

Financial Statements of

**SAPIC-98 MASTER FUND**

December 31, 2014

*A claim for exemption under Regulation 4.7 has been filed with the Commodity Futures Trading Commission for SAPIC-98 Master Fund.*

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**AFFIRMATION OF THE COMMODITY POOL OPERATOR**

To the best of the knowledge and belief of the undersigned, the information contained in the attached financial statements for the year ended December 31, 2014 is accurate and complete.

A handwritten signature in black ink, appearing to read "K. Lohsen". The signature is written in a cursive style with a large initial "K".

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Ken Lohsen, Principal/Managing Director  
Credit Suisse Asset Management, LLC, Financial Adviser for  
SAPIC-98 Master Fund

## **SAPIC-98 MASTER FUND**

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## **Independent Auditors' Report to the Board of Directors**

We have audited the accompanying financial statements of SAPIC-98 Master Fund (the "Company"), which comprise the statement of financial position and condensed schedule of investments as at December 31, 2014, the statements of comprehensive income, changes in net assets attributable to participating shareholders and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company'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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**KPMG**

June 26, 2015

## SAPIC-98 MASTER FUND

### Condensed Schedule of Investments

December 31, 2014

(stated in United States dollars)

Description (% of net assets)	Number of investee funds	Total net assets	Fair value	Management/incentive fee <sup>(1)</sup>	Income/loss <sup>(2)</sup>
Investments in investee funds					
Multi-Strategy (33.66%)					
Credit Suisse Prime					
Select Trust (33.36%)	1	236,576,484	62,983,653	1.75% / 10%	314,062
Other (0.30%)	1	214,723,844	556,811	1.5-3% / 20%	(307,933)
Global Macro (30.96%)					
PSAM WorldArb Fund					
Limited (5.13%)	1	804,755,629	9,674,134	1-2% / 20%	328,040
Sapic Global Macro Master Fund Ltd.					
(23.80%)	1	94,990,061	44,935,073	0% / 0%	3,045,423
Other (2.03%)	1	7,837,425	3,834,500	3% / 25%	15,352
Fixed Income (29.79%)					
CS Fixed Income Opportunities Fund					
Limited (26.36%)	1	88,250,198	49,767,836	0.5% / 5%	1,688,378
Other (3.43%)	1	141,500,885	6,477,079	1.5% / 20%	(22,920)
Event Driven (10.82%)					
Candlewood Investment Group, LP (5.75%)					
	1	342,092,381	10,852,553	1.5-2% / 20%	516,430
Monarch Debt Recovery Fund Ltd (5.07%)					
	1	1,330,869,336	9,573,268	1.5-2% / 20%	129,709
<b>Total investments</b>					
(105.23%) (cost					
\$184,642,325)			\$ 198,654,907		\$ 5,706,541

<sup>(1)</sup> The management and incentive fees are related to underlying Investment Funds and were obtained from offering documents of the related Investment Funds. Details regarding the dollar amounts of management and incentive fees paid were not available and have not been disclosed herein.

<sup>(2)</sup> The net income/(loss) represents the net realized gain/(loss) on sale of Investment Funds and net change in unrealized gain/(loss) on Investment Funds held as at December 31, 2014 that are included in the related amounts in the statement of comprehensive income.

See accompanying notes to financial statements.

## SAPIC-98 MASTER FUND

### Condensed Schedule of Investments (continued)

December 31, 2014

*(stated in United States dollars)*

Derivative financial instruments	Fair value as a % of net assets	Amount sold	Amount bought	Settlement date	Unrealized depreciation
Forward foreign currency exchange contracts	(0.13)%	US\$ 7,674,387	EUR 6,131,171	January 30, 2015	(254,040)
<b>Total forward contracts</b>					<b>(254,040)</b>

*See accompanying notes to financial statements.*

## SAPIC-98 MASTER FUND

Condensed Schedule of Investments (continued)

December 31, 2013

(stated in United States dollars)

Description (% of net assets)	Number of investee funds	Total net assets	Fair value	Management/incentive fee <sup>(1)</sup>	Income/loss <sup>(2)</sup>
Investments in investee funds					
Multi-Strategy (36.00%)					
Credit Suisse Prime					
Select Trust (35.57%)	1	259,872,221	80,369,564	1.75% / 10%	3,766,569
Other (0.43%)	1	245,755,845	966,776	1.5-3% / 20%	179,316
Global Macro (29.92%)					
Sapic Global Macro					
Master Fund Limited (22.49%)	1	54,757,638	50,819,650	0% / 0%	367,098
Other (7.43%)	2	4,207,371,343	16,785,292	1.5-3% / 20%	2,433,280
Fixed Income (20.92%)					
CS Fixed Income					
Opportunities Fund Limited (20.84%)	1	98,006,460	47,079,458	0.5% / 5%	578,928
Other (0.08%)	1	55,342,248	194,742	1.5-3% / 20%	(236,694)
Event Driven (11.59%)	3	4,056,789,816	26,174,474	1.5-3% / 20%	4,050,480
Managed Futures (1.58%)	1	10,205,796,000	3,556,845	1.5-3% / 20%	222,005
<b>Total investments</b>					
(100.01%) (cost \$211,874,395)			\$225,946,801		\$11,360,982

<sup>(1)</sup> The management and incentive fees are related to underlying Investment Funds and obtained from offering documents of the related Investment Funds. Details regarding the dollar amounts of management and incentive fees paid were not available and have not been disclosed herein.

