

**AUDITED FINANCIAL STATEMENTS**

**APQ ALEXANDRIA FUND LIMITED**

For the period from 14 March 2013 (Date of Incorporation) to  
31 December 2013

With Report of Independent Auditors

# APQ ALEXANDRIA FUND LIMITED

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## Independent Auditors' Report

The Board of Directors  
APQ Alexandria Fund Limited

We have audited the accompanying financial statements of APQ Alexandria Fund Limited (the "Fund") which comprise the statement of financial condition as at 31 December 2013, and the statement of comprehensive income, statement of changes in net assets attributable to shareholders and statement of cash flows for the period from 14 March 2013 (date of incorporation) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the directors, as a body. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the directors as a body, for our audit work, for this report, or for the opinions we have formed.

### **Management's Responsibility for the Financial Statements**

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

### **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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APQ Alexandria Fund Limited as at 31 December 2013, and its financial performance and cash flows for the period from 14 March 2013 (date of incorporation) to 31 December 2013, in accordance with International Financial Reporting Standards.

*Ernst + Young Ltd.*

15 April 2014

# APQ ALEXANDRIA FUND LIMITED

## STATEMENT OF FINANCIAL POSITION

(Expressed in U.S. Dollars)

**As at 31 December 2013**

### Assets

Cash and cash equivalents	549,679
Financial assets at fair value through profit or loss	98,096,988
Other receivables and prepayments	19,427
<b>Total assets</b>	<b>\$ 98,666,094</b>

### Liabilities

Subscriptions received in advance	549,205
Management fee payable	83,753
Incentive fees payable	1,397
<b>Total Liabilities</b>	<b>\$ 634,355</b>

**Net assets attributable to holders of redeemable participating shares** \$ **98,031,739**

### Net asset value per share by class AS at 31 December 2013

	No of shares	NAV per share
Class A Series 2013/05 USD	30,000.00	\$ 97.68
Class AR Series 2013/05 USD	928,346.79	\$ 97.92
Class A Series 2013/06 USD	24,000.00	\$ 99.20
Class AR Series 2013/07 USD	5,429.01	\$ 99.96
Class AR Series 2013/08 USD	4,799.60	\$ 100.44
Class AR Series 2013/09 USD	1,545.48	\$ 102.14
Class AR Series 2013/10 USD	1,438.94	\$ 100.10
Class B Series 2013/11 GBP	1,000.00	£ 98.89
Class B Series 2013/12 GBP	2,000.00	£ 99.87

The accompanying notes and attached financial statements of APQ Alexandria Master Fund Limited are an integral part of these financial statements and should be read in conjunction therewith.

# APQ ALEXANDRIA FUND LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*(Expressed in U.S. Dollars)*

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**For the period from 14 March 2013 to 31 December 2013**

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**Investment income/(loss)**

Net realized loss on financial assets and financial liabilities through profit or loss, and on foreign currency exchange loss	\$ (20,944)
Net change in unrealized depreciation on financial assets and liabilities at fair value through profit or loss and on foreign currency exchange	<u>(1,366,736)</u>
	<u>(1,387,680)</u>

**Expense**

Professional fees	2,907
Directors' fees	17,500
Management fees	617,480
Incentive fee	1,397
Other expenses	<u>2,538</u>
	<u>641,822</u>

**Operating loss** (2,029,502)

**Decrease in net assets attributable to holders of redeemable participating shares from operations** \$ (2,029,502)

The accompanying notes and attached financial statements of APQ Alexandria Master Fund Limited are an integral part of these financial statements and should be read in conjunction therewith.

# APQ ALEXANDRIA FUND LIMITED

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

*(Expressed in U.S. Dollars)*

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**For the period from 14 March 2013 to 31 December 2013**

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	<b>Net assets attributable to holders of redeemable participating shares</b>
<b>As at 14 March 2013</b>	
Issue of redeemable participating shares	\$ 100,903,898
Redemption of redeemable participating shares	<u>(842,657)</u>
Increase in net assets attributable to holders of redeemable participating shares from transactions in shares	100,061,241
Decrease in net assets attributable to holders of redeemable participating shares from operations	<u>(2,029,502)</u>
<b>As at 31 December 2013</b>	<b><u>\$ 98,031,739</u></b>

The accompanying notes and attached financial statements of APQ Alexandria Master Fund Limited are an integral part of these financial statements and should be read in conjunction therewith.

# APQ ALEXANDRIA FUND LIMITED

## STATEMENT OF CASH FLOWS

(Expressed in U.S. Dollars)

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**For the period from 14 March 2013 to 31 December 2013**

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### **Cash flows from operating activities**

*Adjustments to reconcile net decrease in net assets attributable to holders of redeemable participating shares from operations to net cash used in*

	\$	(2,029,502)
Payments for purchase of financial investments at fair value through profit or loss		(100,903,897)
Proceeds from sale of financial investments at fair value through profit or loss		1,419,215
Net realized loss on financial investments		20,956
Net change in unrealized loss on financial investments		1,366,738
Other receivables and prepayments		(19,427)
Subscriptions received in advance		549,205
Management fees payable		83,753
Incentive fees payable		1,397

<b>Net cash in operating activities</b>		<u>(99,511,562)</u>
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### **Cash flows from financing activities**

Proceeds from issue of participating redeemable shares		100,903,898
Payments on redemption of participating redeemable shares		(842,657)

<b>Net cash provided by financing activities</b>		<u>100,061,241</u>
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<b>Net increase in cash and cash equivalents</b>		549,679
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<b>Cash and cash equivalents at beginning of period</b>		<u>-</u>
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<b>Cash and cash equivalents at 31 December 2013</b>	<b>\$</b>	<u><b>549,679</b></u>
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The accompanying notes and attached financial statements of APQ Alexandria Master Fund Limited are an integral part of these financial statements and should be read in conjunction therewith.



# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS

*(Expressed in U.S. Dollars)*

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### 1. Reporting Entity

APQ Alexandria Fund Limited (the “Fund”) is a regulated mutual fund domiciled and incorporated, with limited liability in the Cayman Islands. The Fund was incorporated on 14 March 2013 and was registered with the Cayman Islands Monetary Authority (“CIMA”) on 22 April 2013. The Fund commenced operations on 15 May 2013.

The Fund will invest substantially all of its capital through a “master-feeder” structure in the APQ Alexandria Master Fund Limited (the “Master Fund”) which is also a Cayman Islands regulated mutual fund. The Master Fund was 100% owned by the Fund as at 31 December 2013.

The investment objective of the Fund is to invest in the “Master Fund” which seeks to generate long-term returns through investments in global and emerging markets. The Master Fund will invest in stocks, bonds, foreign exchange, commodities and their derivatives across Asia, Latin America, Eastern Europe, Middle East, Africa, and the developed markets.

The Fund’s investment activities are managed by APQ Partners LLP (the “Investment Manager”). The Investment Manager is an English limited liability partnership and is regulated by the Financial Conduct Authority (“FCA”).

### 2.1. Basis of preparation

The financial statements of the Fund for the period ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standard Board (“IASB”). The financial statements are presented in US Dollars.

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value. The financial statements of the fund were prepared as a going concern.

### 2.2. Summary of Significant Accounting Policies

#### *(a) Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.2. Summary of Significant Accounting Policies (continued)

*(a) Use of estimates and judgements (continued)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

*(b) Foreign currency*

The Master Fund's functional and presentation currency is the currency of the primary economic environment in which it operates. The Master Fund receives its investing capital primarily in US Dollars manages shareholder funds in this currency also. For this reason, management has determined that the functional currency of the Master Fund should be US Dollars.

Transactions in foreign currencies are translated into US Dollars at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into US Dollars at the spot exchange rate at that date.

