212,171	50,001	496,617	1,688
<b>Equity price</b>				
Futures contracts	2,436,224	36,203	6,674	219

The fair value of derivative contracts at December 31, 2012, categorized by primary underlying risk and the impact on the statement of changes for the year ended December 31, 2012, is as follows:

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 7. Financial instruments (continued)

#### Off balance sheet risk/derivative risk (continued)

##### Primary underlying risk

	Asset Derivatives Fair Value US\$	Liability Derivatives Fair Value US\$	Realized Gain / (Loss) US\$	Change in Unrealized Gain / (Loss) US\$
<b>Foreign exchange price</b>				
Futures contracts	35,598,746	(21,129,058)	(44,267,692)	(2,755,107)
Forward contracts	79,885,478	(65,403,072)	29,012,729	3,933,927
Option contracts	11,694,094	(47,805)	(1,160,560)	11,496,861
<b>Commodity price</b>				
Futures contracts	22,269,938	(47,144,480)	(242,143,204)	(47,808,106)
Options contracts	325,793	-	(5,026,804)	325,793
<b>Bond price</b>				
Futures contracts	17,700,075	(14,319,590)	63,433,459	(32,535,528)
Options contracts	2,800,000	-	(11,232,584)	2,800,000
<b>Interest rate price</b>				
Futures contracts	116,544	(3,267,938)	64,098,832	(5,505,611)
Options contract	-	-	(971,427)	-
<b>Equity price</b>				
Futures contracts	37,259,794	(8,918,778)	(37,684,589)	27,895,581
Options contracts	-	-	(24,041,923)	67,288
<b>Total</b>	<b>207,650,462</b>	<b>(160,230,721)</b>	<b>(209,983,763)</b>	<b>(42,084,902)</b>

#### Futures and options risk

The Investment Manager may engage in various portfolio strategies on behalf of the Trading Funds through the use of futures and options. Due to the nature of futures, cash to meet margin monies will be held by a broker in segregated accounts with whom the Trading Funds have an open position. In the event of insolvency or bankruptcy of the futures exchange, or large losses sustained in the broker's segregated accounts, there can be no guarantee that such monies will be returned to the Trading Funds. On execution of an option a Trading Fund may pay a premium to a counterparty.

In the event of the insolvency or bankruptcy of the counterparty, the option premium may be lost in addition to any unrealized gains where the contract is in the money.

The risks inherent in the use of the above instruments include adverse changes in the value of such instruments, imperfect correlation between the price of the instruments and movements in the price of the underlying security, index or futures contract and the possible absence of a liquid secondary market for any particular instrument at any time.

#### Liquidity and valuation of investments

The Trading Funds may invest in securities or derivatives which are unlisted or for which there is no active market. For example, a Trading Fund may invest in derivatives

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 7. Financial instruments (continued)

#### Liquidity and valuation of investments (continued)

with direct or indirect exposure to emerging markets and such investments may be subject to increased political risk or adverse currency movements than securities traded in more developed markets. In addition, a Trading Fund may acquire investments which are only traded over-the-counter. Accurately valuing and realizing such investments, or closing out positions in such investments at appropriate prices, may not always be possible.

The Net Asset Value per Share will be computed in the Functional Currency, whereas the investments of Trading Funds, to which the Fund allocates its assets, may be acquired in a wide range of currencies, some of which may be affected by currency movements of a more volatile nature than those of developed countries and some of which may not be freely convertible.

#### Foreign currency risk

The Net Asset Value per Share will be computed in the Functional Currency, whereas the investments of Trading Funds, to which the Fund allocates its assets, may be acquired in a wide range of currencies, some of which may be affected by currency movements of a more volatile nature than those of developed countries and some of which may not be freely convertible.

It may not be possible or practicable to hedge against the consequent currency risk exposure and in certain instances the Investment Manager may consider it desirable not to hedge against such risk. The Investment Manager may enter into cross currency hedging transactions. As at December 31, 2012 \$482,972 of cash was held in foreign currency with the Custodian / Broker.

