Illustrative IFRS financial statements 2008

Investment funds

PricewaterhouseCoopers' IFRS and corporate governance publications and tools 2008

IFRS technical publications

IFRS manual of accounting 2009
PwC's global IFRS manual provides comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples, extracts from company reports and model financial statements.

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40-page guide providing high-level outline of the key requirements of new IFRSs effective in 2009, in question and answer format.

A practical guide to capitalisation of borrowing costs
Guidance in question and answer format addressing the challenges of appliying IAS 23R, including how to treat specific versus general borrowings, when to start capitalisation and whether the scope exemptions are mandatory or optional.

A practical guide to segment reporting
Provides an overview of the key requirements of IFRS 8, 'Operating Segments' and some points to consider as entities prepare for the application of this standard for the first time. Includes a question and answer section. Also available: Eight-page flyer on high level management issues.

A practical guide to share-based payments
Answers the questions we have been asked by entities and includes practical examples to help management draw similarities between the requirements in the standard and their own share-based payment arrangements. November 2008.

Adopting IFRS – A step-by-step illustration of the transition to IFRS
Illustrates the steps involved in preparing the first IFRS financial statements. It takes into account the effect on IFRS 1 of the standards issued up to and including March 2004.

Financial instruments under IFRS
High-level summary of the revised financial instruments standards issued in December 2003, updated to reflect IFRS 7 in September 2006. For existing IFRS preparers and first-time adopters.

Financial reporting in hyperinflationary economies – understanding IAS 29
2006 update (reflecting impact of IFRIC 7) of a guide for entities applying IAS 29. Provides an overview of the standard's concepts, descriptions of the procedures and an illustrative example of its application.

IAS 39 – Achieving hedge accounting in practice
Covers in detail the practical issues in achieving hedge accounting under IAS 39. It provides answers to frequently asked questions and step-by-step illustrations of how to apply common hedging strategies.

IAS 39 – Derecognition of financial assets in practice
Explains the requirements of IAS 39, providing answers to frequently asked questions and detailed illustrations of how to apply the requirements to traditional and innovative structures.

IFRS 3R: Impact on earnings – the crucial Q&A for decision-makers
Guide aimed at finance directors, financial controllers and deal-makers, providing background to the standard, impact on the financial statements and controls, and summary differences with US GAAP.

IFRS disclosure checklist 2008
Outlines the disclosures required by all IFRSs published up to October 2008.

IFRS for SMEs (proposals) – pocket guide 2007
Provides a summary of the recognition and measurement requirements in the proposed 'IFRS for Small and Medium-Sized Entities' published by the International Accounting Standards Board in February 2007.

IFRS pocket guide 2008
Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.

IFRS news
Monthly newsletter focusing on the business implications of the IASB's proposals and new standards. Subscribe by emailing corporatereporting@uk.pwc.com.

Illustrative interim financial information for existing preparers
Illustrative information, prepared in accordance with IAS 34, for a fictional existing IFRS preparer. Includes a disclosure checklist and IAS 34 application guidance. Reflects standards issued up to 31 March 2008.

Illustrative consolidated financial statements

- Banking, 2006
- Corporate, 2008
- Insurance, 2006
- Investment funds, 2008
- Investment property, 2008
- Private equity, 2008

Realistic sets of financial statements – for existing IFRS preparers in the above sectors – illustrating the required disclosure and presentation.

Share-based payment – a practical guide to applying IFRS 2
Assesses the impact of the new standard, looking at the requirements and providing a step-by-step illustration of how to account for share-based payment transactions. June 2004.

SIC-12 and FIN 46R – The substance of control
Helps those working with special purpose entities to identify the differences between US GAAP and IFRS in this area, including examples of transactions and structures that may be impacted by the guidance.

Understanding financial instruments – A guide to IAS 32, IAS 39 and IFRS 7
Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports.

Understanding new IFRSs for 2009 – A guide to IAS 1 (revised), IAS 27 (revised), IFRS 3 (revised) and IFRS 8
Supplement to IFRS Manual of Accounting. Provides guidance on these new and revised standards that will come into force in 2009 and will help you decide whether to early adopt them. Chapters on the previous versions of these standards appear in the IFRS Manual (see above).

Illustrative IFRS financial statements 2008 – Investment funds

This publication provides an illustrative set of financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional open-ended investment fund ('ABC Fund' or the 'Fund').

ABC Fund is an existing preparer of IFRS financial statements; IFRS 1, 'First-time adoption of IFRS', is not applicable. ABC Fund does not have any subsidiaries, associates or joint ventures.

For an illustrative set of financial statements for first-time adopters of IFRS, refer to the PricewaterhouseCoopers' publication *Adopting IFRS: IFRS 1 – First-time adoption of International Financial Reporting Standards.*

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2008. IAS 32 (Amendment), 'Financial instruments: Presentation' and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation', has been early adopted. No other interpretations, standards and amendments were early adopted; however, Appendix VII includes segment reporting for a fund that is within the scope of IFRS 8 and has early adopted the standard.

The adoption of IAS 32 (Amendment), 'Financial instruments: Presentation' and IAS 1 (Amendment), 'Presentation of Financial statements' will have differing outcomes for investment funds with puttable instruments due to the strict criteria required in order to classify puttable shares as equity. Some investment funds may be unaffected by the adoption, while others may be affected by changes in the classification of certain qualifying instruments from financial liability to equity instruments. These financial statements present a fund where the adoption has had no effect on this classification; Appendix III illustrates the impact of a change in classification to equity.

We have attempted to create a realistic set of financial statements for an investment fund. Certain types of transaction have not been included, as they are not relevant to the Fund's operations. The example disclosures for some of these additional items and transactions, such as funds without puttable instruments, funds with puttable instruments classified as equity, available-for-sale securities, funds that invest in other investment funds, funds with significant leverage and segmental reporting have been included in the Appendices. Other disclosure items and transactions have been included in other publications in the 'Illustrative' series. See inside front cover for details.

The example disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS.

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires, nor do they take account of any specific legal framework. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our publication *IFRS disclosure checklist 2008.* Additional accounting disclosures may be required in order to comply with local laws and/or stock exchange regulations.

Structure

Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. The reference to IFRS appears in full – for example, 'IFRS2p6' indicates IFRS 2 paragraph 6. The designation 'DV' (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. Additional notes and explanations are shown in footnotes.

ABC Fund financial statements

31 December 2008

Contents

(All amounts in euro thousands unless otherwise stated)

Balance sheet

			As at 31 December	
1p68, 51, 104		**Note**	**2008**	2007
	Assets			
1p57	**Current assets**			
1p68(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	6, 9	119,520	91,716
IFRS7p8	Due from brokers		2,356	984
1p68(h), IFRS7p8	Other receivables and prepayments		497	448
1p69	Margin accounts	10	1,026	223
1p68(i)	Cash and cash equivalents	11	1,620	325
	Total assets		125,019	93,696
	Liabilities			
1p60	**Current liabilities**			
1p68(l), IFRS7p8(a)	Financial liabilities at fair value through profit or loss	7, 9	(12,215)	(9,738)
IFRS7p8	Due to brokers		(893)	(665)
1p68(j)	Accrued expenses		(257)	(145)
1p69	**Liabilities (excluding net assets attributable to holders of redeemable shares)**		(13,365)	(10,548)
32IE32, 33	**Net assets attributable to holders of redeemable shares (at bid/asking market prices)**		111,654	83,148
	Represented by:			
1p68(l)	Net assets attributable to holders of redeemable shares (at last traded market prices)	12	114,414	84,674
1p69, 75(e)	Adjustment from bid/asking market prices to last traded market prices	12	(2,760)	(1,526)

The notes on pages 9 to 34 are an integral part of these financial statements.

(All amounts in euro thousands unless otherwise stated)

Income statement – by nature of expense

			Year ended 31 December	
1p81-83, 91, 104		Note	**2008**	2007
1p81(a)	**Income**			
1p83	Interest income	5	947	549
18p35(b)(v)	Dividend income		1,538	1,055
1p83	Net foreign currency gains or losses on cash and cash equivalents[1]		27	(7)
IFRS7p20(a)(i), 1p35	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6, 7	12,221	(4,218)
1p83	**Total net income/(loss)**		14,733	(2,621)
1p83,88	**Expenses**			
	Management fee	14	(803)	(684)
	Custodian, secretarial and administration fees	14	(56)	(47)
	Transaction costs		(326)	(137)
	Directors' fees	14	(30)	(25)
	Other operating expenses		(151)	(123)
	Total operating expenses		(1,366)	(1,016)
1p83	**Operating profit/(loss)**		13,367	(3,637)
1p81(b)	**Finance costs**			
1p83, 32p35	Distributions to holders of redeemable shares	13	2,000	1,000
	Profit/(loss) after distributions and before tax		11,367	(4,637)
1p81(d)	Withholding taxes		(182)	(138)
	Profit/(loss) after distributions and tax		11,185	(4,775)
	Adjustment from bid/asking market prices to last traded market prices	12	1,234	1,000
32IE33, 1p83, 32p35	**Increase/(decrease) in net assets attributable to holders of redeemable shares from operations**		12,419	(3,775)

The notes on pages 9 to 34 are an integral part of these financial statements.

[1] Foreign currency gains and losses are only disclosed for cash and cash equivalents because there are no other financial assets and liabilities, not accounted for at fair value through profit or loss, upon which foreign currency gains or losses have arisen during the period.