Foreign currency differences arising on translation are recognised in profit or loss in the "net realized loss on financial assets and financial liabilities through profit or loss, and on foreign currency exchange" line, except for those arising on financial instruments at fair value through profit or loss which is recognised in profit or loss in the "Net change in unrealized depreciation on financial assets and liabilities at fair value through profit or loss and on foreign currency exchange" line.

*(c) Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and are used by the Fund in the management of its commitments.

*(d) Income taxes*

The Fund is exempt from all forms of taxation in the Cayman Islands (including income, capital gains and withholding taxes). However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.2. Summary of Significant Accounting Policies (continued)

#### *(e) Financial assets and financial liabilities*

- (i) **Recognition**  
The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.
- (ii) **Initial Measurement**  
Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

The Fund has adopted the following classifications for financial assets and financial liabilities:

Financial assets and liabilities held for trading:

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes investment in the Master Fund.

- (iii) **Subsequent measurement**  
After initial measurement, the Fund measures financial instruments at fair value through profit or loss. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.2. Summary of Significant Accounting Policies (continued)

*(e) Financial assets and financial liabilities (continued)*

(iv) De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Fund is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of comprehensive income.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*(f) Redeemable Participating Shares*

Redeemable participating shares are classified as financial liabilities and are measured at the redemption amounts representing the investor's right to a residual interest in the Funds' assets. In accordance with the Fund's prospectus, the redemption amounts of the redeemable participating shares are calculated using the closing prices of the Fund's underlying investments/short positions.

Subscriptions received in advance in the statement of financial position are amounts for subscriptions that have been received but not yet invested as at 31 December 2013.

The Fund's founder shares are classified as equity. The founder shares do not form part of the net assets of the Fund and are thus disclosed in the financial statements by way of this note only.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.2. Summary of Significant Accounting Policies (continued)

#### *(g) Income and Expenses*

Income and expenses are accounted for on an accrual basis in the statement of comprehensive income.

#### *(h) Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in there spective investment's domicile. As the Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

#### *(i) Going Concern*

The Master Fund's management has made an assessment of the Master Fund's ability to continue as a going concern and is satisfied that the Master Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Master Fund's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

### 2.3. New and amended standards and interpretations

#### *(i) New standards, amendments and interpretations effective after the current reporting period*

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.3. New and amended standards and interpretations (continued)

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main

*(ii) New standards, amendments and interpretations effective after the current reporting period*

change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Fund will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board. Management of the Fund is currently assessing the standard's full impact.

Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment Entities are effective for annual periods beginning on or after 1 January 2014, and have not been early adopted by the Fund. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. Management of the Fund is currently assessing the standard's full impact.

Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014, and has not been early adopted by the Fund. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. Management of the Fund is currently assessing the standard's full impact.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 3. Fair Financial Assets and Financial Liabilities at Fair Value through profit or loss

#### Valuation of financial instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- (i) Quoted (unadjusted) prices in active markets for identical assets or liabilities (Level 1).
- (ii) Securities valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly derived from price) (Level 2).
- (iii) Securities valued using inputs that are not based on observable data (unobservable data) (Level 3).

The Fund's Investment in the Master Fund is classified as a Level 2 security.

### 4. Share Capital and Redeemable Participating Shares

The authorised share capital of the Fund is \$50,000 divided into 10 founder shares of \$1 par value each and 4,999,000 redeemable participating shares of \$0.01 par value each, €50,000 divided into 5,000,000 redeemable participating shares of €0.01 par value each, £50,000 divided into 5,000,000 redeemable participating shares of £0.01 par value each and ¥5,000,000 divided into 5,000,000 redeemable participating shares of ¥1.00 par value each.

Redeemable participating Class A and Class B shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each monthly redemption date and also in the event of the Fund's liquidation. Each investor will be required to invest a minimum of 100,000 USD (or the currency equivalent thereof in the case of Shares not denominated in USD). Additional subscriptions may be made for a minimum of 10,000 USD (or the currency equivalent thereof), subject to the Directors' discretion to reduce this amount either generally or in relation to any particular Shareholder. Subscriptions are payable in full upon acceptance.

The rights attaching to the redeemable participating shares are as follows:

Redeemable participating shares may be redeemed on the last business day of each month; on the provision that day is a business day for the Fund, at the net asset value per share of the respective share class. If that day is not a business day for the Fund, shares may be redeemed on the immediately preceding business day. The Shareholder must request such redemption at least 30 calendar days prior to the proposed redemption day or such other day as the Investment Manager may determine. Redeemable Shares in voting classes have the right to receive notice of, attend and vote at any general meeting of the Fund.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

### 4. Share Capital and Redeemable Participating Shares (continued)

The classes in issue which have voting rights are classes Class A USD and Class B GBP. Gains/losses from forward foreign exchange contracts held for share class hedging purposes are attributed to the relevant share class only.

The analysis of movements in the number of redeemable Shares and net assets attributable to holders of redeemable Shares during the period was as follows:

	<b>Outstanding at 14 March 2013</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Outstanding at 31 December 2013</b>
USD Class A	-	54,397.55	(397.55)	54,000.00
USD Class A Restricted	-	949,758.72	(8,198.89)	941,559.83
GBP Class B	-	3,000.00	-	3,000.00
	-	1,007,156.27	(8,596.44)	998,559.83

The rights attaching to the Founder Shares are as follows:

Founder Shares confer upon the holders thereof rights on a winding-up to repayment of capital in accordance with these Articles but confer no other right to participate in the profits or assets of the Company. Founder Shares are not redeemable.

Unless there are no Shares in issue (in which case the Founder Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company), the Founder Shares shall not carry the right to receive notice of, attend or vote at general meetings of the Company, save that the holders of the Founder Shares shall have the exclusive rights to vote (to the exclusion of the holders of the Shares) in respect of: (i) any alteration or amendment of the authorised share capital of the Company; (ii) any change in the name of the Company; and (iii) any amendment to these Articles to conform them to the terms of the Offering Memorandum issued in respect of the first issue of Shares.

Additional rights of the Founder Shares and all rights attached to Shares are disclosed fully in the Articles of Association of the Fund.



# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 4. Share Capital and Redeemable Participating Shares (continued)

#### Capital management

As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable shares beyond those included in the Fund's constitution.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other capital markets and by using various investment strategies and hedging techniques
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise
- To maintain sufficient size to make the operation of the Fund cost-efficient

Refer to Financial risk management objectives and policies for the policies and processes applied by the Fund in managing its capital.

### 5. Financial Risk Management

The Fund is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising primarily from its investment in the Master Fund. As the Fund and the Master Fund are considered to be an integrated structure, the Directors believe disclosures regarding risk associated with the Fund relates to the Master Fund. Such disclosures can be found in note 3 of the Master Fund's financial statements.

### 6. Organisation Costs

As set out in the Offering Memorandum, expenses associated with the organisation of the Master Fund were not expected to exceed \$160,000, which will be amortised over 60 months. However, actual expenses incurred by the Master Fund, for organisation costs, were \$331,196 and have been approved by the board of directors of the Master Fund.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 7. Investment Management Agreement

In addition to serving as the Investment Manager to the Master Fund, the Investment Manager also serves as the Investment Manager to the Fund. Management and performance-based fees with relation to the foregoing relationships are incurred at the Fund level.

The Investment Manager receives a management fee payable monthly, in arrear, equal to one twelfth of 1% of the net asset value for Class A shares and 2% for Class B shares (before deduction of that month's management fee and any accrued performance fee) as at valuation day. The management fee is paid to the Manager, who in turn pays the Investment Manager.