ASC 815-10, "*Disclosures about Derivative Instruments and Hedging Activities*" amends and expands the disclosure requirements of ASC 815 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments. The fair value of open derivative instruments held by the Fund as at December 31, 2012 is disclosed on the face of the statement of assets and liabilities.

As noted in Note 4, the Fund may enter into foreign exchange hedging transactions in for the EURO, GBP, CHF and JPY Hedged Share Classes. As a result, the Fund has recognized realized and unrealized gains/losses on foreign exchange derivatives (comprising futures and forward foreign exchange contracts) during the year. The total realized loss on foreign exchange derivatives amounting to \$15,544,074 is included in the statement of operations within the balance "Net realized loss on investments in derivative contracts and foreign currency". The total unrealized loss on foreign exchange derivatives amounting to \$12,772,044 is included in the statement of operations within the balance "Net unrealized loss on investments in derivative contracts and foreign currency".

As at December 31, 2012, the Fund had the following open futures positions for share class hedging purposes:

## ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

### Notes to the Financial Statements (continued)

#### 7. Financial instruments (continued)

##### Foreign currency risk (continued)

	No. of contracts	Contract size	Notional Value	Unrealized gain/(loss) in US\$
GBP FX Future Mar 13	1,595	62,500	161,892,500	1,035,756
EURO FX Future Mar 13	785	125,000	129,603,500	1,505,562
JPY FX Future Mar 13	2,417	12,500,000	348,954,375	(15,967,312)
CHF FX Future Mar 13	319	125,000	43,655,150	653,950
<b>Net unrealized loss</b>				<b><u>(12,772,044)</u></b>

#### 8. Related party disclosures

The Director fees are not paid directly by the Fund, but are distributed and paid by each of the Trading Funds based on the Fund holdings at month end. All other related party transactions have been fully disclosed in the financial statements, including investments in affiliated funds. None of the Directors hold any investments in the Fund or Trading Funds.

#### 9. Brokerage commissions

Brokerage commissions of \$40,624,116 were paid by the Fund and the Trading Funds to which it allocates its assets for the year from January 1 to December 31, 2012. This amount was consolidated within the realized and unrealized loss on investments in derivative contracts and foreign exchange.

#### 10. Commitments and contingencies

In accordance with the FASB subtopic ASC 460-10, the Fund is required to disclose information about commitments and contingencies. In the normal course of business the Fund and Trading Funds of the Company enter into contracts that contain a variety of warranties and indemnifications.

The Fund's and the Trading Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund and Trading Funds that have not yet occurred. However, based on experience, the Fund and the respective Trading Funds expect the risk of loss to be remote.

#### 11. Accounting for uncertainty in income taxes

Accounting Standards Codification ("ASC") 740-10 "*Accounting for Uncertainty in Income Taxes - an interpretation of ASC 740.*" clarifies the accounting for uncertainty in income taxes recognized in the Fund's financial statements in conformity with ASC 740 "*Accounting for Income Taxes*". ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position or expected position to be taken on a tax return. Given the Company's domicile, the investment objective of the Fund and the trading strategies and instruments traded by the Trading Funds, the Directors of the Fund have determined there are no uncertain tax positions. In addition, neither the Company nor the Fund is



# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Notes to the Financial Statements (continued)

### 11. Accounting for uncertainty in income taxes (continued)

subject to any tax examinations by the tax authorities in their country of domicile or taxing authorities in other jurisdictions.