(All amounts in euro thousands unless otherwise stated)

Statement of changes in net assets attributable to holders of redeemable shares[1]

1p6, 96

	Note	**2008**	2007
Net assets attributable to holders of redeemable shares at 1 January (at bid/asking market prices)		83,148	77,187
Represented by:			
– Net assets attributable to holders of redeemable shares at 1 January (at last traded market prices)		84,674	77,713
– Adjustment from bid/asking market prices to last traded market prices		(1,526)	(526)
Net assets attributable to holders of redeemable shares at 1 January (at last traded market prices)		84,674	77,713
Proceeds from redeemable shares issued		26,991	12,901
Redemption of redeemable shares		(9,670)	(2,165)
Net increase from share transactions		17,321	10,736
Profit/(loss) after distributions and tax		11,185	(4,775)
Adjustment from bid/asking market prices to last traded market prices		1,234	1,000
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		12,419	(3,775)
Net assets attributable to holders of redeemable shares at 31 December (at last traded market prices)	12	114,414	84,674

The notes on pages 9 to 34 are an integral part of these financial statements.

[1] This statement of changes in net assets attributable to holders of redeemable shares provides relevant and useful information to the reader corresponding to the requirements of IAS 1 and is therefore considered best practice. The adjustment from bid/asking market prices to last traded market prices represents the only equity component. We believe this presentation to disclose the equity component is an acceptable method of presenting the statement of changes in equity. There are no other balances or movements of equity for the period.

(All amounts in euro thousands unless otherwise stated)

Cash flow statement

		Note	Year ended 31 December 2008	2007
7p10, 18(a), 21	**Cash flows from operating activities**			
7p15	Purchase of financial assets and settlement of financial liabilities		(34,995)	(15,075)
7p15	Proceeds from sale of financial assets		19,250	4,398
7p15	Proceeds from derivative financial instruments		185	167
	Amounts paid to brokers		(1,223)	(100)
	Amounts received from brokers		1,372	660
7p31	Dividends received		1,412	664
7p31	Interest received		917	482
	Operating expenses paid		(971)	(782)
	Net cash used in operating activities		(14,053)	(9,586)
7p10, 21	**Cash flows from financing activities**			
7p17	Distributions paid to holders of redeemable shares	13	(2,000)	(1,000)
7p17	Proceeds from redeemable shares		26,991	12,901
7p17	Redemptions of redeemable shares		(9,670)	(2,165)
7p31	Interest paid		-	-
	Net cash from financing activities		15,321	9,736
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	1,620	325

The notes on pages 9 to 34 are an integral part of these financial statements.

Notes to the financial statements

1 General information

1p126(a) 1p46(a)(b) ABC Fund (the 'Fund') is an open-ended investment fund domiciled and incorporated as a limited liability company under the laws of Lagartos. The address of its registered office is 15 Soon Come Way, West Bay, Lagartos.

1p126(b) The Fund's objective is to generate significant medium-term capital growth. It aims to achieve this objective by trading a highly diversified portfolio of listed equity and debt securities of predominantly US and other global companies included in the S&P 500 Index. The Fund will also invest in related derivatives within a defined strategy, which may vary over time and are subject to market conditions.

1p126(b) The Fund's investment activities are managed by XYZ Capital Limited (the 'Investment Manager'), with the administration delegated to ABC Fund Services Limited.

The Fund's redeemable shares are not traded in a public market, nor does it file its financial statements with a regulatory organisation for the purpose of issuing any class of instrument in a public market[1].

10p17 These financial statements were authorised for issue by the Board of Directors on 15 February 2009.

2 Summary of significant accounting policies

1p110 1p108(b) The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1p103(a) 2.1 Basis of preparation

1p14 1p108(a) The financial statements of ABC Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

[1] If instruments are traded in a public market or when the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, IFRS 8, 'Operating segments', if adopted early, would be applicable. Appendix VII includes segment reporting for a fund that is within the scope of IFRS 8 and has early adopted the standard.

8p28 *(a) Amendments early adopted by the Fund*

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. As the Fund's redeemable shares are issued as two classes of share that incur differing management fee percentages, their features are not considered identical. Therefore, the adoption of these amendments has not resulted in any change in the classification of the Fund's redeemable shares[1].

(b) Standards, amendments and interpretations effective on 1 January 2008 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Fund's operations:

- IFRIC 11, IFRS 2 – 'Group and treasury share transactions';
- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 14, IAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction.

8p30 *(c) Standards and amendments to existing standards that are not effective on 1 January 2008 and have not been early adopted by the Fund*

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008.

  The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

  The Fund will apply the IAS 39 (Amendment) from 1 January 2009. However, it is not expected to have an impact on the Fund's income statement.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the

[1] Appendix III includes disclosures for a Fund that early adopts the IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' and the adoption results in a change in the classification of redeemable shares or units from liabilities to equity.

current period and comparative period. The Fund will apply IAS 1 (Revised) from 1 January 2009 and it is likely the Fund will present solely a statement of comprehensive income. This change is not expected to significantly change the presentation of the Fund's performance statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement', are examples of current assets and liabilities respectively. The Fund will apply the amendments from 1 January 2009. However, it is not expected to have an impact on the Fund's financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures'; IAS 8, 'Accounting policies, changes in accounting estimates and errors'; IAS 10, 'Events after the reporting period' and IAS 18, 'Revenue' (all effective from 1 January 2009), which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Fund's accounts and have therefore not been analysed in detail.

DV

(d) Standards, amendments and interpretations that are not yet effective and not relevant for the Fund's operations

The following interpretations are mandatory for the Fund's accounting periods beginning on or after 1 July 2008 or later periods but are not relevant for the Fund's operations:

- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements'(effective from 1 January 2009);
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009);
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009);
- IFRS 8, 'Operating segments' (effective from 1 January 2009), which is not considered relevant, as the Fund is outside the scope;
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009);
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008);
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009);
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008);
- Amendments that are part of the IASB's annual improvement project published in May 2008 (not addressed above): IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'); IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendments to IAS 7 'Statement of cash flows'); IAS 19 (Amendment), 'Employee benefits'; IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'; IAS 23 (Amendment), 'Borrowing costs'; IAS 27 (Revised), 'Consolidated and separate financial statements'; IAS 28 (Amendment), 'Investments in associates' (and

consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'); IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'; IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'); IAS 34, 'Interim financial reporting'; IAS 36 (Amendment), 'Impairment of assets'; IAS 38 (Amendment), 'Intangible assets'; IAS 40 (Amendment), 'Intangible assets' (and consequential amendments to IAS 16, 'Property, plant and equipment'); IAS 41 (Amendment), 'Agriculture' (all effective 1 January 2009).

1p110
IFRS7p21

2.2 Foreign currency translation

(a) Functional and presentation currency

21p17
21p9
The Fund's investors are mainly from the eurozone, with the subscriptions and redemptions of the redeemable shares denominated in euro. The primary activity of the Fund is to invest in US securities and derivatives and to offer eurozone investors a higher return compared to other products available in the eurozone. The performance of the Fund is measured and reported to the investors in euros.
1p46(d)
The Board of Directors considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in euros, which is the Fund's functional and presentation currency.

21p21, 28, 52(a)
(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date.

Foreign exchange gains and losses arising from translation are included in the income statement.

21p28
Foreign exchange gains and losses relating to cash and cash equivalents are presented in the income statement within 'net foreign currency gains or losses on cash and cash equivalents'.

21p30
Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the income statement within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

1p110
IFRS7p21

2.3 Financial assets and financial liabilities at fair value through profit or loss[1]

39p9
(a) Classification

The Fund classifies its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading
A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term

[1] The Fund is unlikely to classify any financial asset as held to maturity, as calls for redemption of shares could frustrate the Fund's intention to hold the securities to maturity (39p9, 39p45).

or is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

39p9b(ii)
IFRS7 AppxB5(a)

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. These financial assets and liabilities are expected to be realised within 12 months of the balance sheet date.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

IFRS7 Appx B5(c)

(b) Recognition, derecognition and measurement

IFRS7p21,
39p16, 38
39p43

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

39p46
39p55

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the income statement within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

IFRS7 AppxB5(e)

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognised in the income statement within interest income based on the effective interest rate.

Dividend expense on short sales of equity securities is included within other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

(c) Fair value estimation

IFRS7p27
39AG72, 73

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the balance sheet date[1]. The quoted market price used for financial assets held by

[1] If investments are restricted, i.e. they are a particular class of instrument with a restriction in the terms of that class or issued with the restriction, that is relevant in determining the fair value of investments. However, if the restriction is part of a separate agreement between the buyer and seller and the shares are identical to other shares with no such restriction that is not relevant to the valuation of the securities.

the Fund is the current bid price[1]; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

39AG74

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

IFRS7p21
1p110

2.4 Offsetting financial instruments

32p42

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

IFRS7p21
1p110

2.5 Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date respectively.

39p43, 46
39p63
IFRS7 AppxB5(f)
39AG93

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

39p9

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

[1] The existence of published price quotations in an active market is the best evidence of fair value and, when they are available, they must be used to measure fair value. The phrase "quoted in an active market" means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's length basis. The price can be taken from the most favourable market to which the entity has access, even if that were not the market in which a transaction would occur [IAS39R.AG71]. The quoted market price cannot be adjusted for "blockage" or "liquidity" factors.

IFRS7p21
1p110

2.6 Cash and cash equivalents

7p45, 7p46

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts[1].

IFRS7p21
1p110

2.7 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

IFRS7p21
1p110

2.8 Redeemable shares

32p18
39AG32

The Fund issues two classes of redeemable shares which are redeemable at the holder's option and do not have identical rights. Accordingly, such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value.

The redeemable shares are carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the share back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

IFRS7p21
1p110

2.9 Interest income and dividend income

1p99
18p30(a)

Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss.