The Investment Manager is also entitled to receive a performance related fee in respect of each Series of Shares in issue in relation to each Performance Period (as defined below) (the "Performance Fee"). For each Performance Period, the Performance Fee will be equal to 20% of the net profits in respect of each Series, namely the increase in the Net Asset Value per Share of such Series during that Performance Period, subject to a "High Water Mark", as described below.

The Performance Fee is calculated and payable, in respect of each calendar year (each, a "Performance Period"), annually on 31 December. However, the first calculation period in respect of the first Series of a Class commences on the date of the close of the Initial Offer Period of that Class and ends on 31 December of that year, and the first Performance Period in respect of a Series issued other than on the first Business Day of a calendar year commences on the date of issue and ends on 31 December of that year.

The Performance Fee will be deemed to accrue monthly and will be taken into account in the calculation of the Net Asset Value per Share on each Valuation Day. The Performance Fee in respect of each Performance Period is calculated by reference to the Net Asset Value per Share before the deduction of any accrued Performance Fees.

For each Series, a Performance Fee will be payable at the end of Performance Period if the Net Asset Value per Share of such Series at the end of the Performance Period exceeds the greater of (a) the highest previous Net Asset Value per Share of the relevant Series achieved as at the end of any previous Performance Period (if any) during which such Share was in issue; and (b) the original issue price of the Shares of that Series (the High Water Mark). All such calculations are made before deduction of the Performance Fee for the current Performance Period and by including realised and unrealised gains and losses.

# APQ ALEXANDRIA FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 8. Related Parties

#### **Board of Directors**

The Board of Directors is entitled to remuneration for their services. Fees will be paid to the Directors in an amount up to \$25,000 each per annum per Director prorated across both the Fund and the Master Fund. This is payable in advance, together with their out of pocket expenses.

#### **Manager**

APQ Capital Management Limited (the "Manager"), is an exempted company incorporated with limited liability under the laws of the Cayman Islands. The details of the management fee and incentive fee calculations are outlined above.

Cairo Hills Limited hold 40% of the shares of APQ Capital Management Limited and the underlying beneficial owner of these shares is Karim Abdul Motaal. Karim Abdel Motaal is also an investor in the APQ Alexandria Fund.

Tuva Mountains Limited hold 40% of the shares of APQ Capital Management Limited and the underlying beneficial owner of these shares is Bart Turtelboom. Bart Turtelboom is also an investor in the APQ Alexandria Fund.

All Founder Shares are held by the Manager.

#### **Investment Manager**

APQ Partners LLP, an English limited liability partnership and regulated by the FCA is the Investment Manager of the Fund and Master Fund. APQ Partners LLP is appointed as Investment Manager of the Fund by the Manager and is entitled to receive a fee from the Manager for this service.

#### **Administrator**

The Fund has appointed HedgeServ Limited, a fund administration company incorporated in the Republic of Ireland, to provide administrative services to the Fund. Administration fees are calculated and incurred at the Master Fund level. Please refer to note 7 of the Master Fund financial statements.

### 9. Subsequent Events

Subsequent to year end, the Fund received subscriptions of \$561,145, £200,000 and paid redemptions of \$833,254.

### 10. Approval of financial statements

The financial statements were approved by the board of directors of the Fund on 15 April 2014.

# APQ ALEXANDRIA FUND LIMITED

## APPENDIX I – GENERAL INFORMATION (UNAUDITED)

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### **Manager**

APQ Capital Management Limited  
c/o Mourant Ozannes Corporate Services (Cayman)  
Limited  
94 Solaris Avenue, Camana Bay  
PO Box 1348  
Grand Cayman KY-1108  
Cayman Islands

### **Registered Office**

c/o Mourant Ozannes Corporate Services (Cayman) Limited  
94 Solaris Avenue  
Camana Bay PO Box 1348  
Grand Cayman KY-1108  
Cayman Islands

### **Non-executive Directors of the Fund**

Mr. Todd Groome (appointed 21/03/2013)  
Mr. Gary Linford (appointed 14/03/2013)  
Mr. Ian C. Cadby (resigned 27/03/2013)

### **Legal Advisers**

Akin Gump LLP (for United Kingdom)  
Eighth Floor, Ten Bishops Square  
London  
E1 6EG  
United Kingdom

### **Investment Manager**

APQ Partners LLP  
3<sup>rd</sup> Floor  
22-23 Old Burlington St  
London W1s 2JJ  
United Kingdom

### **Administrator**

HedgeServ Limited  
75 St. Stephen's Green  
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**AUDITED FINANCIAL STATEMENTS**

**APQ ALEXANDRIA MASTER FUND LIMITED**

For the period from 14 March 2013 (Date of Incorporation) to  
31 December 2013

With Report of Independent Auditors

# APQ ALEXANDRIA MASTER FUND LIMITED

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## Independent Auditors' Report

The Board of Directors  
APQ Alexandria Master Fund Limited

We have audited the accompanying financial statements of APQ Alexandria Master Fund Limited (the "Master Fund") which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable participating shares and statement of cash flows for the period from 14 March 2013 (date of incorporation) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the directors, as a body. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Master Fund and the directors as a body, for our audit work, for this report, or for the opinions we have formed.

### **Management's Responsibility for the Financial Statements**

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

### **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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APQ Alexandria Master Fund Limited as at 31 December 2013, and its financial performance and cash flows for the period from 14 March 2013 (date of incorporation) to 31 December 2013, in accordance with International Financial Reporting Standards.

*Ernst + Young Ltd.*

15 April 2014



# APQ ALEXANDRIA MASTER FUND LIMITED

## STATEMENT OF FINANCIAL POSITION

(Expressed in U.S. Dollars)

**As at 31 December 2013**

### Assets

Due from brokers	\$	94,021,803
Financial assets at fair value through profit or loss		16,672,086
Interest receivable		181,480
Other receivables and prepayments		282,560
Total assets	\$	<u>111,157,929</u>

### Liabilities:

Due to brokers	\$	425,921
Financial liabilities at fair value through profit or loss		12,539,199
Interest payable		4,570
Administration fees payable		25,000
Custodian fees payable		10,177
Professional fees payable		51,225
Other payables and accrued expenses		4,849
Total Liabilities		<u>13,060,941</u>

**Net assets attributable to holders of redeemable participating shares**

\$ **98,096,988**

### Net asset value per share by class

As at 31 December 2013

	No of shares		NAV per share
Class A USD	990,713.52	\$	98.52
Class B GBP	3,010.92	£	99.50

*The accompanying notes are an integral part of the financial statements and should be read in conjunction therewith.*

# APQ ALEXANDRIA MASTER FUND LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*(Expressed in U.S. Dollars)*

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**For the period from 14 March 2013 to 31 December 2013**

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### **Investment income/(loss)**

Net realized loss on financial assets and liabilities at fair value through profit or loss	\$	(2,872,982)
Net realized loss on foreign currency exchange		(78,415)
Net change in unrealized appreciation on financial assets and liabilities at fair value through profit or loss		1,101,632
Net change in unrealized depreciation on foreign currency exchange		(3,656)
Interest income		1,138,917
Dividend income		109,984
Other income		3,500
		<u>(601,020)</u>

### **Expense**

Professional fees		67,020
Directors' fees		23,598
Interest expense		131,123
Dividend expense		106,506
Administration fees		191,500
Custodian fees		48,000
Organization Expenses		60,327
Other expenses		158,600
		<u>786,674</u>

**Operating loss** **(1,387,694)**

**Decrease in net assets attributable to holders of redeemable participating shares from operations** **\$ (1,387,694)**

*The accompanying notes are an integral part of the financial statements and should be read in conjunction therewith.*

# APQ ALEXANDRIA MASTER FUND LIMITED

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES

*(Expressed in U.S. Dollars)*

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**For the period from 14 March 2013 to 31 December 2013**