<sup>(2)</sup> The net income/(loss) represents the net realized gain/(loss) on sale of Investment Funds and net change in unrealized gain/(loss) on Investment Funds held as at December 31, 2013 that are included in the related amounts in the statement of comprehensive income.

See accompanying notes to financial statements.

## SAPIC-98 MASTER FUND

### Statement of Financial Position

December 31, 2014

(stated in United States dollars)

	Note	2014	2013
<b>Assets</b>			
<i>Financial assets designated at fair value through profit or loss:</i>			
Investments, at fair value	3,11	198,654,907	225,946,801
<i>Loans and receivables:</i>			
Cash and cash equivalents		5,766,563	939,688
Prepaid redemptions		3,214,480	—
Receivable for investments sold		—	800,024
Participation and fixed fees receivable	7	268,860	608,206
Other assets		33,935	21,532
		<u>207,938,745</u>	<u>228,316,251</u>
<b>Liabilities</b>			
<i>Financial liabilities designated at fair value through profit or loss:</i>			
Forward contracts	4	254,040	—
<i>Financial liabilities measured at amortized cost:</i>			
Short term loan payable	9	18,439,477	—
Participation and fixed fees payable	7	268,860	608,206
Administration fees payable	8	82,763	65,338
Redemptions payable		42,487	1,652,773
Other liabilities	9	63,091	58,868
		<u>19,150,718</u>	<u>2,385,185</u>
<b>Net assets attributable to participating shareholders</b>		<u>\$ 188,788,027</u>	<u>225,931,066</u>
<b>Net assets per Participating Share, based on:</b>			
Nil (2013: 891,341) Investor Shares outstanding		\$ —	253.47
656,277 (2013: Nil) Class I Shares outstanding		\$ 259.94	—
26,820 (2013: Nil) Class II Shares outstanding		\$ 189.65	—
30,950 (2013: Nil) Class III Shares outstanding		\$ 181.52	—
60,534 (2013: Nil) Class IV Shares outstanding		€ 102.32	—

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on June 26, 2015

WILLIAM WALMSLEY

\_\_\_\_\_  
Director

CASSANDRA POWELL

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Director



## SAPIC-98 MASTER FUND

### Statement of Comprehensive Income

Year ended December 31, 2014

(stated in United States dollars)

	Note	2014	2013
<b>Investment income</b>			
<i>From financial assets and liabilities designated at fair value through profit or loss:</i>			
Net realized gain on sale of investments		6,023,218	28,351,016
Net change in unrealized loss on investments		(59,824)	(6,870,106)
Net realized loss on forward contracts		(2,519,811)	–
Net change in unrealized loss on open forward contracts		(254,040)	–
<i>Other investment income:</i>			
Participation and fixed fees	7	837,157	1,155,012
Net foreign exchange gain		147,308	–
Other income		41,380	–
		<u>4,215,388</u>	<u>22,635,922</u>
<b>Expenses</b>			
Participation and fixed fees	7	837,157	1,155,012
Administration fees	8	171,487	195,549
Other expenses		160,038	169,557
Professional fees		120,289	78,998
Directors' fees	10	12,500	10,000
		<u>1,301,471</u>	<u>1,609,116</u>
<b>Net income from operations before finance costs</b>		2,913,917	21,026,806
<b>Finance costs</b>			
Interest expense	9	110,384	111,577
<b>Change in net assets attributable to participating shareholders</b>		<u>\$ 2,803,533</u>	<u>20,915,229</u>

See accompanying notes to financial statements.

## SAPIC-98 MASTER FUND

### Statement of Changes in Net Assets Attributable to Participating Shareholders

Year ended December 31, 2014

*(stated in United States dollars)*

	Share capital	Share premium	Retained earnings	Total
Balance at December 31, 2012	1,134	–	261,646,525	261,647,659
Issuance of Participating Shares	100	22,557,900	–	22,558,000
Redemption of Participating Shares	(343)	(22,557,900)	(56,631,579)	(79,189,822)
Change in net assets attributable to participating shareholders	–	–	20,915,229	20,915,229
Balance at December 31, 2013	891	–	225,930,175	225,931,066
Issuance of Participating Shares	1,075	97,913,436	–	97,914,511
Redemption of Participating Shares	(1,192)	(97,913,436)	(39,946,455)	(137,861,083)
Change in net assets attributable to participating shareholders	–	–	2,803,533	2,803,533
<b>Balance at December 31, 2014</b>	<b>\$ 774</b>	<b>–</b>	<b>188,787,253</b>	<b>188,788,027</b>