18p30(c)

Dividend income is recognised when the right to receive payment is established.

IFRS7p21
1p110

2.10 Transactions costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

IFRS7p21
1p110

2.11 Distributions payable to holders of redeemable shares

32IE32
32p35, 40

Proposed distributions to holders of redeemable shares are recognised in the income statement when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when proposed distribution is ratified at the Annual General Meeting. The distribution on the redeemable shares is recognised as a finance cost in the income statement.

[1] Only non-restricted margin accounts should be included as part of cash and cash equivalents.

IFRS7p21
1p110

2.12 Increase/decrease in net assets attributable to holders of redeemable shares from operations

Income not distributed is included in net assets attributable to holders of redeemable shares. Movements in net assets attributable to holders of redeemable shares are recognised in the income statement as finance costs.

IFRS7p21
1p110

2.13 Taxation

1p99 The Fund is domiciled in Lagartos. Under the current laws of Lagartos, there are no income, estate, corporation, capital gains or other taxes payable by the Fund.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the income statement. Withholding taxes are shown as a separate item in the income statement.

3 Financial risks

IFRS7p33

3.1 Financial risk factors

IFRS7p31 The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. On written call options, short future positions and on equity and debt sold short the maximum loss of capital can be unlimited. The maximum loss of capital on written put options, long futures and forward currency contracts is limited to the notional contract values of those positions.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn, can also increase the potential returns the Fund can achieve. The Investment Manager manages these exposures on an individual securities level. The Fund has specific limits on these instruments to manage the overall potential exposure. These limits include the ability to borrow against the assets of the Fund up to a maximum €50 million or 50% of gross assets, whichever is lower, and a limit on derivative contracts such that the net notional contract values should not exceed 30% of net assets attributable to holders of redeemable shares.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(All amounts in euro thousands unless otherwise stated)

IFRS7p33

3.1.1 Market risk

(a) Price risk

IFRS7p33(a), 33(b)

The Fund is exposed to equity securities price risk and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the euro, the price initially expressed in foreign currency and then converted into euros will also fluctuate because of changes in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors. Between 70% and 120% of the net assets attributable to holders of redeemable shares is expected to be invested in equity securities and related derivatives. Between 60% and 80% of this amount is expected to be in individual equities and the balance is in traded options and futures. A summary analysis of investments by asset class and geography is presented in Note 6.

The Fund's policy also limits individual equity securities to no more than 5% of net assets attributable to holders of redeemable shares.

The majority of the Fund's equity investments are publicly traded and are included in the S&P 500 Index. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund's Investment Manager and is reviewed on a quarterly basis by the Board of Directors. Compliance with the Fund's investment policies are reported to the Board on a monthly basis.

At 31 December, the fair value of equities and related derivatives exposed to price risk were as follows:

IFRS7p34

	2008	2007
	Fair value	**Fair value**
Equity securities held for trading	45,614	35,515
Equity related derivative assets held for trading	1,545	1,300
Equity related derivative liabilities held for trading	(1,115)	(538)
Equity securities designated at fair value through profit or loss	51,924	39,615
Equity securities sold short	(11,100)	(9,200)
	86,868	66,692

At 31 December, the Fund's overall exposure to price risk including the notional exposure on derivative contracts were as follows:

	2008	2007
Net equity securities	86,438	65,930
Net notional exposure from futures contracts	22,000	16,250
Net notional exposure from options	28,000	17,000
Total exposure to price risk from equities and equity related derivatives	136,438	99,180

(All amounts in euro thousands unless otherwise stated)

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the S&P 500 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio, net of securities sold short.

	At 31 December			
	2008		2007	
Sector	**Fund's equity portfolio (%)**	**S&P 500 benchmark allocation (%)**	**Fund's equity portfolio (%)**	**S&P 500 benchmark allocation (%)**
Information technology	15.1	17.1	17.2	16.8
Financials	18.2	14.4	18.1	17.6
Energy	14.1	13.8	14.2	12.9
Health care	12.8	12.9	11.2	12.0
Consumer staples	9.8	11.6	11.5	10.2
Industrials	13.2	11.4	10.5	11.5
Consumer discretionary	9.9	8.4	10.2	8.5
Utilities	2.1	3.7	3.1	3.6
Materials	1.9	3.6	2.1	3.3
Telecommunication services	2.9	3.1	1.9	3.6
	100.0	100.0	100.0	100.0

IFRS7p35 During the year ended 31 December 2008, the Fund's exposure to various industry sectors was significantly different to the exposure as at 31 December 2008. Specifically, the Fund's exposure to the financial service sector during the year averaged 7.5% (versus the S&P average of 17.9%) of the Fund's equity portfolio. The Fund's movement to the overweight position in the financial services sector at 31 December 2008 was at the expense primarily of the 'consumer staples' and 'utilities' sectors which, while being in an overweight position during most of the period, moved to an underweight position at 31 December 2008.

The Fund had no concentrations in individual equity positions exceeding 3% (2007: 4%) of the net assets attributable to holders of redeemable shares.

IFRS7p40 The table below summarises the sensitivity of the Fund's net assets attributable to holders of redeemable shares to equity price movements, including the effect of movements in foreign currency exchange rates on equity prices, as at 31 December. The analysis is based on the assumptions that the S&P 500 Index increased by 6% (2007: 7%) and decreased by 3% (2007: 3%), with all other variables held constant and that the fair value of the Fund's portfolio of equity securities and equity-based derivatives moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the S&P 500 Index, having regard to the historical volatility of the index. The historical correlation of the Fund's equity portfolio with upward movements in the index is 115% (2007: 110%) of the index gain and 75% (2007: 80%) of downward movements in the index.

(All amounts in euro thousands unless otherwise stated)

The impact below arises from the reasonable possible change in the fair value of listed equities and equity derivatives.

	2008	2007
Effect on net assets attributable to redeemable shares of an increase in the index	9,414	7,637
Effect on net assets attributable to redeemable shares of a decrease in the index	(3,070)	(2,428)

The Investment Manager uses the S&P 500 Index as a reference point in making investment decisions. However, the investment manager does not manage the Fund's investment strategy to track the S&P 500 or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at 31 December and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Fund's investment portfolio, including the use of leverage, and the correlation thereof to the S&P 500 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 31 December is not necessarily indicative of the effect on the Fund's net assets attributed to redeemable shares of future movements in the level of the S&P 500 Index.

(b) Foreign exchange risk

IFRS7P33(a), 33(b)

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the euro, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. Management however monitors the exposure on all foreign currency denominated assets and liabilities, and hence, the table below has been analysed between monetary and non-monetary items to meet the requirements of IFRS 7.

The Fund's policy is not to manage the Fund's exposure to foreign exchange movements (both monetary and non-monetary) by entering into any foreign exchange hedging transactions.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-euro denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in euros. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

IFRS7P34(a) The table below summarises the Fund's assets and liabilities, monetary and non monetary, which are denominated in a currency other than the euro.

	At 31 December			
	2008		2007	
	USD[1]	**GBP**[1]	**USD**[1]	**GBP**[1]
Assets				
Monetary assets	4,024	10	1,894	–
Non-monetary assets	88,990	1,100	69,730	584
Liabilities				
Monetary liabilities	605	–	398	–
Non-monetary liabilities	3,715	–	2,018	–

IFRS7p33(b) In accordance with the Fund's policy, the Investment Manager monitors the Fund's monetary and non-monetary foreign exchange exposure on a daily basis and the Board of Directors reviews it on a quarterly basis.

IFRS7p40
IFRS7IG36 The table below summarises the sensitivity of the Fund's monetary and non monetary assets and liabilities to changes in foreign exchange movements at 31 December. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to the euro (2007: 5%), with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to holders of redeemable shares arises mainly from a change in the fair value of US dollar equity and fixed interest securities and UK equities that are classified as financial assets and liabilities at fair value through profit or loss.

	Currency	**2008**	2007
	US dollar		
IFRS7p40(a)	– Monetary	291	139
DV[2]	– Non-monetary	6,989	4,999
	Pounds sterling		
IFRS7p40(a)	– Monetary	1	–
DV[2]	– Non-monetary	41	29

(c) Cash flow and fair value interest rate risk

IFRS7P33(a), 33(b) Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund also holds a limited amount of euro-denominated floating rate debt, cash and cash equivalents that expose the Fund to cash flow interest rate risk. The Fund's policy requires the Investment Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest

[1] All amounts shown in euro thousands.
[2] Non-monetary sensitivity analysis is voluntary. Under IFRS 7 it forms part of price risk and has accordingly been included in the price risk sensitivity analysis on p18.

(All amounts in euro thousands unless otherwise stated)

securities. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

The Fund's policy is to hold no more than 20% of the Fund's net assets attributed to holders of redeemable shares in interest bearing assets and liabilities and that the average effective duration of the fixed interest portfolio must remain within 30% of the average duration of the ABC Bank US short-duration bond index. The table below summarises the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the ABC Bank US short-duration bond index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

	31 December			
	2008		2007	
	Fund	**Benchmark**	**Fund**	**Benchmark**
Effective duration	2.01	2.75	1.86	2.25

IFRS7p40
IFRS7 IG36

At 31 December 2008, if interest rates on euro denominated assets and liabilities had been lower by 75 basis points with all other variables held constant, the increase in net assets attributable to redeemable shareholders would have been €286 (2007: €127). This arises substantially from the increase in the fair value of fixed interest securities, with a small portion affecting interest rate futures €15 (2007: € nil). If interest rates on euro denominated assets and liabilities had been higher by 50 basis points, the decrease in net assets attributable to redeemable shareholders would amount to €190 (2007: €85).