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	<b>Total</b>
<b>As at 14 March 2013</b>	\$ -
Issue of redeemable participating shares	100,903,897
Redemption of redeemable participating shares	<u>(1,419,215)</u>
Increase in net assets attributable to holders of redeemable participating shares from transactions in shares	99,484,682
Decrease in net assets attributable to holders of redeemable participating shares from operations	<u>(1,387,694)</u>
<b>As at 31 December 2013</b>	<b>\$ <u>98,096,988</u></b>

*The accompanying notes are an integral part of the financial statements and should be read in conjunction therewith.*

# APQ ALEXANDRIA MASTER FUND LIMITED

## STATEMENT OF CASH FLOWS

(Expressed in U.S. Dollars)

**For the period from March 14 2013 to 31 December 2013**

### **Cash flows from operating activities**

<i>Adjustments to reconcile decrease in net assets attributable to holders of redeemable participating shares from operations to net cash used in</i>	\$ (1,387,694)
Payments for purchase of financial investments at fair value through profit or loss	(214,665,774)
Proceeds from sale of financial investments at fair value through profit or loss	208,761,537
Net realized loss on financial investments	2,872,982
Net change in unrealized gain on financial investments	(1,101,632)
Due from brokers	(93,595,882)
Due to brokers	
Interest receivable	(181,480)
Other receivables and prepayments	(282,560)
Interest payable	4,570
Administration fees payable	25,000
Custodian fees payable	10,177
Professional fees payable	51,225
Other payables and accrued expenses	4,849
<b>Net cash used in operating activities</b>	<u>(99,484,682)</u>

### **Cash flows from financing activities**

Proceeds from issue of redeemable participating shares	100,903,897
Payments on redemption of redeemable participating shares	(1,419,215)
<b>Net cash provided by financing activities</b>	<u>99,484,682</u>

**Net increase in cash and cash equivalents**

-

**Cash and cash equivalents, at beginning of period**

-

**Cash and cash equivalents, at end of period**

\$ -

### **Supplemental disclosure of cash flow information**

Cash paid during the year for interest	\$ <u>(26,766)</u>
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The accompanying notes are an integral part of the financial statements and should be read in conjunction therewith.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS

*(Expressed in U.S. Dollars)*

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### **1. Reporting entity**

APQ Alexandria Master Fund Limited (the “Master Fund”) is a regulated mutual fund domiciled and incorporated in the Cayman Islands. The Master Fund was incorporated on 14 March 2013 and commenced operations on 15 May 2013.

APQ Alexandria Fund Limited (the “Feeder Fund”) is a regulated mutual fund domiciled and incorporated, with limited liability in the Cayman Islands. The Feeder Fund was incorporated on 14 March 2013 and was registered with the Cayman Islands Monetary Authority (“CIMA”) on 22 April 2013. The Feeder Fund commenced operations on 15 May 2013.

The Feeder Fund will invest substantially all of its capital through a “master-feeder” structure in the Master Fund which is also a Cayman Islands regulated mutual fund. The Master Fund was 100% owned by the Fund as at 31 December 2013.

The investment objective of the Master Fund is to generate long-term returns through investments in global and emerging markets. The Master Fund will invest in stocks, bonds, foreign exchange, commodities and their derivatives across Asia, Latin America, Eastern Europe, Middle East, Africa, and the developed markets.

The Master Fund’s investment activities are managed by APQ Partners LLP (the “Investment Manager”). The Investment Manager is an English limited liability partnership and is regulated by the Financial Conduct Authority (“FCA”).

### **2.1. Basis of preparation**

The financial statements of the Master Fund for the period ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standard Board (“IASB”). The financial statements are presented in US Dollars.

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### **2.2. Summary of significant accounting policies**

#### *(a) Use of estimates and judgements*

The preparation of the Master Fund's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### *(b) Foreign currency*

The Master Fund's functional and presentation currency is the currency of the primary economic environment in which it operates. The Master Fund receives its investing capital primarily in US Dollars manages shareholder funds in this currency also. For this reason, management has determined that the functional currency of the Master Fund should be US Dollars.

Transactions in foreign currencies are translated into US Dollars at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into US Dollars at the spot exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are translated into US Dollars at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss in the "net realized loss on foreign currency exchange" and "net change in unrealized depreciation on foreign currency exchange" lines, except for those arising on financial instruments at fair value through profit or loss which is recognized in profit or loss in the "net realized loss and financial assets and liabilities at fair value through profit or loss" and "net change in unrealized depreciation on foreign currency exchange" lines.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### **2.2. Summary of significant accounting policies (continued)**

#### *(c) Interest*

Interest income and expenses are recognized in profit or loss on an accruals basis.

#### *(d) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, short term deposits in banks and short-term highly liquid investments that are readily convertible to known amounts of cash. There were no cash and cash equivalents held by the Master Fund at 31 December 2013.

#### *(e) Income taxes*

The Master Fund is exempt from all forms of taxation in the Cayman Islands (including income, capital gains and withholding taxes). However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Master Fund presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income. For the purpose of the Statement of Cash Flows, cash inflows from investments are presented net of withholding taxes, when applicable.

#### *(f) Net gain or loss on financial assets and liabilities at fair value through profit or loss*

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expense.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains or losses on disposals of financial instruments classified at fair value through profit or loss are calculated using first in, first out ("FIFO") method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.2. Summary of significant accounting policies (continued)

#### *(g) Fees, commission and other expenses*

Fees, commission and other expenses are recognised in profit or loss on an accruals basis.

#### *(h) Financial Instruments*

##### *(i) Classification*

The Master Fund has adopted the following classifications for financial assets and financial liabilities:

##### Financial assets and financial liabilities held for trading:

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes equity securities, debt instruments and derivatives. Derivative financial assets held for trading include futures, interest rate swaps, variance swaps, equity index options, foreign exchange options and forward foreign exchange contracts. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading. The Master Fund's policy is not to apply hedge accounting.

##### *(ii) Recognition*

The Master Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Master Fund commits to purchase or sell the asset.

##### *(iii) Initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Statement of Comprehensive Income.

##### *(iv) Subsequent measurement*

After initial measurement, the Master Fund measures financial instruments at fair value through profit or loss at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.



# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.2. Summary of significant accounting policies (continued)

#### *(h) Financial Instruments (continued)*

##### *(iv) Subsequent measurement (continued)*

When available, the Master Fund measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. When fair values of listed equity securities as well as publicly traded derivatives at the reporting date are based on quoted market prices without any deduction for transaction costs, the instruments are included within Level 1 of the fair value hierarchy.

For all other financial instruments the Master Fund establishes fair value using industry standard valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Master Fund, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing such financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Master Fund classifies securities valued in this manner within Level 2 of the Fair Value hierarchy.

The Master Fund at the reporting date did not hold any Level 3 securities.

##### *(v) De-recognition*

The Master Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Master Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Master Fund is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income.

The Master Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 2.2. Summary of significant accounting policies (continued)

#### (h) Financial Instruments (continued)

##### (vi) Offsetting

Financial assets and liabilities are presented gross in the Statement of Financial Position. Information about where the Master Fund has the right to offset financial assets and liabilities is described in note 6.

##### (i) Balances Due from brokers / Due to Brokers

Amounts due to brokers include amounts payable for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, as at the reporting date.