*See accompanying notes to financial statements.*

## SAPIC-98 MASTER FUND

### Statement of Cash Flows

Year ended December 31, 2014

(stated in United States dollars)

	2014	2013
<b>Cash provided by/(applied in):</b>		
<b>Operating activities</b>		
Change in net assets attributable to participating shareholders	2,803,533	20,915,229
Purchase of investments	(23,500,000)	(220,812,145)
Proceeds from sale of investments	56,755,288	262,575,770
Payments on settlement of forward contracts, net	(2,519,811)	–
Add/(deduct) items not involving cash:		
Net realized gain on sale of investments	(6,023,218)	(28,351,016)
Net change in unrealized loss on investments	59,824	6,870,106
Net realized loss on forward contracts	2,519,811	–
Net change in unrealized loss on open forward contracts	254,040	–
Net changes in non-cash operating balances:		
Prepaid redemptions	(3,214,480)	–
Receivable for investments sold	800,024	5,479,509
Participation and fixed fees receivable	339,346	(420,412)
Other assets	(12,403)	9,506
Subscriptions paid in advance	–	11,000,000
Participation and fixed fees payable	(339,346)	420,412
Administration fees payable	17,425	19,914
Payable for investments purchased	–	(18,480)
Other liabilities	4,223	(12,083)
	27,944,256	57,676,310
<b>Financing activities</b>		
Loan disbursements	38,239,477	30,450,000
Loan repayments	(19,800,000)	(37,200,000)
Proceeds from issuance of Participating Shares	97,914,511	22,558,000
Payments on redemption of Participating Shares	(139,471,369)	(77,861,439)
	(23,117,381)	(62,053,439)
<b>Increase/(decrease) in cash and cash equivalents during year</b>	4,826,875	(4,377,129)
Cash and cash equivalents at beginning of year	939,688	5,316,817
<b>Cash and cash equivalents at end of year</b>	\$ 5,766,563	939,688
<b>Supplementary information on cash flows from operating activities:</b>		
Interest paid	\$ (86,827)	(112,410)

See accompanying notes to financial statements.

## **SAPIC-98 MASTER FUND**

Notes to Financial Statements

December 31, 2014

*(stated in United States dollars)*

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### **1. Incorporation and Principal Activity**

SAPIC-98 Master Fund (the “Company”) was incorporated as an exempted company with limited liability under the provisions of the Companies Law of the Cayman Islands on May 15, 1998 and was registered under the Mutual Funds Law of the Cayman Islands on September 7, 1999.

The objective of the Company is to deliver to its shareholders capital appreciation with moderate volatility through investment in a portfolio of funds diverse in underlying investment policies, asset classes and geographical focus (the “Investment Fund”).

Credit Suisse International (“CSI”) issued principally protected debt obligations with various maturity dates, the proceeds of which were used to purchase shares in certain Cayman Islands companies (the “Reference Funds”). The Reference Funds enable investors to take advantage of various levels of dividend payments, principal protection, leverage and hedging arrangements that allow subscriptions in currencies other than United States dollars.

The Company is organized as a master fund in a master feeder like structure with various Reference Funds which contribute all their assets to the Company.

Credit Suisse Asset Management, LLC (“CSAM” or the “Financial Adviser”) acts as the Company’s financial adviser.

Citco Fund Services (Cayman Islands) Limited (the “Administrator”) acts as the administrator to the Company.

The registered office of the Company is situated at Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands.

The Financial Adviser is registered as a commodity pool operator (“CPO”) with the U.S. Commodity Futures Trading Commission and is a member of the National Futures Association in such capacity under the Commodity Exchange Act. A claim of exemption under Regulation Section 4.7 has been filed with the Commodity Futures Trading Commission for the Company.

### **2. Significant Accounting Policies**

The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The significant accounting policies outlined below have been consistently applied by the Company.

## **SAPIC-98 MASTER FUND**

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### **2. Significant Accounting Policies (continued)**

#### *(a) Basis of preparation*

The functional and presentation currency of the financial statements is the United States dollar and not the local currency of the Cayman Islands reflecting the fact that the Participating Shares of the Company are issued and redeemed in United States dollars and the Company's operations are primarily conducted in United States dollars.

These financial statements are prepared on a fair value basis for financial assets at fair value through profit or loss. Other financial and non-financial assets and liabilities are recorded in the statement of financial position at historical or amortized cost which is considered to be the approximate fair value due to the short-term or immediate nature of these assets and liabilities.

#### *(b) Use of estimates*

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Revisions to these estimates are recognized in the period in which the estimates are revised and any future periods affected.

#### *(c) Involvement in unconsolidated structured entities*

The Company has concluded that investee funds in which it invests, but that it does not consolidate, meet the definition of structured entities as the voting rights in these entities are not the dominant factor in deciding who controls them, as they relate to administrative tasks only; each investee fund's activities are restricted by its offering memorandum; and each Investment Fund has a narrow and well-defined objective to provide investment opportunities to investors.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 2. Significant Accounting Policies (continued)

#### *(d) Financial instruments*

The Company has designated its investments in the investee funds into the financial assets at fair value through profit or loss category. The Company recognizes financial assets on the date it becomes a party to the contractual provisions of the instrument using trade date accounting. From this date, any gain or loss arising from changes in fair value of the financial assets are recorded.