At 31 December 2008, if interest rates on USD denominated assets had been 25 basis points higher/lower with all other variables held constant, the increase in net asset attributable to redeemable shareholders would have been €11 (2007: €9) higher/lower. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents and €1 (2007: €1)

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

IFRS7p33

In accordance with the Fund's policy, the Investment Manager monitors the Fund's overall interest sensitivity on a daily basis, the Board of Directors reviews it on a quarterly basis.

IFRS7p33

3.1.2 Credit risk

IFRS7p33(a), 33 (b)

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, amounts due from brokers and other receivable balances.

(All amounts in euro thousands unless otherwise stated)

The Fund's policy to manage this risk is to invest in debt securities that have an investment grade by a well-known rating agency, Ratings plc, with no more than 30% of the debt portfolio rated less than AA/Aa. Within the above limits, the Fund may also invest in unrated assets where a rating is assigned by the investment manager using an approach that is consistent with the approach used by that rating agency. The analysis below summarises the credit quality of the Fund's debt portfolio at 31 December.

		2008	2007
IFRS7P36(c)	**Debt securities by rating category**		
	AAA/Aaa	52%	54%
	AA/Aa	20%	23%
	A/A	15%	13%
	BBB/Baa	13%	10%
	Total	100%	100%

The Fund manages counterparty credit risk by setting limits such that, at any time, less than 30% of the fair value of favourable derivative contracts are outstanding with an individual counterparty and all counterparties are included in the list of counterparties approved by the board of directors. All amounts due from brokers, cash, short-term deposits and derivative counterparties held by parties with a credit rating of AA/Aa or higher.

The Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement. As at 31 December 2008, master-netting arrangements reduced the credit risk on favourable contracts that have a fair value to €104 (2007: €95).

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

(All amounts in euro thousands unless otherwise stated)

IFRS7p36(a)
IFRS7p34

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below.

	2008	2007
Debt securities	20,382	15,286
Derivative assets	1,600	1,300
Cash and cash equivalents	1,620	325
Other assets	3,879	1,655
Total	27,481	18,566

IFRS7p36(d)

None of these assets are impaired nor past due but not impaired.

3.1.3 Liquidity risk

IFRS7p39(b), IFRS7p33(a), 33(b)

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the daily settlement of margin calls on derivatives and to daily cash redemptions of redeemable shares. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets in investments are not actively traded on a stock exchange.

The Fund's listed securities are considered readily realisable, as the majority are listed on the New York stock exchange.

The Fund may periodically invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. At 31 December 2008 and 2007, the Fund held no investments that it considered illiquid.

7p50(a)

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have arisen during the year. The maximum amount available to the Fund from this borrowing facility is limited to the lower of €50 million or to 50% of the gross assets and would be secured by the assets of the Fund. This facility bears interest at 1 week USD LIBOR plus 25 basis points.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold 25% of daily redemption requests for a period of no more than one month. The Fund did not withhold any redemptions during 2008 and 2007.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

(All amounts in euro thousands unless otherwise stated)

IFRS7p39(a)

The table below analyses the Fund's financial liabilities and net settled derivative financial liabilities[1] into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows excluding gross settled derivatives.

At 31 December 2008	**Less than 7 days**	**7 days to 1 month**	**1-12 months**	**More than 12 months**	**No stated maturity**
Financial liabilities at fair value through profit or loss	15	245	140	10	11,100
Due to brokers	893	–	–	–	–
Accrued expenses	158	99			–
Net asset attributable to holders of redeemable shares	85,814	28,600	–		–
Contractual cash out flows (excluding gross settled derivates)	86,880	28,944	140	10	11,100
At 31 December 2007					
Financial liabilities at fair value through profit or loss	-	110	100	10	9,200
Due to brokers	665		–	–	–
Accrued expenses	95	50		–	–
Net asset attributable to holders of redeemable shares	63,504	21,170	–	–	
Contractual cash out flows (excluding gross settled derivates)	64,264	21,330	100	10	9,200

Redeemable shares are redeemed on demand at the holder's option (Note 2.8). However, the Board of Directors do not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term. At 31 December 2008 and 2007, no individual investor held more than 10% of the Fund's redeemable shares.

IFRS7p39(a)
Appx B15

The table below analyses the Fund's derivative financial instruments[2] in a loss position that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

[1] The net settled derivatives that have a negative fair value at the reporting date (ie, that are liabilities) are included in the above liquidity analysis at contractual undiscounted amounts. Net settled derivatives that have a positive fair value (ie, that are assets) may also be included; however, this is not a requirement of IFRS 7. The liquidity analysis above includes S&P futures, which have negative fair value at the reporting date (Note 9).

[2] Gross settled derivatives should be included in the maturity analysis at contractual undiscounted amounts (IFRS 7 Appx B14(d), B15). The pay leg of all gross-settled derivatives in a loss position should be included. While the standard only requires the gross cash outflows to be included in the maturity analysis, a separate disclosure of the inflows in conjunction with the outflows would make the information more meaningful.

(All amounts in euro thousands unless otherwise stated)

	Less than 1 month	1-3 months
At 31 December 2008		
S&P options		
– Outflow	10,374	1,036
– Inflow	10,500	1,050
At 31 December 2007		
S&P options		
– Outflow	2,985	372
– Inflow	3,349	390

1p124A, 124B

3.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitors the level of daily subscriptions and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable shareholders.

3.3 Fair value estimation

IFRS7p27

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. All over-the-counter derivatives valued in this manner are based on observable market inputs.

IFRS7p29(a)
IFRS7p27(a)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

1p113, 116

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of derivative financial instruments

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel at ABC Fund Services Limited, independent of the party that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments[1].

All the Fund's financial assets and financial liabilities are held for the purpose of being traded or are designated at fair value through profit and loss and are expected to be realised within one year.

4.2 Critical judgements

Functional currency

The Board of Directors considers the euro the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions for its investors. This determination also considers the competitive environment in which the Fund is compared to other European investment products.

[1] In funds where a valuation technique used is based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on observable market data, additional disclosures are required by IFRS 7p27.

(All amounts in euro thousands unless otherwise stated)

5 Interest income

		2008	2007
IFRS7p20(b)	Cash and cash equivalents	167	74
	Debt securities at fair value through profit or loss		
	– Held for trading	496	161
	– Designated at fair value through profit or loss	284	314
		947	549

6 Financial assets at fair value through profit or loss

		2008	2007
IFRS7p8(a), 27(b)	Financial assets held for trading:		
	– Listed equity securities	45,614	35,515
	– Derivatives	1,600	1,300
	– Treasury bills	2,000	1,000
	– Listed debt securities	12,501	5,401
	Total financial assets held for trading	61,715	43,216
IFRS7p6, 8(a), 27(b)	Designated at fair value through profit or loss at inception:		
	– Listed equity securities	51,924	39,615
	– Listed debt securities	5,881	8,885
	Total designated at fair value through profit or loss at inception	57,805	48,500
	Total financial assets at fair value through profit or loss	119,520	91,716
	Other net changes in fair value on financial assets at fair value through profit or loss:		
	– Realised	2,600	(1,689)
	– Change in unrealised	8,884	(878)
	Total gains/(losses)	11,484	(2,567)
IFRS7p20(a)(i)	Other net changes in fair value on assets held for trading	6,730	200
	Other net changes in fair value on assets designated at fair value through profit or loss	4,754	(2,767)
	Total net gains/(losses)	11,484	(2,567)

(All amounts in euro thousands unless otherwise stated)

IFRS7p7, 34,
IAS1p74, 103(c)

	2008		2007	
	Fair value	**% of net assets valued at bid/asking market price**	**Fair value**	**% of net assets valued at bid/asking market price**
Debt securities				
Eurozone Sovereign	16,000	14.33	13,700	16.48
Eurozone Corporate	1,600	1.43	-	-
United States Corporate	782	0.70	586	0.70
US Treasury bills	2,000	1.79	1,000	1.20
Total debt securities	20,382	18.25	15,286	18.38
Equity securities				
Eurozone	10,038	8.99	6,430	7.74
United States	87,390	78.26	68,116	81.92
United Kingdom	110	0.10	584	0.71
Total equity securities	97,538	87.35	75,130	90.37
Derivatives				
S&P futures	700	0.63	600	0.72
S&P options	845	0.75	700	0.84
Interest rate futures	55	0.05	-	-
Total derivatives	1,600	1.43	1,300	1.56
Total financial assets at fair value through profit or loss	119,520	107.03	91,716	110.31

Debt and equity securities are grouped based on their primary market in which the issuer operates.

IFRS7p14 The carrying amount of financial assets pledged as collateral for liabilities is €11,225 (2007: €9,400), which consists of sovereign debt securities held by the prime broker.

The fair value of collateral that has been accepted and that the Fund is permitted to sell or re-pledge in the absence of default is €150 (2007: €85).

IFRS7p15 The Fund has not sold or re-pledged any collateral during the period.

The terms and conditions associated with collaterals have no significant unusual requirements from the usual practice of recourse when a default occurs.