Amounts due from brokers include margin accounts and amounts receivable for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

At 31 December 2013, due from/to brokers comprised of the following balances:

	As at 31 December 2013	
	Amounts Due from Broker	Amounts Due to Broker
Collateral Cash	15,136,674	-
Margin	6,101,083	24,486
Cash at Broker	72,784,046	401,435
	<b>94,021,803</b>	<b>425,921</b>

##### (j) Dividend revenue and expense

Dividend revenue is recognized when the Master Fund's right to receive payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income. Dividend expense relating to equity securities sold short is recognized when the shareholders right to receive payment is established.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### **2.2. Summary of significant accounting policies (continued)**

#### *(k)* Redeemable participating shares

Redeemable participating shares are classified as financial liabilities and are measured at the redemption amounts representing the investor's right to a residual interest in the Master Funds assets. In accordance with the Master Fund's prospectus, the redemption amounts of the redeemable participating shares are calculated using the closing prices of the Master Fund's underlying investments/short positions.

The Master Fund's founder shares are classified as equity. The founder shares do not form part of the net assets of the Master Fund and are disclosed in the financial statements by way of this note only.

#### *(l)* Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in their respective investment's domicile. As the Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

#### *(m)* Going Concern

The Master Fund's management has made an assessment of the Master Fund's ability to continue as a going concern and is satisfied that the Master Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Master Fund's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 2.3. New and amended standards and interpretations

(i) New standards, amendments and interpretations effective after the current reporting period

IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the Statement of Comprehensive Income, unless this creates an accounting mismatch. The Master Fund will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board. Management of the Master Fund is currently assessing the standard's full impact.

Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment Entities are effective for annual periods beginning on or after 1 January 2014, and have not been early adopted by the Master Fund. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. Management of the Master Fund is currently assessing the standard's full impact.

Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014, and has not been early adopted by the Master Fund. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. Management of the Master Fund is currently assessing the standard's full impact.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### **3. Financial risk management**

The Master Fund's risk management objective is to create and protect shareholder value. Risk is inherent in the Master Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, market risk (which includes currency risk, interest rate risk and price risk) and liquidity risk arising from the financial instruments it holds.

#### **Risk management framework**

The Master Fund maintains positions in a variety of derivative financial instruments in accordance with its investment objectives. The Master Fund's investment portfolio is comprised of both quoted, OTC derivative financial instruments and forward foreign exchange contracts.

Asset purchases and sales are determined by the Investment Manager, who has been given discretionary authority to manage the distribution of the assets to achieve the Master Fund's investment objectives. Compliance of the composition of the portfolio is monitored by the Master Fund's Board of Directors.

#### **(a) Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Master Fund, resulting in a financial loss to the Master Fund. The Master Fund has the credit risk in relation to transactions it enters with brokers, banks and third parties if the counterparty was to fail to complete any transaction to which the Master Fund is party.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 3. Financial risk management (continued)

#### (a) Credit risk (continued)

The Master Fund restricts its exposure to credit losses on derivative instruments by entering into master-netting arrangements with major counterparties with whom a significant volume of transactions are undertaken. Such arrangements provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master-netting arrangements do not result in the offset of assets and liabilities in the Statement of Financial Position unless certain conditions for offsetting under IFRS 7 apply.

For risk management reporting purposes the Master Fund considers and consolidates all elements of credit risk exposure (such as individual obligator risk, country and sector risk).

#### **Management of credit risk**

The Master Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Master Fund's prospectus and taking collateral where it can. The Master Fund may enter into transactions with counterparties for OTC financial derivative instruments, wherein cash or other assets belonging to the Master Fund may be passed outside the custodial network of the Master Fund to an unlimited extent in order to support the Master Fund's transactions.

The Master Fund's maximum credit risk exposure at the Statement of Financial Position date is represented by the respective carrying amounts of the financial assets in the Statement of Financial Position. This amounted to \$111,157,929 as at 31 December 2013.

#### **Exposure to credit risk arising from derivative assets**

The Master Fund enters into two types of derivative transactions – exchange-traded derivatives and over the counter ("OTC") derivatives. Credit risks arising from exchange-traded derivatives are mitigated as the clearing houses of each futures exchange guarantee the settlement of all futures contracts for market participants. OTC derivatives expose the Master Fund to the risk that the counterparties to these OTC derivatives might default on their obligations to the Master Fund.

#### **Balances due from brokers**

Balances due from brokers result from margin cash balances held as collateral by the brokers against derivative positions. As at 31 December 2013 \$94,021,803 was due from brokers.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 3. Financial risk management (continued)

#### (a) Credit risk (continued)

##### Settlement risk

The Master Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

The Investment Manager also manages the Master Fund's exposure to price risk by analysing the investment portfolio by region and sector. The Investment Manager's policy is to concentrate the investment portfolio in sectors and regions where the Investment Manager believes the Master Fund can maximize the returns derived for the level of risk to which the Master Fund is exposed.

The tables below summarise the significant region concentrations within the Master Fund's investment and derivatives portfolios:

For all transactions the Master Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring process. The Fund has three major counterparties with A rating, making up 91.01% of NAV, at 31 December 2013. A major counterparty is defined as any counterparty that holds portfolio positions and cash that in the aggregate, are greater than 10% of net assets.

##### *Fitch Credit rating table*

	<b>% of net assets attributable to shareholders 31 December 2013</b>
<b>Credit rating</b>	
B	1%
B+	5%
BB-	1%
CCC	1%
	<b>8%</b>

##### *Concentration of credit risk by geographical region*

	<b>% of net assets attributable to shareholders 31 December 2013</b>
Americas	4%
EMEA	4%
	<b>8%</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 3. Financial risk management (continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Master Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Master Fund.

Exposure to liquidity risk arises because of the possibility that the Master Fund could be required to pay its liabilities or redeem its shares earlier than expected.

The following table summarizes the maturity of the Master Fund's financial instruments based on contractual maturities.

	Less than 1 month	1 month to 1 year	1 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$
<b>As at 31 December 2013</b>					
Due from brokers	94,021,803	-	-	-	94,021,803
Financial assets at fair value through profit or loss	3,775,900	6,133,409	5,970,875	791,902	16,672,086
Interest receivable	108,059	73,421	-	-	181,480
Other receivables and prepayments	282,560	-	-	-	282,560
Total financial assets	<b>98,188,322</b>	<b>6,206,830</b>	<b>5,970,875</b>	<b>791,902</b>	<b>111,157,929</b>
Due to brokers	425,921	-	-	-	425,921
Financial liabilities at fair value through profit or loss	6,406,054	5,440,553	521,936	170,656	12,539,199
Net assets attributable to holders of redeemable participating shares	98,096,988				98,096,988
Interest payable	4,570	-	-	-	4,570
Administration fees payable	25,000	-	-	-	25,000
Custodian fees payable	10,177	-	-	-	10,177
Professional fees payable	51,225	-	-	-	51,225
Other payables and accrued expenses	4,849	-	-	-	4,849
Total financial liabilities	<b>105,024,784</b>	<b>5,440,553</b>	<b>521,936</b>	<b>170,656</b>	<b>111,157,929</b>
Liquidity gap	(6,836,462)	766,277	5,448,939	621,246	-

#### Management of liquidity risk

The Master Fund's policy and the Investment Manager's approach to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of shares, as and when due, without incurring due losses or risking damage to the Master Fund's reputation.



# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

### 3. Financial risk management (continued)

#### **(b) Liquidity risk (continued)**

The Master Fund's prospectus provides for the monthly subscription and redemption of redeemable participating shares, as described in note 9. The Master Fund is therefore exposed to the liquidity risk of meeting Shareholder redemptions at each redemption date. The Master Fund typically holds a large percentage of the net assets in cash. At 31 December 2013, the Master Fund has \$94,021,803 due from brokers, which represents 95.85% of net assets.

#### **(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Master Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

The Master Fund's Market risks are managed on a daily basis by the Investment Manager as set out below.