Financial assets are initially measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, all instruments classified as fair value through profit or loss are measured at fair value with changes in their fair value recognized in the statement of comprehensive income. The fair value of investments in the investee funds are based on the unaudited net asset value (“NAV”) per unit obtained from the investee funds’ administrators, respectively, which has been assessed as the most representative measure of fair value as determined by CSAM. The fair value of forward contracts is the difference between the contract rate and the applicable forward rate provided by CSI, in its capacity as the calculation agent (“the Calculation Agent”) at the statement of financial position date. Realized and unrealized gains or losses are included in the statement of comprehensive income.

The Company uses forward contracts to hedge its exposure to foreign exchange risks arising from investment activities, and such forward contracts do not qualify for hedge accounting.

The Company is evaluating the option of entering into secondary market transactions for the purpose of selling part or all of certain investments in illiquid investee funds (XPI Holding I Ltd.). Such transactions will be executed at prices discounted from the NAV provided by the relevant investee fund’s administrator, which has been assessed as the most representative measure of fair value as determined by CSAM. The fair value of this illiquid fund has been adjusted to reflect this as at December 31, 2014.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. The Company uses the first-in first-out method to determine realized gain or loss on derecognition. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 2. Significant Accounting Policies (continued)

#### *(e) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets that are classified as loans and receivables measured at amortized cost, include cash and cash equivalents, prepaid redemptions, participation and fixed fees receivable and other assets. Financial liabilities measured at amortized cost include other liabilities, administration fees payable, short term loan payable, redemptions payable and participation and fixed fees payable.

#### *(f) Translation of foreign currencies*

Transactions in foreign currencies are translated to United States dollars at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to United States dollars at the foreign exchange rate ruling at that date. Realized and unrealized gain or loss arising from translation is included in the statement of comprehensive income.

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

Cash and cash equivalents include current accounts with maturities of three months or less held at Citco Banking Corporation N.V.

#### *(h) Interest income and expense*

Interest income and expense are recognized in the statement of comprehensive income and accounted for on an accruals basis.

#### *(i) Expenses*

All expenses are recognized in the statement of comprehensive income and accounted for on an accruals basis.

#### *(j) Shareholder transactions*

Cash payments, which are payable to the participating shareholders as at year end, are included as redemptions payable in the statement of financial position.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 2. Significant Accounting Policies (continued)

#### *(k) NAV per share*

The NAV per share disclosed on the statement of financial position is calculated in accordance with the Articles of Association by dividing the net assets included in the statement of financial position by the number of Ordinary and Deferrable Shares (together, the “Investor Shares”) outstanding at year end. The Subscriber Shares do not have a residual interest in the net assets of the Company and therefore do not affect the calculation of the Company’s NAV per share.

#### *(l) Taxation*

There are no taxes on income or gains in the Cayman Islands and the Company has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from local taxes on all income, profits, gains and capital appreciations until 2018. Accordingly, no provision for income taxes is included in these financial statements.

#### *(m) Offsetting*

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

#### *(n) New and amended standards adopted by the Company*

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014.

- (a) The Company has adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (2012) (the amendments) with a date of initial application of January 1, 2014. Management concluded that the Company meets the definition of an investment entity. The Company has no subsidiaries; therefore, the amendments did not have an impact on the Company’s financial statements.
- (b) Amendments to IAS 32, ‘Offsetting financial assets and financial liabilities’ are effective for annual periods beginning on or after January 1, 2014, and have been adopted by the Company. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The amendments did not have any impact on the Company’s financial position or performance.



## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 2. Significant Accounting Policies (continued)

#### *(n) New and amended standards adopted by the Company (continued)*

There are no other relevant standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2014 that have a material impact on the Company.

#### *(o) New standards and interpretations not adopted*

IFRS 9, Financial Instruments, published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Based on the initial assessment, this standard is not expected to have a material impact on the Company.

Other standards and amendments which are available for early adoption do not impact the Company and therefore, have not been adopted early.

### 3. Fair Value Measurements

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 3. Fair Value Measurements (continued)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company also provides guidance on identifying circumstances that indicate a transaction with regards to such an asset or liability is not orderly. In its consideration, the Company considers inputs and valuation techniques used for each investee fund.