(All amounts in euro thousands unless otherwise stated)

7 Financial liabilities at fair value through profit or loss

		2008	2007
	Financial liabilities held for trading:		
IFRS7p6, 8(e)	– Listed equity securities sold short	11,100	9,200
39AG15	– Derivatives	1,115	538
	Total financial liabilities at fair value through profit or loss	12,215	9,738
IFRS7p20(a)(i)	Other net changes in fair value on financial liabilities at fair value through profit or loss – held for trading:		
	– Realised	(500)	(622)
	– Change in unrealised	1,237	(1,029)
	Total net gains/(losses)	737	(1,651)

IFRS7p7, 34, IAS1p74, 103(c)

	2008		2007	
	Fair value	**% of net assets valued at bid/asking market price**	**Fair value**	**% of net assets valued at bid/asking market price**
Short sales of equity securities				
Eurozone	8,500	7.61	7,500	9.02
United States	2,600	2.32	1,700	2.04
Total short sales of equity securities	11,100	9.93	9,200	11.06
Derivatives				
S&P futures	410	0.36	220	0.27
S&P options	705	0.64	318	0.38
Total derivatives	1,115	1.00	538	0.65
Total financial liabilities at fair value through profit or loss	12,215	10.93	9,738	11.71

8 Financial instruments by category

IFRS7p6,8

	Loans and receivables	**Assets at fair value through the profit and loss**	**Total**
31 December 2008			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	119,520	119,520
Due from brokers	2,356	–	2,356
Other receivables and prepayments	497	–	497
Margin accounts	1,026	–	1,026
Cash and cash equivalents	1,620	–	1,620
Total	5,499	119,520	125,019

(All amounts in euro thousands unless otherwise stated)

	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2007			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	91,716	91,716
Due from brokers	984	–	984
Other receivables and prepayments	448	–	448
Margin accounts	223	–	223
Cash and cash equivalents	325	–	325
Total	1,980	91,716	93,696

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
31 December 2008			
Liabilities as per balance sheet			
Financial liabilities at fair value through profit or loss	12,215	–	12,215
Due from broker	–	893	893
Accrued expenses	–	257	257
Nat assets attributable to holders of redeemable shares	–	114,414	114,414
Total	12,215	115,564	127,779

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
31 December 2007			
Liabilities as per balance sheet			
Financial liabilities at fair value through profit or loss	9,738	–	9,738
Due from broker	–	665	665
Accrued expenses	–	145	145
Nat assets attributable to holders of redeemable shares	–	84,674	84,674
Total	9,738	85,484	95,222

9 Derivative financial instruments

The Fund holds the following derivative instruments:

(a) Futures

IFRS7p31

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities; changes in the futures contracts' value are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. Futures are settled on a net basis.

At 31 December 2008, the Fund held exchange traded futures in the S&P 500 Index with a notional value of €22,000 (2007: 16,250).

(b) Options

IFRS7p31

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

At 31 December 2008, the Fund had written put options in the S&P 500 Index with a notional value of €27,800 (2007: 18,000), written call options of €17,800 (2007: 10,500), purchased call options with a notional value of €30,000 (2007: 19,125) and purchased put options with a notional value of €12,000 (2007: 9,625)

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not therefore indicate the Fund's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

1p103(c)

10 Margin accounts

Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts.

(All amounts in euro thousands unless otherwise stated)

11 Cash and cash equivalents

7p45

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	2008	2007
Cash at bank	620	325
Short term deposits	1,000	–
	1,620	325

12 Redeemable shares

1p76, 77
1p124A, B

The Fund's authorised redeemable share capital is 5,000,000 shares with par value of €0.1 per share. These are issued as Class A or Class B shares, both of which carry equal voting rights, are entitled to dividends and are entitled to a proportionate share of the Fund's net assets attributable to holders of redeemable shares. Class B shares are not subject to management fees. All issued redeemable shares are fully paid. The Fund's redeemable shares are subject to a minimum holding and subscription amount. The Fund also has the ability to limit daily cash redemptions and withhold 25% of the requested amount for a period of no more than one month. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of listed securities where necessary.

To determine the net asset value of the Fund for subscriptions and redemptions, investments have been valued based on the last traded market prices as of the close of business on the relevant trading day and results in an increase in the value of investments of €2,760 as of 31 December 2008 (2007: €1,526). The amount of the adjustment recognised in the income statement is €1,234 (2007: €1,000). The Fund's net asset value per share is €12,465.84 (2007: €10,764.01) for a Class A share and €13,090.84 (2007: €11,195.14) for a Class B share, at the balance sheet date, using the last traded market prices.

During the year ended 31 December the number of shares issued, redeemed and outstanding were as follows:

	2008			**2007**		
	Class A	**Class B**	**Total**	**Class A**	**Class B**	**Total**
At 1 January	7,856	10	7,866	6,878	10	6,888
Redeemable shares issued	2,315	20	2,335	1,183	–	1,183
Redeemable shares redeemed	(1,018)	(6)	(1,024)	(205)	–	(205)
At 31 December	9,153	24	9,177	7,856	10	7,866

13 Distribution payable

32p35, 40 The dividends paid in 2008 and 2007 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively and are presented as finance cost. A dividend for the year ended 31 December 2008 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2009. These financial statements do not reflect this dividend payable.

24p22 14 Related-party transactions

24p17 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Management fee

The Fund is managed by XYZ Capital Limited (the 'Investment Manager'), an investment management company incorporated in Lagartos. Under the terms of the management agreement dated 15 May 2001, the Fund appointed XYZ Capital Limited as an Investment Manager to provide management services to the Fund. XYZ Capital Limited receives in return a fee based on the net asset value of Class A shares estimated based on traded values, payable quarterly in advance using the annual rate of 0.8%. Total management fees for the year amounted to €803 (2007: €684), with €67 (2007: €57) in outstanding accrued fees due to XYZ Capital Management Limited at the end of the year.

24p17 *(b) Custodian fee*

The Fund has engaged the services of XYZ Custody Bank Limited, a fellow subsidiary company of the Investment Manager, to provide custodian services for a fee. The fees are charged on a scale of 0.075% per annum on the first €50,000 of the Fund, and 0.04% thereafter on the net asset value of the Fund, estimated based on traded values. Total custodian fees, for the year amounted to €40 (2007: €34), with €4 (2007: €3) in outstanding accrued fees due to XYZ Custody Bank at the end of the year.

24p17 *(c) Secretarial and administration fee*

The Fund has engaged the services of ABC Fund Services Limited, a fellow subsidiary company of the Investment Manager, to provide secretarial and administrative services for a fee. The fees are charged on a scale of 0.02% per annum on the net asset value of the Fund, estimated based on traded values.

Total fees for secretarial and administrative services for the year amounted to €16 (2007: €13), with €6 (2007: €5) in outstanding of accrued fees due to ABC Fund Services Limited at the end of the year.

(d) Board of Directors' remuneration

The total remuneration paid to directors in 2008 was €30 (2007: €25) and consisted of only fixed directors' fees.

(All amounts in euro thousands unless otherwise stated)

(e) Key Management personnel share holdings

The key management personnel of the Fund held all the Class B redeemable shares in the Fund (2007: 100%) as detail below.

For the year ended 31 December 2008:

24p17, 24p18(f)

Shareholder	Number of shares at the start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end	Distribution received
Directors	10	20	6	24	2,542

For the year ended 31 December 2007:

Shareholder	Number of shares at the start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end	Distribution received
Directors	10	–	–	10	1,458

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Address
Country
Telephone:
Facsimile:

Independent auditor's report
To the shareholders of ABC Fund

Report on the financial statements

We have audited the accompanying financial statements of ABC Fund (the 'Fund') which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in net assets attributable to holders of redeemable shares and cash flow statement for the year then ended and a summary of significant accounting policies and other related notes.

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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 give a true and fair view of[1] the financial position of ABC Fund as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities, if any.]

Signature

Date

Address

The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries, the audit report covers both the current year and the comparative year.

[1] The term 'give a true and fair view of' can be changed to 'present fairly, in all material aspects

(All amounts in euro thousands unless otherwise stated)

Appendix I – Cash flow statement – indirect method

IAS 7 allows the use of the 'indirect method' for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the indirect method in accordance with IAS 7 is as follows:

		Note	Year ended 31 December	
7p10, 18(b)			**2008**	2007
	Cash flows from operating activities			
	Increase/(decrease) in amount attributable to holders of redeemable shares		12,419	(3,775)
7p20	Adjustment for:			
	– Adjustment for bid/asking market prices to last traded market prices		(1,234)	(1,000)
	– Interest income		(947)	(549)
	– Distributions to holders of redeemable shares		2,000	1,000
	– Dividend income		(1,538)	(1,055)
7p35	– Withholding taxes		182	138
7p28	– Exchange (gains)/losses on cash and cash equivalents		(27)	7
			10,855	(5,234)
	Net (increase)/decrease in due from/to brokers		(1,144)	124
	Net increase in other receivables and payables		37	35
	Net increase in margin accounts		(803)	(804)
	Net increase in financial assets at fair value through profit or loss		(27,804)	(7,009)
	Net increase in financial liabilities at fair value through profit or loss		2,477	2,156
	Cash used in operations		(16,382)	(10,732)
7p31	Interest received		917	482
7p31	Dividend received		1,412	664
	Net cash used in operating activities		(14,053)	(9,586)
7p21, 10	**Cash flows from financing activities**			
7p17	Distributions paid to holders of redeemable shares	13	(2,000)	(1,000)
7p17	Proceeds from redeemable shares		26,991	12,901
7p17	Redemption of redeemable shares		(9,670)	(2,165)
	Net cash from financing activities		15,321	9,736
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	1,620	325

(All amounts in euro thousands unless otherwise stated)

Appendix II – Fund without puttable instruments

The illustrative financial statements are based on an open-ended fund which issues puttable instruments, which are classified as financial liabilities under IAS 32 'Financial instruments: Presentation'. The below includes example disclosures for a closed ended fund whose shares or units are equity under IAS 32 'Financial instruments: Presentation'.