Strict and dynamic risk management techniques are applied to the portfolio based on quantitative signals, risk indicators (VaR, stress tests, Greeks) and qualitative appreciation of market conditions (e.g. liquidity). These risk constraints are applied prior to any trade implementation and are strictly monitored intraday at the portfolio level by the Investment Manager and independently by the risk controller of the Investment Manager.

#### **Overall Sensitivity**

The principal tool used to measure and control market risk exposure of the Master Fund is a Value-at-Risk analysis (VaR). The VaR of the Master Fund's portfolio is the estimated loss that may arise on the portfolio over a specified period of time (holding period) from an adverse market movement within a specified probability (confidence level). The VaR model used by the Master Fund is based on a 98% confidence level and assumes a 1-day holding period. The VaR model is based mainly on historical simulations, taking into account market data from previous day's trading and observed relationships between different markets and prices. The model can generate a wide range of plausible future scenarios for market price movements, and is measured daily by the Investment Manager.

The use of VaR has limitations because it is a "point-in-time" calculation, reflecting positions held at 31 December 2013, which does not necessarily reflect the risk inherent in positions at other time. VaR is a statistical estimation and therefore it is possible that there could be, in any period, a greater number of days in which losses could exceed the calculated VaR. In addition, losses on those days might be substantially greater than the calculated VaR. The VaR model is based on historical data and does not take into account future market price movements, correlation between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns. Losses that be incurred due to exchange rate fluctuations are included in the VaR results.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 3. Financial risk management (continued)

#### (c) Market risk (continued)

A summary of the VaR position of the Master Fund at 31 December 2013 and during the period to 31 December 2013 is as follows:

	<u>Credit</u>	<u>Equity</u>	<u>FX</u>	<u>Rates</u>	<u>Total</u>
Americas	0.01%	0.01%	0.16%	0.04%	0.22%
Asia		0.11%	0.07%		0.18%
EMEA	<u>0.01%</u>	<u>0.08%</u>	<u>0.17%</u>	<u>0.09%</u>	<u>0.35%</u>
<b>Total</b>	<b><u>0.02%</u></b>	<b><u>0.20%</u></b>	<b><u>0.40%</u></b>	<b><u>0.13%</u></b>	<b><u>0.75%</u></b>

\*Value-at-Risk at 98% confidence interval, 1 day horizon.

#### (d) Currency risk

The Master Fund may invest in financial instruments and enter into transactions that are denominated in currencies other than its functional currency. Consequently, the Master Fund may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the fair value or future cash flows of that portion of the Master Fund's financial assets or liabilities.

The Master Fund's currency risk is monitored on an on-going basis by the Investment Manager. Where Shares are subscribed for in a share class denominated in a currency other than US Dollars, the investment manager will enter into a forward foreign exchange contract (a "forward") in order to hedge the currency risk of that specific share class. Forward currency contracts are entered into to mitigate the foreign exchange exposure of these specific share classes and the related gains and losses on these contracts are applied to the specific share classes only.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 3. Financial risk management (continued)

#### (d) Currency risk (continued)

At the reporting date the carrying value of the Master Fund's financial assets and liabilities held in foreign currencies were as follows:

	Monetary Asset	Monetary Liability	Non- Monetary Asset	Non- Monetary Liability	Net Exposure
BRL	-	-	-	(93,176)	(93,176)
CHF	-	(202,404)	8,006	(553,985)	(748,383)
EUR	294,533	(114,343)	788,746	(366,729)	602,207
GBP	123,481	(68,503)	-	(646,574)	(591,596)
HKD	307,868	-	-	-	307,868
HUF	-	-	15,652	(122,036)	(106,384)
ILS	-	(18,291)	-	-	(18,291)
JPY	-	(2,980)	154,132	-	151,152
MXN	26	-	-	-	26
PLN	30,639	-	242,636	(149,261)	124,014
RSD	-	-	38,146	-	38,146
SGD	-	(783)	-	-	(783)
THB	-	(124)	-	-	(124)
TRY	18,363	(18,494)	255,419	-	255,288
ZAR	201,460	-	523,436	(208,511)	516,385
	<b>976,370</b>	<b>(425,922)</b>	<b>2,026,173</b>	<b>(2,140,272)</b>	<b>436,349</b>

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Master Fund:

	<b>As at 31 December 2013</b>
BRL	2.36
CHF	0.89
EUR	1.38
GBP	1.66
HKD	7.75
HUF	215.59
ILS	3.47
JPY	105.11
MXN	13.10
PLN	3.02
RSD	83.19
SGD	1.26
THB	32.86
TRY	2.15
ZAR	10.47

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 3. Financial risk management (continued)

#### (e) Interest rate risks

The Master Fund is exposed to interest rate risk as a result of broker balances it holds, fixed income securities and derivative contracts entered into. It is part of the investment policy of the Master Fund that they will look to obtained exposure to interest rate risk. This exposure is monitored on a daily basis by the Investment Manager in accordance with policies and procedures in place.

#### Exposure interest rate risk

The following table analyses the Master Fund's interest rate risk exposure. The Master Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2013	0-3 months	3 months – 6 months	6 months – 1 year	1 – 5 years	> 5 years	Non-interest bearing	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Due from brokers	-	-	-	-	-	94,021,803	94,021,803
Interest receivable	108,059	73,421	-	-	-	-	181,480
Other receivables and prepayments	-	-	-	-	-	282,560	282,560
Corporate Bonds and other interest bearing investments	-	-	1,830,000	5,431,250	776,250	-	8,037,500
Non-interest bearing securities	-	-	-	-	-	8,634,586	8,634,586
<b>Total assets</b>	<b>108,059</b>	<b>73,421</b>	<b>1,830,000</b>	<b>5,431,250</b>	<b>776,250</b>	<b>102,938,949</b>	<b>111,157,929</b>
<b>Liabilities</b>							
Due to brokers	-	-	-	-	-	425,921	425,921
Interest payable	4,570	-	-	-	-	-	4,570
Administration fees payable	-	-	-	-	-	25,000	25,000
Custodian fees payable	-	-	-	-	-	10,177	10,177
Professional fees payable	-	-	-	-	-	51,225	51,225
Other payables and accrued expenses	-	-	-	-	-	4,849	4,849
Non-interest bearing securities	-	-	-	-	-	12,539,199	12,539,199
<b>Total Liabilities</b>	<b>4,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,056,371</b>	<b>13,060,941</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

### 3. Financial risk management (continued)

#### (f) Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equities or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. Equity price risk arises as a result of the Master Fund's investments in equity securities, equity securities sold short and equity-linked derivatives.

The following table analyses the Master Fund's concentration of equity price by geographical location as a percentage of net assets attributable to shareholders;

Brazil	(1)%
China	1%
Emerging Markets	2%
United States	(5)%
<b>Total</b>	<b><u>(3)%</u></b>

#### (g) Capital management

Redeemable participating shares issued by the Master Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the Master Fund's net assets at each monthly redemption date and are classified as liabilities. See note 9 for a description of the terms of the redeemable participating shares issued by the Master Fund.

The Master Fund's objective in managing the redeemable participating shares is to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Master Fund's management of the liquidity risk arising from redeemable participating shares is discussed in note 3(b).

The Master Fund is not subject to any externally imposed capital requirements.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 4. Fair Value of Assets and Financial Liabilities at fair value through profit or loss

#### Valuation of financial instruments

The Master Fund measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- (i) Quoted (unadjusted) prices in active markets for identical assets or liabilities (Level 1).
- (ii) Securities valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly derived from prices (Level 2).
- (iii) Securities valued using inputs that are not based on observable data (unobservable data) (Level 3).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. When the Master Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the off-setting risk positions and applies the bid or ask price to the net open position as appropriate.