#### *(a) Financial instruments measured at fair value*

The following table analyzes within the fair value hierarchy, the Company’s financial assets and liabilities measured at fair value at December 31, 2014 and 2013:

2014	Level 1	Level 2	Level 3	Total
Assets:				
Investments	–	–	198,654,907	198,654,907
Total	\$ –	–	198,654,907	198,654,907
Liabilities:				
Forward Contracts	–	(254,040)	–	(254,040)
Total	\$ –	(254,040)	–	(254,040)

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

(stated in United States dollars)

### 3. Fair Value Measurements (continued)

#### (a) Financial instruments measured at fair value (continued)

2013	Level 1	Level 2	Level 3	Total
Assets:				
Investments	–	–	225,946,801	225,946,801
Total	\$ –	–	225,946,801	225,946,801

#### (b) Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short term financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorized:

2014	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
Cash and cash equivalents	5,766,563	–	–	5,766,563
Prepaid redemptions	–	3,214,480	–	3,214,480
Participation and fixed fees receivable	–	268,860	–	268,860
Other assets	–	33,935	–	33,935
	\$ 5,766,563	3,517,275	–	9,283,838

#### **Financial liabilities**

##### *Financial liabilities measured at amortized cost:*

Short term loan payable	–	18,439,477	–	18,439,477
Participation and fixed fees payable	–	268,860	–	268,860
Administration fees payable	–	82,763	–	82,763
Redemptions payable	–	42,487	–	42,487
Other liabilities	–	63,091	–	63,091
Net assets attributable to participating shareholders	–	188,788,027	–	188,788,027
	\$ –	207,684,705	–	207,684,705

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

(stated in United States dollars)

### 3. Fair Value Measurements (continued)

(b) Financial instruments not measured at fair value (continued)

2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
Cash and cash equivalents	939,688	–	–	939,688
Receivable for investments sold	–	800,024	–	800,024
Participation and fixed fees receivable	–	608,206	–	608,206
Other assets	–	21,532	–	21,532
	\$ 939,688	1,429,762	–	2,369,450
<b>Financial liabilities</b>				
<i>Financial liabilities measured at amortized cost:</i>				
Redemptions payable	–	1,652,773	–	1,652,773
Participation and fixed fees payable	–	608,206	–	608,206
Administration fees payable	–	65,338	–	65,338
Other liabilities	–	58,868	–	58,868
Net assets attributable to participating shareholders	–	225,931,066	–	225,931,066
	\$ –	228,316,251	–	228,316,251

The following table presents the movement in Level 3 instruments for the year ended December 31, 2014 and 2013:

2014	Investments
Balance at December 31, 2013	225,946,801
Purchase of investments	23,500,000
Proceeds from sale of investments	(56,755,288)
Net realized gain on sale of investments	6,023,218
Net change in unrealized loss on investments	(59,824)
Total	\$ 198,654,907

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

### 3. Fair Value Measurements (continued)

*(b) Financial instruments not measured at fair value (continued)*

2013	Investments
Balance at December 31, 2012	246,229,516
Purchase of investments	220,812,145
Proceeds from sale of investments	(262,575,770)
Net realized gain on sale of investments	28,351,016
Net change in unrealized loss on investments	(6,870,106)
Total	\$ 225,946,801

Net realized gain on sale of investments and net change in unrealized loss on investments are included in the related amounts in the statement of comprehensive income, as appropriate. Net change in unrealized gain or loss attributable to Level 3 investments held by the Company at December 31, 2014 is \$3,116,426 (2013: \$8,779,855). There were no movements across the three levels during the years ended December 31, 2014 and 2013.

### 4. Forward Contracts

Forward contracts are commitments to purchase or sell a designated currency at a specified future date for a specified price and may be settled in cash, another financial asset or financial liability. The contract amounts stated below reflect the extent of the Company's involvement in forward contracts during the year ended and at December 31, 2014:

Underlying foreign currency	Maturity date	Contract price	Fair value	Unrealized loss
EUR-Buy	January 30, 2015	\$7,674,387	7,420,347	(254,040)

As at December 31, 2014, no forward contracts are offset in the statement of financial position. The Company is required to disclose the impact of offsetting assets and liabilities represented in the statement of financial position for derivative instruments that are subject to an enforceable master netting arrangement or similar agreement, and where the Company intends to set off. As at December 31, 2014, the Company has no legally enforceable right to set-off, and therefore does not meet the offsetting criteria. No adjustment to the Company's financial position, performance or related disclosure is required in terms of offsetting.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

(stated in United States dollars)

### 5. Share Capital

	2014	2013
Authorized:		
100,000,000 Ordinary Shares at \$0.001 each	\$ 100,000	–
50,000,000 Ordinary Shares at €0.001 each	€ 50,000	–
50,000,000 Ordinary Shares at \$0.001 each	\$ –	50,000
50,000,000 Deferrable Shares at \$0.001 each	\$ –	50,000

The movements in the number of shares issued and fully paid are as follows:

	2014	2013
Subscriber shares	2	2
Investor shares:		
<i>Ordinary shares</i>		
Balance at beginning of year	891,341	982,377
Issued during year	22,623	93,375
Redeemed during the year	(329,617)	(191,050)
Transfer to Class I Shares	(584,347)	6,639
	–	891,341
<i>Deferrable shares</i>		
Balance at beginning of year	–	134,570
Redeemed during the year	–	(134,570)
	–	–
Total Investor Shares	–	891,341

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

(stated in United States dollars)