Balance sheet

		Note	As at 31 December	
1p68, 104, 51			**2008**	2007
	Assets			
1p57	**Current assets**			
1p68(d), IFRS7p8	Financial assets at fair value through profit or loss	6, 9	119,520	91,716
IFRS7p8	Due from brokers		2,356	984
1p68(h), IFRS7p8	Other receivables and prepayments		497	448
1p69	Margin accounts	10	1,026	223
1p68(i)	Cash and cash equivalents	11	1,620	325
	Total assets		125,019	93,696
	Equity			
1p68(p)	**Capital and reserves attributable to equity holders of the Fund**			
1p75(e)	Share capital		9,177	7,866
1p75(e)	Share premium		81,410	65,400
1p75(e)	Retained earnings		21,067	9,882
	Total equity		111,654	83,148
	Liabilities			
1p60	**Current liabilities**			
1p68(l), IFRS7p8	Financial liabilities at fair value through profit or loss	7, 9	12,215	9,738
IFRS7p8	Due to brokers		893	665
1p68(j)	Accrued expenses		257	145
	Total liabilities		13,365	10,548
	Total equity and liabilities		125,019	93,696

(All amounts in euro thousands unless otherwise stated)

Income statement

		Note	Year ended 31 December	
1p81-83, 91,104			**2008**	2007
1p81(a)	**Income**			
1p83	Interest income	5	947	549
18p35(b)(v)	Dividend income		1,538	1,055
1p83	Net foreign currency gains or losses on monetary assets and liabilities		27	(7)
IFRS7p20(a)(i), 1p35	Other net changes in fair value on financial assets and liabilities at fair value through profit or loss	6, 7	12,221	(4,218)
	Total net income		14,733	(2,621)
1p83, 88	**Expenses**			
	Management fee	14	(803)	(684)
	Custodian fee, secretarial and administration fees	14	(56)	(47)
	Transaction costs		(326)	(137)
	Director's fees	14	(30)	(25)
	Other operating expenses		(151)	(123)
	Total operating expenses		(1,366)	(1,016)
1p83	**Profit/(loss) before tax**		13,367	(3,637)
1p81(d)	Withholding taxes		(182)	(138)
1p81(f)	**Profit/(loss) for the year**		13,185	(3,775)
33p66	**Earnings/(loss) per share – basic and diluted (€ per share)**[1]		1,547.53	(524.31)

Statement of changes in equity

1p104 1p96, 97		Share capital	Share premium	Retained earnings	Total
	At 1 January 2007	6,888	55,642	14,657	77,187
1p96(a)	Loss for the year	–	–	(3,775)	(3,775)
1p97(a)	Dividend for 2006	–	–	(1,000)	(1,000)
1p97(a)	Issue of shares	1,183	11,718	-	12,901
1p97(a)	Repurchase of own shares	(205)	(1,960)	-	(2,165)
	At 31 December 2007	7,866	65,400	9,882	83,148
1p96(a)	Profit for the year	–	–	13,185	13,185
1p97(a)	Dividend for 2007	–	–	(2,000)	(2,000)
1p97(a)	Issue of shares	2,335	24,656	–	26,991
1p97(a)	Repurchase of own shares	(1,024)	(8,646)	–	(9,670)
	At 31 December 2008	9,177	81,410	21,067	111,654

[1] IAS 33, 'Earnings per Share', is applicable where the fund's ordinary shares are traded in a public market or when the financial statements are filed with a regulatory organisation for the purpose of issuing ordinary shares in a public market.

(All amounts in euro thousands unless otherwise stated)

Cash flow statement

		Note	Year ended 31 December 2008	2007
7p10, 18(a), 21	**Cash flows from operating activities**			
7p15	Purchase of financial assets and settlement of financial liabilities		(34,995)	(15,075)
7p15	Proceeds from sale of investments		19,350	4,498
7p15	Proceeds from derivative financial instruments		85	67
	Amounts paid to brokers		(1,223)	(100)
	Amounts received from brokers		1,372	660
7p31	Dividends received		1,412	664
7p31	Interest received		917	482
	Operating expenses paid		(971)	(782)
	Net cash used in operating activities		(14,053)	(9,586)
7p10, 21	**Cash flows from financing activities**			
7p17	Dividends paid to Fund's shareholders	13	(2,000)	(1,000)
7p17	Proceeds from issuance of ordinary shares		26,991	12,901
7p17	Purchase of treasury shares		(9,670)	(2,165)
	Net cash from financing activities		15,321	9,736
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	1,620	325

Note – Accounting policies (extracts)

1p110 **Share capital**

32p37 Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

32p33 Where the Fund re-purchases its own ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Fund's equity holders until the ordinary shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Fund's equity holders.

1p110 **Dividend distribution**

10p12 Dividend distribution to the Fund's shareholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved by the Fund's shareholders.

(All amounts in euro thousands unless otherwise stated)

Note – Share capital

1p76, 77

	2008	2007
Authorised share capital		
10,000 ordinary shares with a par value of €1,000 per share	10,000	10,000
Ordinary shares-issued and fully paid	9,177	7,866

Each issued and fully paid ordinary share is entitled to dividends when declared and carries one voting right.

The Fund's capital is represented by ordinary shares with €1,000 par value and carry one vote each. They are entitled to dividends when declared. The Fund has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares. The relevant movements on capital are shown on the statement of changes in equity.

Note – Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares.

		2008	2007
33p70(a)	Profit/(loss) for the year	13,185	(3,775)
33p70(b)	Weighted average number of ordinary shares in issue	8,520	7,200
	Basic earnings/(loss) per share – basic and diluted (€ per share)	1,547.53	(524.31)

The Fund has not issued any shares or other instruments that are considered to have dilutive potential.

Note – Dividend payable

10p12 The dividend paid in 2008 and 2007 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively. A dividend for the year ended 31 December 2008 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2009. These financial statements do not reflect this dividend payable.

Appendix III – Fund with puttable instruments classified as equity

The illustrative financial statements are based on an open-ended fund, which issues puttable instruments, which are classified as financial liabilities under IAS 32 'Financial instruments: Presentation'. The below includes example disclosures required, in addition to those in Appendix II, for an open-ended fund where the equity classification results from the early adoption of IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'[1].

The instruments classified as equity will also no longer have to comply with the measurement requirements of financial liabilities in IAS 39, 'Financial instruments: Recognition and measurement', or the disclosure requirements of IFRS 7, 'Financial instruments: Disclosure'.

Note – Accounting policies (extracts)

8p28

[2.1] (b) Amendment, adopted early by the Fund[2]

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009) (the 'Amendment'). Previously the fund had classified its puttable instruments as liabilities in accordance with IAS 32 'Financial instruments: Presentation'. However, the Amendment requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include: the puttable instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must be the most subordinated class and that classes features must be identical; there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

As a result of the reclassification of puttable instrument from liabilities to equity, the Fund's distributions will no longer be classified as a finance cost in the income statement but rather will be recorded as a dividend in the statement of changes in equity.

The Amendment has been applied retrospectively.

As a result of early adoption of the Amendment, the Fund's profit for the year has increased by the amount of the finance cost attributable to redeemable shares (2008: €14,419, 2007: (€2,775)).The Fund's equity as at 31 December 2008 has increased by €111,654 (2007: €83,148) and financial liabilities has decreased by €114,414 (2007: €84,674).

IFRS7p21
1p110

Redeemable shares

The Fund issues redeemable shares, which are redeemable at the holder's option and are classified as equity in accordance with the Amendment referred to in note 2.1 (b).

[1] Example primary statement disclosures for entities with some equity can be found in IAS 32IE33.
[2] This note is relevant for Fund's that early adopt IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' and the adoption results in a change in the classification of redeemable shares or units.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria contained in the Amendment, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading net asset value.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Fund re-purchases its redeemable shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Fund's equity holders until the ordinary shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Fund's equity holders.

The consideration received or paid for ordinary shares issued or re-purchased respectively is based on the value of the Fund's net assets value per redeemable share at the date of the transaction. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the trading net asset value per share for subscriptions and redemptions. The Fund's net asset value per redeemable share is calculated by dividing the Fund's net assets with the total number of outstanding ordinary shares.

Note – Share capital (extracts)

1p136A(a) As at 31 December 2008, the Fund had €111,654 (2007: €83,148) of puttable financial instruments classified as equity.

1p136A(b) The Fund's objectives and polices for managing its obligations to redeem these instruments are included in notes 3.2 on capital risk management and 3.1.3 on liquidity risk.

1p136A(c), (d) Redeemable shares are redeemed on demand at the holder's option. However, the directors do not envisage that the contractual maturity disclosed in liquidity risk note will be representative of the actual cash out flows, as holders of these instruments typically retain them for the medium to long term. Based on historical levels of activity the Fund on average has outflows relating to the redemption of share capital of €10 thousand each day.

(All amounts in euro thousands unless otherwise stated)

Appendix IV – Available-for-sale securities

Some funds may classify investments as available-for-sale securities. The required additional disclosures for investment funds holding available-for-sale securities, with movements in the fair value reflected in equity, are as shown below. Note: the below is based on a fund whose shares in issue have been classified as equity instruments.