For all other financial instruments, fair value is determined using valuation techniques.

#### (a) Financial assets at fair value through profit or loss

Financial assets held for trading	\$ 2013
Equities	
Listed equity securities	3,049,000
Debentures and other interest bearing investments	
Debt Securities	8,037,500
	<u>11,086,500</u>
Derivative financial instruments	
Futures	154,132
Options	1,300,600
Currency Option	2,456,487
Forward Contract	516,511
Interest Rate Swaps	306,427
Variance Swaps	851,429
	<u>5,585,586</u>
<b>Total Financial assets at fair value through profit or loss</b>	<b><u>16,672,086</u></b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

### 4. Fair Value of Assets and Financial Liabilities at fair value through profit or loss (continued)

#### (b) Financial liabilities at fair value through profit or loss

Financial liabilities held for trading	\$ 2013
Equities	
Listed equity securities	5,827,800
	5,827,800
Derivative financial instruments	
Options	412,000
Currency Options	4,961,949
Forward Contracts	803,267
Interest Rate Swaps	358,952
Variance Swaps	175,231
	6,711,399
<b>Total Financial liabilities at fair value through profit or loss</b>	<b>12,539,199</b>

#### (c) Net changes in fair value of financial assets and financial liabilities through profit or loss

	Realised	Unrealised
Investments in Securities	(1,626,779)	(394,215)
Derivatives	(1,246,203)	1,495,847
<b>Total</b>	<b>(2,872,982)</b>	<b>1,101,632</b>

The Master Fund invests in listed debt securities and corporate bonds. When these instruments are not measured at the quoted price in an active market they are valued using observable inputs, such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. To the extent that these inputs are observable, the Master Fund classifies the fair value of these investments as Level 2.

The Master Fund uses widely recognized valuation models for determining fair values of over-the-counter interest rate swaps, FX options, variance swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, inputs into models are market observable and are therefore included within curves.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### **4. Fair Value of Assets and Financial Liabilities at fair value through profit or loss (continued)**

For these financial instruments, inputs into models are market observable and are therefore included within Level 2 of the fair value hierarchy. The fair values of over-the-counter options on traded equity securities are calculated using an option pricing model by reference to the following market-based inputs: (i) expected volatility; (ii) expected dividends yield; and (iii) the risk-free rate of interest, which are all considered to be market observable. Therefore, the fair values of over-the counter-options on traded equity securities are included within Level 2.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized.

During the period, the Master Fund did not hold any instruments that were deemed to be Level 3 instruments and no instruments were transferred between levels during the period.



# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 4. Fair Value of Assets and Financial Liabilities at fair value through profit or loss (continued)

	31 December 2013			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Equities and managed funds				
Exchange Traded Funds	\$ 3,049,000	-	-	\$ 3,049,000
Interest bearing securities				
Corporate bonds	-	8,037,500	-	8,037,500
Derivatives financial assets				
Futures	154,132	-	-	154,132
Options	248,850	1,051,750	-	1,300,600
Currency Options	-	2,456,487	-	2,456,487
Forward Contracts	-	516,511	-	516,511
Interest Rate Swaps	-	306,427	-	306,427
Variance Swaps	-	851,429	-	851,429
Total Derivatives	402,982	5,182,604	-	5,585,586
	<b>\$ 3,451,982</b>	<b>\$ 13,220,104</b>	<b>-</b>	<b>\$ 16,672,086</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Equities and managed funds				
Exchange traded funds	\$ 5,827,800	-	-	\$ 5,827,800
Derivatives financial assets				
Options	399,900	12,100	-	412,000
Currency Options	-	4,961,949	-	4,961,949
Forward Contracts	-	803,267	-	803,267
Interest Rate Swaps	-	358,952	-	358,952
Variance Swaps	-	175,231	-	175,231
Total Derivatives	399,900	6,311,499	-	6,711,399
	<b>\$ 6,227,700</b>	<b>\$ 6,311,499</b>	<b>-</b>	<b>\$ 12,539,199</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 5. Derivative contracts

Typically, derivative contracts serve as components of the Master Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Master Fund (the Master Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Master Fund holds include forwards, futures, exchange traded options and foreign exchange options.

The Master Fund uses derivative financial instruments to hedge its risks associated primarily with foreign currency fluctuations. Derivative financial instruments may also be used for trading purposes where the Investment Manager believes this would be more effective than investing directly in the underlying financial instruments.

Derivatives often reflect at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the profit or loss of the Master Fund.

During the period, the Master Fund had positions in the following types of derivatives:

#### **Forwards and futures**

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the OTC market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Master Fund has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the exchange ensures that these contracts are always honored. Forward contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the future contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

#### **Options**

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Master Fund purchases and sells put and call options through regulated exchanges and OTC markets. Options purchased by the Master Fund provide the Master Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 5. Derivative contracts (continued)

#### Options (continued)

value either on or before the expiration of the option. The Master Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Master Fund provide the purchaser the opportunity to purchase from or sell to the Master Fund the underlying asset at an agreed-upon value either on or before the expiration of the option. None of the options at the period end were covered. Options are generally settled on a net basis.

#### Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. Interest rate swaps relate to contracts taken out by the Master Fund with major brokers in which the Master Fund either receives or pays a floating rate note of interest in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Variance swaps relate to contracts taken out by the Master Fund with major brokers in which the Master Fund trades future realised volatility against current implied volatility.

	2013		
	\$	\$	\$
	Assets	Liabilities	Notional Amount
<b>Derivatives primarily held for trading purposes</b>			
Futures	154,132	-	38
Options	1,300,600	412,000	17,101,104
Currency Options	2,456,487	4,961,949	224,082,500
Forward Contracts	516,511	803,267	897,361,135
Interest Rate Swaps	306,427	358,952	211,350,164
Variance Swaps	851,429	175,231	14,062
	<b>5,585,586</b>	<b>6,711,399</b>	<b>1,349,909,003</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 6. Offsetting assets and liabilities

The Master Fund is required to disclose the impact of offsetting assets and liabilities presentation the Statement of Financial Position, in order to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements. These recognised assets and liabilities are financial instruments and derivative instruments that are either subject to an enforceable master-netting arrangement or similar agreement or meet the following right of set off criteria: the amounts owed by the Master Fund to another party are determinable, the Master Fund has the right to set off the amounts owed with the amounts owed by the other party, the Master Fund intends to set off, and the Master Fund's right of setoff is enforceable at law.

As of 31 December 2013, the Master Fund held financial instruments and derivative instruments that were eligible for offset in the Statement of Financial Position and were subject to a master-netting arrangement. The master-netting arrangement allows the counterparty to net applicable collateral held on behalf of the Master Fund against applicable liabilities or payment obligations of the Master Fund to the counterparty. These arrangements also allow the counterparty to net any of its applicable liabilities or payment obligations they have to the Master Fund against any collateral sent to the Master Fund.