### 12. Historic Net Asset Values per share (NAV) and Funds under Management (FUM)

Share Class		2010	2011	2012
USD Share Class A	NAV	\$279.21	\$254.87	\$235.31
USD Share Class B	NAV	\$167.00	\$152.06	\$140.03
USD Share Class C	NAV	\$105.62	\$95.18	\$86.78
Euro Hedged Share Class A	NAV	€198.51	€182.20	€167.89
Euro Hedged Share Class B	NAV	€113.22	€103.76	€95.38
Euro Hedged Share Class C	NAV	€113.10	€102.52	€93.30
GBP Hedged Share Class A	NAV	£108.77	£99.54	£92.14
GBP Hedged Share Class B	NAV	£180.59	£164.97	£152.32
GBP Hedged Share Class C	NAV	-	£89.35	£81.68
CHF Hedged Share Class A	NAV	-	CHF91.75	CHF84.35
CHF Hedged Share Class B	NAV	CHF112.43	CHF101.91	CHF93.46
CHF Hedged Share Class C	NAV	CHF99.29	CHF89.11	CHF80.91
JPY Hedged Share Class B	NAV	-	¥9,243	¥8,465
JPY Hedged Share Class D	NAV	¥10,855	¥9,762	¥8,896

Share Class		2010	2011	2012
USD Share Class A	FUM	\$1,965,256,879	\$2,569,312,502	\$2,190,516,148
USD Share Class B	FUM	\$389,612,772	\$691,033,507	\$642,753,730
USD Share Class C	FUM	\$30,318,707	\$90,671,101	\$58,716,570
Euro Hedged Share Class A	FUM	\$76,286,885	\$98,119,342	\$53,861,997
Euro Hedged Share Class B	FUM	\$13,083,175	\$12,713,797	\$43,074,197
Euro Hedged Share Class C	FUM	\$43,329,787	\$64,248,561	\$32,885,935
GBP Hedged Share Class A	FUM	\$13,093,629	\$84,230,415	\$75,727,005
GBP Hedged Share Class B	FUM	\$10,488,413	\$53,969,396	\$77,624,551
GBP Hedged Share Class C	FUM	-	\$10,581,830	\$8,422,333
CHF Hedged Share Class A	FUM	-	\$3,942,753	\$762,647
CHF Hedged Share Class B	FUM	\$8,641,452	\$29,067,672	\$33,654,866
CHF Hedged Share Class C	FUM	\$4,056,028	\$24,812,814	\$9,169,756
JPY Hedged Share Class B	FUM	-	\$95,656,553	\$110,563,443
JPY Hedged Share Class D	FUM	\$51,660,531	\$236,186,900	\$238,369,875

### 13. Subsequent events

Events subsequent to December 31, 2012 have been evaluated up to February 28, 2013, the date these Financial Statements were available to be issued. No material subsequent events have occurred since December 31, 2012 that would require recognition or disclosure in these Financial Statements.

### 14. Approval of the Audited Financial Statements

These Audited Financial Statements were approved by the Board of Directors on February 28, 2013.

# ACL Alternative Fund

A segregated account of the ACL Alternative Fund SAC Limited

December 31, 2012

## Appendix

### Audited Supplemental Disclosures to the Financial Statements

#### 1. Fees incurred as a proportion of average Net Assets of the Fund (Refer to Note 4)

	USD Share Class A*	USD Share Class B*	USD Share Class C*
(i) Investment Manager Management Fee	-0.75%	-1.00%	-2.00%
(ii) Investment Manager Incentive Fees	0.00%	0.00%	0.00%
(iii) Trading Advisor Management Fee**	-0.97%	-0.97%	-0.97%
(iv) Trading Advisor Incentive Fees**	-0.71%	-0.71%	-0.71%
(v) Administration Fees	-0.07%	-0.07%	-0.07%
(vi) Audit Fees	0.00%	0.00%	0.00%
(vii) Directors' Fees	0.00%	0.00%	0.00%
(viii) Brokerage	-1.00%	-1.00%	-1.00%
(ix) Other Fees and Expenses	-0.01%	-0.01%	-0.01%
(x) Interest Income	+0.10%	+0.10%	+0.10%

\* Based on the average Net Assets of the Fund during 2012.

\*\* Trading Advisor management and incentive fees may range from 0% to a maximum of 2% and 0% to a maximum of 25% respectively.