Balance sheet (extracts)

		2008	2007
32IE33	**Equity**		
1p75(e)	Share capital	1,598	1,556
1p75(e)	Share premium	216,726	170,051
1p75(e)	Retained earnings	1,279,794	1,339,067
32IE33	Fair value reserves	214,963	107,749
	Total equity	1,713,081	1,618,423

Statement of changes in equity

1p96, 97, 1p104		Share Capital	Share premium	Retained earnings	Fair value reserves	Total
	At 1 January 2007	1,453	69,132	1,024,710	197,214	1,292,509
IFRS7p20(a) (ii)	Net change in available-for-sale financial instruments, net of tax	–	–	–	(89,465)	(89,465)
1p96(a)	Profit for the year	–	–	353,158	–	353,158
1p97(a)	Dividend for 2006	–	–	(38,801)	–	(38,801)
1p97(a)	Issue of shares	178	166,621	–	–	166,799
1p97(a)	Repurchase of own shares	(75)	(65,702)	–	–	(65,777)
	At 31 December 2007	1,556	170,051	1,339,067	107,749	1,618,423
IFRS7p20(a) (ii)	Net change in available-for-sale financial instruments, net of tax	–	–	–	107,214	107,214
1p96(a)	Profit for the year	–	–	(23,018)	–	(23,018)
1p97(a)	Dividend for 2007	–	–	(36,255)	–	(36,255)
1p97(a)	Issue of shares	42	46,675	–	–	46,717
	At 31 December 2008	1,598	216,726	1,279,794	214,963	1,713,081

Cash flow statement (extracts)

		2008	2007
7p21	**Cash flows from operating activities**		
7p16(c)	Purchases of available-for-sale securities	(144,721)	(155,800)
7p16(d)	Proceeds from sale of available-for-sale securities	547,358	89,038
	Net cash from operating activities	402,637	(66,762)

Note – Accounting policies (extracts)

Financial assets

1p110
39p9
39p45

The Fund classifies its investments in the following categories: financial assets at fair value through profit or loss, receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Classification – available-for-sale financial assets

1p110
39p9
IFRS7p21

Available-for-sale (AFS) investments are those intended to be held for an indefinite period of time, and that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(b) Measurement – available-for-sale financial assets

39p46

AFS financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity until the AFS financial asset is derecognised. At this time, the cumulative gain or loss previously recognised is transferred to profit or loss.

18p30(a)
39p55(b)
18p30(c)

Interest on AFS debt instruments is calculated using the effective interest method and is recognised in the income statement. Dividends on AFS equity instruments are recognised in the income statement when the entity's right to receive payment is established.

39p58
39p67
39p68
39p69
39p70

The Fund assesses, at each balance sheet date, whether there is objective evidence that a financial asset is impaired. In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in equity is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Foreign currency translation

Transactions and balances

21p21, 28

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

21p30

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss. Translation differences on non-monetary items, such as equities, classified as available-for-sale financial assets are included in the fair value reserve in equity. Translation differences related to changes in the amortised cost are recognised in the income statement.

(All amounts in euro thousands unless otherwise stated)

Note – Critical judgements in applying Fund's accounting policies (extracts)

1p113, 116

The Fund follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Fund evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Fund would suffer an additional loss of €8,300 in its 2008 financial statements (2007: €7,500), being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

Note – Investment securities

		2008	2007
1p74 IFRS7p8(d), 25, IFRS 7p27(b)	Securities available for sale:		
	– Listed debt securities – at fair value	519,656	816,587
	– Listed equity securities – at fair value	219,267	265,700
	Total securities available for sale	738,923	1,082,287
	Gains and losses from investment securities comprise:		
IFRS7p20(a)(ii)	– Derecognition of available-for-sale financial assets	(1,234)	606
IFRS7p20(e)	– Impairment of available-for-sale equity securities	(50,173)	(224,257)
	– Other	3,466	(1,241)
	Total gains and losses from investment securities	(47,941)	(224,892)

Note – Fair value reserves

		2008	2007
1p74	**Fair value reserve:**		
	Balance at 1 January	107,749	197,214
IFRS7p20(a)(ii)	Revaluation	108,448	(90,071)
IFRS7p20(a)(ii)	Transfer to the income statement	(1,234)	606
	Balance at 31 December	214,963	107,749

Long-quoted investment positions have been valued based on the closing bid prices as of the close of business on the relevant trading day (note 2.8). The difference between the valuation of long quoted investment positions as prescribed by IFRS and as disclosed in note 2.8 and the methodology prescribed by the Fund's regulations results in an increase in value of investments of €2,760 as of 31 December 2008 (2007: €1,526).

Appendix V – Funds that invest in other investment funds

Investment funds may hold investments in other investment funds. The additional disclosures that may be provided for funds holding investments in other investment funds are as follows:

Note – Accounting policies (extracts)

Fair value estimation (extracts)

As at 31 December 2008, 100% (2007: 100%) of financial assets at fair value through profit or loss comprise investments in other funds that have been fair valued in accordance with the policies set out above. The shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to annual redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in other funds in which the Fund has invested.

All of the underlying funds in the investment portfolio are managed by portfolio managers who are compensated by the respective funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee. Such compensation is reflected in the valuation of the Fund's investment in each of the underlying funds.

Consolidation[1]

Subsidiaries are all entities (including underlying investment funds) over which the Fund has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

During the year ended 31 December 2008 and 2007 the Fund held no positions in underlying investment funds which it was required to consolidate.

[1] A consolidation policy is relevant where a fund is investing in other funds as control may exist. If the Fund were to consolidate an underlying position, additional disclosures would be required in the accounting policy and other notes to the financial statements.

(All amounts in euro thousands unless otherwise stated)

Note – Critical judgements in applying the Fund's accounting policies (extracts)

1p113
1p116
The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investments in other funds

IFRS7p27(a) The fair value of investments in other funds that are not quoted in active markets is determined by reference to the daily published net assets values per share of the underlying funds[1].

Notes – Financial risk (extracts)

IFRS7p33 *(i) Price risk (extracts)*

The Fund invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those other funds. The investment manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Fund's policy requires the Investment Manager to complete a full reassessment of each of the underlying funds on a quarterly basis and track the performance of each fund on a weekly basis.

The Fund's investment restrictions prohibit it from investing more than 10% of its assets in any one investment fund. At the balance sheet date, the exposure to investments in other investment funds at fair value by strategy employed by the underlying investment funds were as follows:

IFRS7p34

	31 December			
	2008		2007	
	Fair value	**% of net assets attributable to holders of redeemable shares**	**Fair value**	**% of net assets attributable to holders of redeemable shares**
Equity long/short	55,548	49.8	20,564	24.7
Event driven	41,531	37.2	20,568	24.7
Directional trading	9,668	8.7	17,656	21.2
Multi-strategy	5,752	5.2	2,567	3.1
Fund of funds	5,565	5.0	30,361	36.5
Relative value	1,456	1.3	-	-
	119,520	107.2	91,716	110.2

[1] Where the underlying fund does not publish a daily net asset value per share, the policy note should explain the fund's policy for determining fair value. For example, where consideration is needed of the liquidity of the instrument, date of the calculation of the net asset value, redemption fees, suspension of published net asset values and other such factors that have a bearing on the fair value.

IFRS7p33(b)

The performance of investments held by the Fund is monitored by the Fund's Investment Manager on a weekly basis and reviewed by the board of directors on a quarterly basis.

IFRS7p34, 40

The table below summaries the impact on the Fund's net assets attributable to holders of redeemable shares, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 37 funds in which it invests at year end (2007: 32). A reasonable possible change is management's assessment, based on historical data sourced from the underlying investment funds, of what is a reasonable possible percentage movement in the value of a fund following each respective strategy over the next year in euro terms. The impact on net assets attributable to holders of redeemable shares is calculated by applying the reasonable possible movement determined for each strategy to the value of each fund held by the Fund.

The analysis is based on the assumption that the returns on each strategy have increased or decreased, as disclosed, with all other variables held constant. The underlying risk disclosures represent the market risks to which the underlying funds are directly exposed. I, F, O represents interest rate, foreign currency and other price risks respectively. For the purpose of determining the underlying risk disclosures, in accordance with IFRS 7, currency risk is not considered to arise from financial instruments that are non-monetary items – for example, equity investments.

(All amounts in euro thousands unless otherwise stated)

As at 31 December 2008:

Strategy	Sub- strategy	Underlying risk exposures	Number of funds	Reasonable possible change (%)	Impact on net assets attributable to redeemable shareholders
Equity long/short:					
	Sector specialists	O	6	5.2	1,115
	Short bias	O	5	3	1,157
	Opportunistic	O	1	6.7	155
Event driven:					
	Distressed securities	I, F	4	7.5	2,113
	Merger arbitrage	O	4	5.6	1,040
	Emerging markets	I,F,O	2	9.5	169
Directional trading:					
	Global macro	I,F,O	4	8	313
	Market timing	I,F,O	1	7	34
	Commodity pools	I,F,O	1	5.3	233
Multi-strategy:		I,F,O	2	7.0	402
Fund of funds:					
	Fund of funds	I,F,O	1	7.5	245
	Multi-manager	I,F,O	1	6.6	113
Relative value:					
	Convergence arbitrage	I,F,O	2	6.7	19
	Fixed income arbitrage	I,F	1	8.0	37
	Convertible arbitrage	I,F,O	1	5.7	25
	MBS strategy	I,F	1	7.8	20
Total			**37**		**7,190**

(All amounts in euro thousands unless otherwise stated)

As at 31 December 2007:

Strategy	Sub-strategy	Underlying risk exposures	Number of funds	Reasonable possible change (%)	Impact on net assets attributable to redeemable shareholders
Equity long/short:					
	Sector Specialists	O	6	5.5	1,115
	Short bias	O	2	3.2	115
Event driven:					
	Distressed securities	I, F	5	7.5	1,050
	Merger arbitrage	O	4	5.6	300
	Emerging markets	I,F,O	1	9.5	86
Directional trading:					
	Global macro	I,F,O	2	9.2	513
	Market timing	I,F,O	3	6.8	505
	Commodity pools	I,F,O	1	5.3	502
Multi-strategy:		I,F,O	1	7.0	125
Fund of funds:					
	Fund of funds	I,F,O	6	7.5	1,997
	Multi-manager	I,F,O	1	6.6	103
Total			**32**		**6,411**

IFRS7p33

Liquidity risk (extracts)

The Fund is exposed to monthly cash redemptions of redeemable shares. It therefore invests the majority of its assets in investment funds from which the Fund can redeem within one month or less; it invests only a limited proportion of its assets in investment funds with redemption restrictions or redemption terms greater than one month.