The following tables provide disclosure regarding the potential effect of offsetting of recognised liabilities presented in the Statement of Financial Position:

As at 31 December 2013	(i) Gross Amounts of Recognized Assets USD	(ii) Gross Amounts Offset in the Statement of Financial Position USD	(iii) = (i) – (ii) Net Amounts of Assets presented in the Statement of Financial Position USD
<b>Derivative Assets</b>			
Interest Rate Swaps	306,427	-	306,427
Options	1,300,600	-	1,300,600
Variance Swaps	851,429	-	851,429
Future Contracts	154,132	-	154,132
Forward Contract	516,511	-	516,511
Currency Option	2,456,487	-	2,456,487
Total	<b>5,585,586</b>	<b>-</b>	<b>5,585,586</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Expressed in U.S. Dollars)

### 6. Offsetting assets and liabilities (continued)

	(iii)	(iv)		(v) = (iii) -(iv)
		Gross Amounts Not offset in the Statement of Financial Position		
	Net Amounts of Assets presented in the Statement of Financial Position USD	Financial Instruments USD	Cash Collateral Received USD	Net Amount USD
<b>Counterparties</b>				
Bank of America	81,114	39,469	-	41,645
Citigroup Inc.	378,167	-	-	378,167
Deutsche Bank AG	3,409,708	3,409,708	-	-
JP Morgan Chase & Co	863,322	318,889	-	544,433
Morgan Stanley	853,275	12,100	-	841,175
<b>Total</b>	<b>5,585,586</b>	<b>3,780,166</b>	<b>-</b>	<b>1,805,420</b>

As at 31 December 2013	(i)	(ii)	(iii) = (i) - (ii) Net Amounts of Liabilities presented in the Statement of Financial Position USD
	Gross Amounts of Recognized Liabilities USD	Gross Amounts Offset in the Statement of Financial Position USD	
<b>Derivative Liabilities</b>			
Forward Contracts	803,267	-	803,267
Interest Rate Swaps	358,952	-	358,952
Options	412,000	-	412,000
Variance Swaps	175,231	-	175,231
Currency Options	4,961,949	-	4,961,949
<b>Total</b>	<b>6,711,399</b>	<b>-</b>	<b>6,711,399</b>

	(iii)	(iv)		(v) = (iii) -(iv)
		Gross Amounts Not offset in the Statement of Financial Position		
	Net Amounts of Liabilities presented in the Statement of Financial Position USD	Financial Instruments USD	Cash Collateral Pledged USD	Net Amount USD
<b>Counterparties</b>				
Bank of America	39,469	39,469	-	-
Deutsche Bank AG	6,236,827	3,409,709	2,827,118	-
HSBC Holdings PLC	104,114	-	-	104,114
JP Morgan Chase & Co	318,889	318,889	-	-
Morgan Stanley	12,100	12,100	-	-
<b>Total</b>	<b>6,711,399</b>	<b>3,780,167</b>	<b>2,827,118</b>	<b>104,114</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

### 7. Share Capital and Redeemable Participating Shares

The authorised share capital of the Master Fund is \$50,000 divided into 10 founder shares of \$1 par value each and 4,999,000 ordinary shares of \$0.01 par value each, €50,000 divided into 5,000,000 ordinary shares of €0.01 par value each, £50,000 divided into 5,000,000 ordinary shares of £0.01 par value each and ¥5,000,000 divided into 5,000,000 ordinary shares of ¥1.00 par value each.

The redeemable participating shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Master Fund's net assets at each monthly redemption date and also in the event of the Master Fund's liquidation.

The rights attaching to the redeemable participating shares are as follows:

Redeemable participating shares may be redeemed on the last business day of each month; on the provision that day is a business day for the Master Fund, at the net asset value per share of the respective share class. If that day is not a business day for the Master Fund, shares may be redeemed on the immediately preceding business day. The Shareholder must request such redemption at least 30 calendar days prior to the proposed redemption day or such other day as the Investment Manager may determine. Redeemable Shares in voting classes have the right to receive notice of, attend and vote at any general meeting of the Master Fund. The classes in issue which have voting rights are classes Class A USD and Class B GBP. Gains/losses from forward foreign exchange contracts held for share class hedging purposes are attributed to the relevant share class only.

The analysis of movements in the number of redeemable Shares and net assets attributable to holders of redeemable Shares during the period was as follows:

	<b>Outstanding at 14 March 2013</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Outstanding at 31 December 2013</b>
USD Class A	-	1,004,836.70	(14,123.18)	990,713.52
GBP Class B	-	3,010.92	-	3,010.92
	-	<b>1,007,847.62</b>	<b>(14,123.18)</b>	<b>993,724.44</b>

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### **7. Share Capital and Redeemable Participating Shares (continued)**

#### **Capital management**

As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable shares beyond those included in the Fund's constitution.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other capital markets and by using various investment strategies and hedging techniques
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise
- To maintain sufficient size to make the operation of the Fund cost-efficient

Refer to Financial risk management objectives and policies for the policies and processes applied by the Fund in managing its capital.

### **8. Commitments and contingencies**

There are no commitments or contingencies as at 31 December 2013.

### **9. Organisation Costs**

As set out in the Offering Memorandum, expenses associated with the organisation of the Master Fund were not expected to exceed \$160,000, which will be amortised over 60 months. However, actual expenses incurred by the Master Fund, for organisation costs, were \$331,196 and have been approved by the board of directors of the Master Fund.

# APQ ALEXANDRIA MASTER FUND LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in U.S. Dollars)*

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### 10. Related parties

#### **Board of Directors**

The Board of Directors is entitled to remuneration for their services. Fees will be paid to the Directors in an amount up to \$25,000 each per annum per Director prorated across both the Master Fund and the Fund. This is payable in advance, together with their out of pocket expenses.

#### **Administrator**

The Master Fund has appointed HedgeServ Limited, a fund administration company incorporated in the Republic Ireland, to provide administrative services to the Master Fund. Administration fees charged during the period amounted to \$191,500, of which \$25,000 were payable at year end.

#### **Custodian**

The Master Fund appointed RBC Investor Services Bank S.A, a company incorporated with limited liability in Luxembourg to provide custodial services to the Master Fund. The custodian fees charged during the period amounted to \$48,000, and as at 31 December 2013 the fees payable were \$10,177.

#### **Founder Shares**

All Founder Shares are held by APQ Capital Management Limited (the "Manager").

### 11. Subsequent events

Subsequent to year end, the Master Fund received subscriptions of \$992,424 and paid out redemptions of \$16,362,088.

### 12. Approval of financial statements

The financial statements were approved by the board of directors of the Master Fund on 15 April 2014.



# APQ ALEXANDRIA MASTER FUND LIMITED

## APPENDIX I - GENERAL INFORMATION (UNAUDITED)

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### Manager

APQ Capital Management Limited  
c/o MourantOzannes Corporate Services  
(Cayman)  
Limited  
94 Solaris Avenue, Camana Bay  
PO Box 1348  
Grand Cayman KY-1108  
Cayman Islands

### Investment Manager

APQ Partners LLP  
3<sup>rd</sup> Floor  
22-23 Old Burlington St  
London W1s 2JJ  
United Kingdom

### Non-executive Directors of the Master Fund

Mr. Todd Groome (appointed 21/03/2013)  
Mr. Gary Linford (appointed 14/03/2013)  
Mr. Ian C. Cadby (resigned 27/03/2013)

### Prime Brokers

Deutsche Bank AG  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

Citigroup Global Markets Limited  
Citigroup Centre, Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

### Custodian

RBC Investor Services Bank S.A.  
Dublin Branch  
George's Quay House  
43 Townsend Street

### Registered Office

c/o MourantOzannes Corporate Services  
(Cayman) Limited  
94 Solaris Avenue  
Camana Bay PO Box 1348  
Grand Cayman KY-1108  
Cayman Islands

### Auditors

Ernst & Young Ltd.  
Suite 6401, 62 Forum Lane  
Camana Bay  
PO Box 510  
Grand Cayman  
KY1-1106  
Cayman Islands

### Legal Advisers to the Trust

Akin Gump LLP (for United Kingdom)  
Eighth Floor, Ten Bishops Square  
London  
E1 6EG  
United Kingdom

MourantOzannes (in Cayman)  
94 Solaris Avenue, Camana Bay  
PO Box 1348  
Grand Cayman KY1-1108  
Cayman Islands

### Administrator

HedgeServ Limited  
75 St. Stephen's Green  
Dublin 2  
Ireland