### 5. Share Capital (continued)

	2014	2013
<b>Sapic 98 Side Pocket Shares:</b>		
<i>Ordinary shares</i>		
Balance at beginning of year	–	8,193
Redeemed during the year	–	(286)
Transfer to Investor Shares – Ordinary Shares	–	(7,907)
	–	–
<i>Deferrable Shares</i>		
Balance at beginning of year	–	990
Redeemed during the year	–	(990)
	–	–
<b>Total Sapic 98 Side Pocket Shares</b>	–	–
<b>Sapic II Side Pocket Shares:</b>		
Balance at beginning of year	–	4,473
Redeemed during the year	–	(1,031)
Transfer to Investor Shares – Ordinary Shares	–	(3,442)
	–	–
<b>Total Sapic II Side Pocket Shares</b>	–	–
<b>Sapic III Side Pocket Shares:</b>		
Balance at beginning of year	–	3,813
Redeemed during the year	–	(2,329)
Transfer to Investor Shares – Ordinary Shares	–	(1,484)
	–	–
<b>Total Sapic III Side Pocket Shares</b>	–	–
<b>Class I Shares:</b>		
<i>Ordinary shares</i>		
Balance at beginning of year	–	–
Issued during year	215,040	–
Redeemed during the year	(143,110)	–
Transfer from Investor Shares – Ordinary Shares	584,347	–
	–	–
<b>Total Class I Shares</b>	656,277	–

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

(stated in United States dollars)

### 5. Share Capital (continued)

	2014	2013
Class II Shares:		
Balance at beginning of year	–	–
Issued during year	26,820	–
<b>Total Class II Shares</b>	<b>26,820</b>	<b>–</b>
Class III Shares:		
Balance at beginning of year	–	–
Issued during year	30,950	–
<b>Total Class III Shares</b>	<b>30,950</b>	<b>–</b>
Class IV Shares:		
Balance at beginning of year	–	–
Issued during year	195,681	–
Redeemed during the year	(135,147)	–
<b>Total Class IV Shares:</b>	<b>60,534</b>	<b>–</b>

The rights and restrictions attached to the shares are as follows:

#### *Investor shares*

Ordinary Shares are voting, participating shares, which are held by the various Reference Funds, CSi and companies related to CSi by virtue of common control. Ordinary Shares issued by the Company carry no pre-emption rights and are issued at a price equal to the NAV per Ordinary Share on the valuation date immediately preceding the issue date. Ordinary Shares may be redeemed at their nominal value plus a premium, approximating the NAV per Ordinary Share on the valuation date immediately preceding the redemption date.

Deferrable Shares have the same rights as the Ordinary Shares described above except that the redemption rights of Deferrable Shares are subordinate to those of the Ordinary Shares. Therefore, on any redemption date, no Deferrable Shares submitted for redemption will be redeemed (in whole or in part) until all redemption requests relating to Ordinary Shares submitted are redeemed in full regardless of whether the Ordinary Shares are already submitted at the time the Deferrable Shares are submitted for redemption or submitted subsequently to the Deferrable Shares being submitted for redemption.



## **SAPIC-98 MASTER FUND**

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### **5. Share Capital (continued)**

#### *Investor shares (continued)*

In liquidation, the assets available for distribution to the shareholders after the satisfaction of all creditors' claims will be applied in the following priority:

- (i) First, in the payment to the shareholders of sums up to the nominal amounts paid thereon and, in addition, in payment to the holder of the Subscriber Shares of the sum of \$1,000.
- (ii) Second, in the payment to the holders of the Ordinary Shares and Deferrable Shares of any balance then remaining, such payment being made in proportion to the number of Ordinary Shares or Deferrable Shares held.

#### *Subscriber shares*

Two Ordinary Shares have been issued to the initial subscribers to the Memorandum and Articles of Association of the Company and are defined as Subscriber Shares. Subscriber Shares are voting, non-participating shares which have been issued and are held by Credit Suisse AG, Cayman Islands Branch (the "Trustee") in trust for certain qualified charities.

Four new classes of shares Class I, Class II, Class III and Class IV, were created during the year ended December 31, 2014 and were re-designated shares held by direct investors, Sapic II Master Fund L.P. and Sapic III Master Fund as Class I, Class II and Class III respectively. The re-designation reflected a change in the naming convention only of the respective shares and did not vary the rights, privileges, obligations or terms attached to these shares.

### **6. Share Premium**

Share premium represents the excess of the issue price of the Investor Shares issued over their nominal or par value. Any premium payable on participating shares redemptions will be made out of the share premium account or retained earnings.

### **7. Performance, Fixed and Participation Fees**

Under various agreements between the Company and the Reference Funds, the Reference Funds have agreed to pay the following fees to the Company which, in turn, pays such fees to CSAM:

- (i) fixed fees in United States dollars ranging from 0.30% to 1.75% per annum of the United States dollar value of the Reference Funds' investment balances, less fixed deposits; and
- (ii) performance fees in United States dollars equal to 10% of any new high net profit in excess of an identified hurdle amount as defined in the agreements, after deduction of the fixed fees.