At 31 December 2008, 18% of the Fund's investments in other funds are subject to discretionary redemption restrictions exercisable by the manager of the underlying funds (2007: 45%). These include the ability to suspend redemptions or withhold varying amounts of any redemptions requested.

Appendix VI – Funds with significant leverage

Investment funds may have significant levels of leverage that are critical to the operations of the fund, which give rise to additional risks for such funds. Examples of the additional disclosures that may be required for funds in these circumstances are as follows:

Note – Accounting policies (extracts)

1p110
IFRS7p21

Borrowings

Borrowings are recognised at fair value net of transaction costs incurred. Borrowings are subsequently valued at amortised cost; any difference is recognised in the income statement over the period of the borrowing using the effective interest method.

1p110
IFRS7p21

Sale and repurchase agreements

39AG51

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability is included under 'due under repurchase agreements'. Securities purchased under agreements to resell are recorded separately under 'due from agreements to resell'. The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Note – Borrowings (extracts)

7p50

The Fund has a margin borrowing facility for investment purposes up to ten times its most recently calculated net asset value attributable to holders of redeemable shares.

IFRS7p31

The margin borrowing facility matures in 2010 and bears interest at 1 week USD LIBOR plus 25 basis points.

IFRS7p14

The margin borrowings are secured by certain financial assets at fair value through profit or loss equal to €110,000 (2007: €90,000).

IFRS7p29

The carrying value of the borrowings equals their fair value.

Note – Financial Risk Management (extracts)

3.1 Financial risk factors

IFRS7p31

The Fund may use various forms of leverage that increases the effect of any investment value changes on capital. These include the use of margin borrowings, repurchase agreements and derivatives. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well.

If the gains on financial assets made with borrowed funds are less than the costs of the leverage or, under certain circumstances, if the borrowing is terminated by the applicable lenders or counterparties in advance of its stated term, the value of the Fund's net assets attributable to holders of redeemable shares will decrease. Accordingly, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

3.1.1 Market risk (extracts)

(iii) Cash flow and fair value interest rate risk

IFRS7p33(a)

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those rates available in the past.

3.1.2 Liquidity risk (extracts)

IFRS7p33(a), 31

There is no guarantee that existing borrowing facilities or arrangements for obtaining leverage, will remain in place for the life of the Fund. The Fund's borrowing facilities are subject to a security interest in favour of the relevant creditors and contain various financial and other covenants, including over-collateralisation tests, limitations on restricted payments and limitations on indebtedness. Such over-collateralisation tests limit the amount that can be borrowed by the Fund to a calculated percentage of the fair value of the pledged financial assets and other collateral. If there were a decline in the fair value of the collateral pledged to the creditors under such facilities, the Fund might be required to liquidate collateral assets in order to maintain compliance with the applicable financial covenants and might be prevented from making any distributions.

Following an event of default under such facilities, the creditors could direct sales of the collateral assets. The prices obtained in any such liquidation or foreclosure sales may not be sufficient to repay the Fund's obligations under the facilities, in which case the Fund would not have any remaining funds to distribute.

Further, most leveraged transactions require the posting of collateral. A decrease in fair value of such financial assets may result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the Fund's best interest to do so. A failure of the Fund to continue to post the required collateral could result in a disposition of Fund's assets at times and prices which could be disadvantageous to the Fund and could result in substantial losses having a material adverse effect on the Fund. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the redeemable participating shareholders.

Expiration or withdrawal of available financing for leverage positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures, can rapidly result in adverse effects to the Fund's access to liquidity and its ability to maintain leveraged positions, and may cause the Fund to incur material losses.

The borrowing facilities available to the Fund mature during 2010. As of 31 December 2008 the Fund has existing available financing of €275 million (2007: €115 million) and is in the process of obtaining additional financing arrangements. However, there is no guarantee the borrowing facility or other arrangements for obtaining leverage will be available on the same terms and conditions acceptable to the Fund. In the event of not obtaining additional financing, the Fund will be forced to liquidate positions to repay the outstanding borrowings.

Appendix VII – Segmental reporting

If the Fund has debt or equity instruments that are traded in a public market or when the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, IFRS 8, 'Operating segments', is applicable. This appendix includes segment information for a fund that is within the scope of IFRS 8 and has early adopted the standard.

Note – Basis of preparation (extracts)

(b) Standards early adopted by the fund (extracts)

8p28 IFRS 8, 'Operating segments' was early adopted in 2008. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

Note – Accounting policies (extracts)

1p110 **Segment reporting**

IFRS8p5(b) Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the investment manager that makes strategic decisions.

Note – Segmental information

IFRS8p22(a) The strategic asset allocation committee of the investment manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by this committee which are used to make strategic decisions.

IFRS8p22(a) The committee considers the business as two sub-portfolios, which are managed by separate specialist teams at the Investment Manager. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consisting of debt and cash instruments.

IFRS8p22(b) The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments.

IFRS8p29 There were no changes in the reportable segments during the year.

(All amounts in euro thousands unless otherwise stated)

The segment information provided to the strategic allocation committee for the reportable segments is as follows.

For the year ended 31 December 2008:

IFRS8p23, 24

	Equity sub-portfolio	**Debt sub-portfolio**	**Total**
Interest income	-	947	947
Dividend income	1,538	-	1,538
Capital gains	13,733	(251)	13,482
Transaction costs	(196)	(130)	(326)
Withholding taxes	(182)	-	(182)
Total net segment income	14,893	566	15,459
Total segment assets	102,219	22,507	124,726
Total segment liabilities	12,015	-	12,015

Total segment assets include:

	Equity sub-portfolio	**Debt sub-portfolio**	**Total**
Financial assets at fair value through profit or loss	101,193	20,887	122,080
Other	1,026	1,620	2,646

For the year ended 31 December 2007:

	Equity sub-portfolio	**Debt sub-portfolio**	**Total**
Interest income	-	549	549
Dividend income	1,055	-	1,055
Capital gains	(3,760)	535	(3,225)
Transaction costs	(96)	(41)	(137)
Withholding taxes	(138)	-	(138)
Total net segment income	(2,939)	1,043	(1,896)
Total segment assets	77,953	15,816	93,769
Total segment liabilities	9,717	-	9,717

Total segment assets include:

	Equity sub-portfolio	**Debt sub-portfolio**	**Total**
Financial assets at fair value through profit or loss	77,730	15,491	93,221
Other	223	325	548

(All amounts in euro thousands unless otherwise stated)

IFRS8p23 There were no transactions between reportable segments.

IFRS8p27 The assessment of the performance of the operating segments is based on investments valued at last traded market prices, which is not consistent with IFRS. The Fund's administration and management fees are not considered to be segment expenses.

IFRS8p28(b) A reconciliation of total net segmental income to operating profit/(loss) is provided as follows:

	2008	2007
Total net segment income	15,459	(1,896)
Withholding taxes	182	138
Other fees and expenses	(1,040)	(879)
Adjustment from last traded market prices to bid/asking market prices	(1,234)	(1,000)
Operating profit/(loss)	13,367	(3,637)

IFRS8p27 The amounts provided to the strategic allocation committee with respect to total assets are measured in a manner consistent with IFRS, except for investments, which are valued at last traded market prices. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

Reportable segments' assets are reconciled to total assets as follows:

IFRS8p28

	2008	2007
Segment assets for reportable segments	124,726	93,769
Other receivables and prepayments	2,853	1,432
Adjustment from last traded market prices to bid/asking market prices	(2,560)	(1,505)
Total assets	125,019	93,696

IFRS8p27 The amounts provided to the strategic allocation committee with respect to total liabilities are measured in a manner consistent with IFRS, except for investments, which are valued at last traded market prices. The Fund's redeemable participating shares and payables for administration and management fees are not considered to be segment assets and are managed by the administration function.

Reportable segments' liabilities are reconciled to total assets as follows:

IFRS8p28

	2008	2007
Segment liabilities for reportable segments	12,015	9,717
Accrued expenses	257	145
Net assets attributable to redeemable shareholders	114,414	84,674
Other payables	893	665
Adjustment from last traded market prices to bid/asking market prices	200	21
Total liabilities	127,779	95,222

(All amounts in euro thousands unless otherwise stated)

IFRS8p33

The Fund is domiciled in Lagartos . All of the Fund's income from investments is from entities who are incorporated in countries other than Lagartos.

The Fund has no assets classified as non-current assets.

The breakdown of the major components of income and assets from other countries are disclosed below.

For the year ended 31 December 2008:

	United States	Europe[1]	Total
Segmental net income	13,872	1,587	15,459
Financial assets at fair value through profit or loss	96,178	28,548	124,726

For the year ended 31 December 2007:

	United States	Europe[1]	Total
Segmental net income	(1,886)	(10)	(1,896)
Financial assets at fair value through profit or loss	72,755	21,014	93,769

IFRS8p34

The Fund has a highly diversified portfolio of investments and no single investment accounts for more than 6% of the Fund's income.

The Fund also has a highly diversified shareholder population and no individual investor owns more than 1% of the issued capital of the Fund.

[1] If there were material balances included in this segment that related to an individual country, additional disclosures would be required to present segmental information for those individual countries with material balances.

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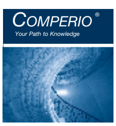

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