## **SAPIC-98 MASTER FUND**

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### **8. Administration Fees**

The Administrator performs various administrative services including operational aspects of shares issued, redemption services and calculation of the Company's NAV and the NAV per share on a monthly basis.

The Company pays the Administrator an annual fee calculated on a monthly basis as a percentage of the Company's NAV. The administration fee accrues and is payable monthly in arrears, subject to a minimum fee.

### **9. Liquidity Facility**

During 2011, the Company entered into a loan facility agreement with CSi. Borrowing under the arrangements with CSi is subject to a maximum of \$25,000,000 and bear interest equal to the LIBOR plus 1.6% per annum. During the year ended December 31, 2014, \$38,239,477 (2013: \$30,450,000) was drawn down. At December 31, 2014, there was an outstanding loan balance of \$18,439,477 (2013: \$Nil). During the year ended December 31, 2014, the Company incurred interest expense on the loan facility of \$110,384 (2013: \$111,577), with \$27,476 (2013: \$3,919) being payable at year end (included in other liabilities) on the statement of financial position.

### **10. Related Parties**

The Directors were paid \$12,500 for the year ended December 31, 2014.

CSAM is a related party by virtue of its ability to exercise significant influence as the Financial Adviser to the Company. As at December 31, 2014, CSAM and companies related to CSAM via common control, held 736,779 (2013: 848,992) Ordinary Shares in the Company.

The Company's investments in Credit Suisse Prime Select Trust, Credit Suisse Fixed Income Opportunities Fund Limited and Sapic Global Macro Master Fund Ltd, are managed by the Financial Adviser and/or affiliates, related by virtue of common control.

### **11. Risk Management Disclosures**

The Company invests primarily in a portfolio of shares offered by other investment companies, which are unconsolidated structured entities. The rights attached to the share holding in investment funds by the Company are the same as those of other investors.

The Company's investing activities expose it to a variety of financial risks: market risk (which includes other price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 11. Risk Management Disclosures (continued)

The investment funds are financed through equity capital provided by investors, including the Company. During the year ended December 31, 2014, the Company did not provide any other financial support to these entities and has no intention of providing financial or other support to these entities.

#### *Market risk*

Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will affect the positions held by the Company making them less valuable or more onerous. The Company's activities expose it to financial market fluctuations.

Although the strategy of the Company is to diversify its investments with various investment managers, it is possible that the investment activity of such investment managers may result in the Company being exposed to significant concentration of investments in markets and/or individual investments which may be both volatile and illiquid.

Certain of the investments that the Company makes are subject to specific restrictions on transferability and disposal. Consequently, risks exist that the Company may not be able to readily dispose of its holdings in such investments when it chooses and also that the price attained on disposal is below the amount at which such investments are included in the Company's statement of financial position.

All investments present a risk of capital loss. The Company moderates this risk through a careful selection of investments within specified limits. The maximum risk resulting from financial instruments is reflected by the fair value of the financial instruments. CSAM provides the Company with investment recommendations that are consistent with the Company's objectives, and monitors the Company's overall investment positions on a monthly basis.

Market risk includes other price risk, currency risk and interest rate risk.

#### *Other price risk*

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to a particular instrument, its issuer or all factors affecting all instruments traded in the market.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 11. Risk Management Disclosures (continued)

#### *Market risk (continued)*

#### *Other price risk (continued)*

With respect to investments, market prices are determined by the aggregate value of the investments held by investee funds which may involve substantial risks as a result of trading by the underlying portfolio funds of equity securities, derivative instruments, options and futures, including securities denominated in different currencies. The markets for some securities and derivatives have limited liquidity and depth and may include restrictions on convertibility of currencies. This could limit realization of quoted prices and execution of order at desired prices.

As such, the Company's investments are susceptible to other price risk arising from uncertainties about future prices of such underlying instruments. The Company's other price risk is managed in response to changing market conditions through regular reviews of category selection, allocation strategies and investee fund selections. CSAM considers the Company's exposure to risk directly related to the managers of the underlying investee funds and their respective strategies.

Designated investments ("Designated Investments") are assets that are generally illiquid, private or restricted investments or investments that lack a readily assessable market value. At December 31, 2014, the Company held no Designated Investments (2013: \$53,254). These Designated Investments were valued by the Directors in good faith based on information available from the underlying investee fund administrators.

A 1% increase in market prices at December 31, 2014 would have increased the net assets attributable to participating shareholders and the change in net assets attributable to participating shareholders by \$1,986,549 (2013: \$2,259,468). A decrease of 1% would have resulted in an equal but opposite effect.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Although the Company's investments are United States dollar denominated, the Company does indirectly bear currency risk on underlying investee funds. The Company's indirect exposure to currency risk on investment positions is monitored on a monthly basis by CSAM.

A forward contract is an over-the-counter contractual commitment to purchase or sell a specified amount of foreign currency at a future date at a predetermined price. While these derivative instruments are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

(stated in United States dollars)

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### 11. Risk Management Disclosures (continued)

#### *Market risk (continued)*

#### *Currency risk (continued)*

The following table sets out the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

	Forward contracts \$	Net exposure \$
<u>2014</u>		
Euros	(7,674,387)	(7,674,387)

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Amounts in the above table are based on the carrying value of monetary assets and liabilities and the underlying principal amount of forward currency contracts.

#### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Although the Company's investments are non-interest bearing, the Company does indirectly bear interest rate risk depending on such exposures at the investee funds level. The value of any debt securities held by the investee funds and the cash and cash equivalents of the Company are subject to interest rate risk as a result of fluctuations in the market interest rates. The Company's indirect exposure to interest rate risk on investment positions is monitored on a monthly basis by CSAM.

A percentage of the financial assets of the Company consist of cash and cash equivalents and, therefore, fluctuations in interest rates may be reflected in the returns on these balances.

The Company's total exposure to interest rate risk at December 31, 2014 and 2013 is considered insignificant due to the short term nature of interest bearing financial assets and liabilities and thus, fluctuations in interest rates would not have a significant impact on the Company's net assets and change in net assets attributable to participating shareholders.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 11. Risk Management Disclosures (continued)

#### *Credit risk*

Credit risk is the risk of counterparty default. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the non-exchange traded financial instrument is not backed by an exchange clearing house. The Company's activities may give rise to risk at the time of settlement of the transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

Financial assets which potentially expose the Company to credit risk consist principally of cash and cash equivalents, due from related party and investments. The Company's cash and cash equivalents are placed with an entity affiliated with the Administrator. Any debt securities or derivative instruments held by the investee funds are also subject to the risk of counterparty default. Forward contracts are not guaranteed by any regulated exchange and represent a concentration or risk due to the possible non-performance of the counterparty to the instruments.

Management does not expect any counterparties to fail to meet their obligations. CSAM manages the credit risk by regularly monitoring the credit worthiness of the relevant counterparties. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statement of financial position except for gross-settled forward contracts discussed in Note 4 to the financial statements.

As of December 31, 2014 and 2013, the Company's investments, at fair value are subject to credit risk were concentrated in the following geographic locations:

	2014	2013
Cayman Islands	66%	57%
Luxembourg	32%	36%
The Bahamas	2%	5%
British Virgin Islands	0%	2%
Total	100%	100%

Other than outlined above, there were no other significant concentrations of risk to counterparties at December 31, 2014 and 2013.

## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 11. Risk Management Disclosures (continued)

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments, liquidity requirements and obligations associated with financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company. Liquidity risk may result from the inability to sell its investments quickly at an amount close to fair value, particularly for the Designated Investments. The liquidity risk involved with such Designated Investments depends on the redemption policies of the underlying funds which may be or become illiquid and the realization of investments from them may take a considerable time and/or be costly. The Company's investments in such underlying funds may not be readily realizable and their marketability may be restricted, in particular because the underlying funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, applicable lock ups and/or redemption fees.

The Company's ability to withdraw monies from or invest monies in underlying funds with such restrictions will be limited and such restrictions will limit the Company's flexibility to reallocate such assets from underlying funds.

CSAM aims to maintain a portion of the Company's assets in cash and cash equivalents in order to meet anticipated redemptions. Arrangements are made with the participating shareholders to be kept informed of expected redemption requests so that the liquidity of the Company may be managed at its optimum level. Except for the loans payable discussed in Note 9, all of the Company's other liabilities as at December 31, 2014 and 2013, have contractual, undiscounted residual maturities of three months or less.

As of December 31, 2014, the Company held no Designated Investments. The Company held Designated Investments detailed below as of December 31, 2013, which had been included in a side pocket class.

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Description (% of net assets)	Fair value
Silverpoint Capital Offshore Fund Ltd. (0.02%)	53,254
<b>Total</b>	<b>\$ 53,254</b>

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## SAPIC-98 MASTER FUND

Notes to Financial Statements (continued)

December 31, 2014

*(stated in United States dollars)*

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### 12. Total Expense Ratio (“TER”)

The TER ratio expresses the sum of all costs and commissions charged on an ongoing basis to the Company, taken retrospectively as a percentage of these assets.

If a company invests at least 10% of its net assets in underlying investment companies, a composite TER of company is calculated as follows:

The prorated TER of the individual investment company including performance related remuneration, weighted according to the share they represents in the overall assets of the company as of the closing date and the TER of the company minus the retroceded commissions received from the investment company during the reporting year. The TER is calculated following the Swiss Funds Association guidelines.

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	Performance fee	TER Synthetic	TER Company	TER investee funds
Investor Shares	0.00%	2.65%	0.59%	2.06%

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### 13. Subsequent Events

During the period from January 1, 2015 to June 26, 2015, the Fund recorded capital redemptions of \$65,567,302 and capital subscriptions of \$1,500,000.

In preparing these financial statements, management has evaluated and discussed all material subsequent events up to June 26, 2015, which is the date that the financial statements were available for issue.