

# **ALPINE FUND 1 LIMITED**

A Cayman Islands exempted company

## **Audited financial statements**

**For the period from January 1, 2016 to December 14, 2016  
(before re-domiciliation effective on December 15, 2016)**

No subscription can be received on the basis of these financial statements. Subscriptions may only be accepted on the basis of the current confidential private placement memorandum accompanied by an application form, and the latest available annual report of the Fund.

**ALPINE FUND 1 LIMITED**  
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**ALPINE FUND 1 LIMITED**  
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**Management and administration**

**Directors**

Roger H. Hanson  
Nicole Ramroop

**Registered office**

Alpine Fund 1 Limited  
C/O Intertrust Corporate Services  
(Cayman) Limited  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

**Investment Manager**

Alpine Fund Management Ltd.  
C/O Intertrust Corporate Services  
(Cayman) Limited  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands  
(until September 26, 2016)

Reus Private Europe AG  
Austrasse 61  
9490 Vaduz  
Liechtenstein  
(from September 26, 2016)

**Investment Advisor**

Alpine Fund Management AG  
Vorderzelgstrasse 4  
8700 Küsnacht  
Switzerland

**Administrator**

European Fund Administration S.A.  
2, Rue d'Alsace  
1017 Luxembourg  
Luxembourg

**Custodian**

Lombard Odier Darier Hentsch & Cie  
Rue de la Corraterie 11  
1204 Geneva  
Switzerland

**Brokers**

Lombard Odier Darier Hentsch & Cie  
Rue de la Corraterie 11  
1204 Geneva  
Switzerland

**Auditors**

KPMG  
P.O. Box 493  
Century Yard, Cricket Square  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

**Legal Advisers**

(as to Cayman Islands law)

Walkers  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9001  
Cayman Islands

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**Report of the Board of Directors**

We are pleased to submit the report for the period from January 1, 2016 to December 14, 2016, before re-domiciliation effective on December 15, 2016, and the Independent Auditors' Report for Alpine Fund 1 Limited ("the Fund").

**Results**

The net asset value per non-voting redeemable participating share increased by EUR 1.87 (1.83%) for the period ended December 14, 2016 (2015: decreased by EUR 1.95 or 1.87%). The net asset value per non-voting redeemable participating share at the end of the reporting period is as follows:

	<b>December 14, 2016</b>	<b>December 31, 2015</b>
Net asset value per non-voting redeemable participating share (in EUR):	104.14	102.27

**Dividends**

No distributions were made or declared during the period from January 1, 2016 to December 14, 2016 (2015: nil).

**Statement of Directors' responsibilities**

The financial statements, which are prepared by the Administrator and are audited by the Independent Auditors, are the ultimate responsibility of the Board of Directors.

We hereby authorise the Fund's financial statements for issue.

June 21, 2017

Dr. Oliver Stolte and Sandro Bartoli, Directors  
Board of Directors

# ALPINE FUND 1 LIMITED

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### Investment objective, policy and processes

#### Investment objective

The investment objective of the Fund is to generate regular positive returns on a euro base through investments in conservative, interest bearing or dividend driven securities.

#### Investment policy

The Investment Manager has been authorized to invest the assets of the Fund across equities and fixed income products. The target allocation is as follows:

Asset Class	Target Allocation	Range
<b>Long-Oriented Equity</b> – including Primary Stocks and Public Funds, Over-weighted in European, Eastern European and Swiss markets. Only investments in Listed Stocks	30%	0% - 45%
<b>Real Assets</b> – including Energy Commodities, Gold or Oil, via Listed Securities	5%	0% - 10%
<b>Fixed Income</b> – including Listed European Government Bonds or Listed Corporate Bonds with a Government or Corporate rating of AAA to B-	70%	50% - 100%

All asset classes can be, but not must be, hedged against losses through buying or selling call and/or put options of each kind. In 2016, no hedging was done. The Fund may borrow up to 10 per cent of the Net Asset Value to bridge short term liabilities, including for the satisfaction of redemption requests.

Although the Fund aims to achieve the target allocations listed above, there are no restrictions imposed on the Investment Manager and investments in any particular asset class may at any time not fall within the specified range. In particular, the Investment Manager will not be obliged to rebalance the assets of the Fund to reflect market movement.

The Fund aims to be fully invested but there may be periods when a significant portion of the assets of the Fund are in cash or cash equivalent investments. The Fund will not have any tolerance for illiquid investments, being invested in assets which have redemption periods of more than a year.

#### Investment process

In selecting investments for the Fund, the Investment Manager looks at interest and dividend returns of such investments. The aim of this approach is to focus on preserving investor's funds and increasing those funds through conservative investments.

#### Risk management process

Taking risk is core to an investment fund. The Fund's risk management and control objective is not, therefore, to eliminate all risks but to achieve an appropriate balance between risk and return. In day-to-day business and in the strategic management of the investments and capital position, the Fund seeks, through its risk management and control framework, to limit the scope for adverse variations in earnings and exposure to unexpected events.

**Investment objective, policy and processes (continued)**

The underlying objective is the creation and protection of shareholder value which is built around the following principles:

- A control process is implemented to provide an objective check on risk-taking activities when required by the nature of the risks, in particular to balance short term profit incentives and the long term interests of the Fund. All exposures are monitored and reviewed and, depending on the nature of the risks, may also require pre-approval
- Risk disclosure to stakeholders is the cornerstone of the risk control process
- Risks are controlled at the level of individual exposures, at a portfolio level, and in aggregate across all strategies and risk types to protect the Fund's future cash flows
- Managing and controlling risks, and in particular avoiding undue concentrations of exposure, limiting potential losses from unexpected events, and restricting significant positions in less quantifiable risk areas, are essential elements

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.

*Market risk*

1. Market price risk

Market 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 an individual investment, its issuer or all factors affecting all instruments traded in the market. As the Fund's financial instruments are carried at fair value with fair value changes recognized in the statement of comprehensive income, all changes in market conditions will directly affect investment income.

All financial instruments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within the below mentioned limits. Except for written options and equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and equities sold short can be unlimited.

2. Foreign currency exchange rate risk

The Funds holds financial instruments denominated in currencies other than the euro, the functional currency. It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates. The Fund invests about 90% in listed, euro denominated securities, thus reducing significant currency exposure of non-EUR denominated in financial instruments to a minimum.

3. Interest rate risk

The general purpose of managing interest-rate risk is to limit the adverse impact of interest-rate fluctuations on the net asset value for the Fund. The Fund is primarily exposed to interest-rate risks in connection with interest-bearing assets and liabilities. The Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The Fund monitors the interest rate risk on a daily basis.

**Investment objective, policy and processes (continued)**

*Credit risk*

Credit risk arising from the inability of a counterparty to meet the terms of the Fund's financial instrument contracts is limited as it is the Fund's policy to enter into financial instruments with a diversity of creditworthy counterparties. All transactions in listed securities are settled / paid for upon delivery using approved brokers. Regarding securities, the risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment on a purchase is made once the securities have been received by the custodian. The trade will fail if either party fails to meet their obligation.

Credit risk arising on debt instruments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least CCC- or better as determined by Standard & Poor's.

*Liquidity risk*

The Fund's constitution provides for the weekly creation and cancellation of shares and it is therefore exposed to liquidity risk of meeting shareholders' redemptions.

The Fund invests in securities that are traded on stock exchanges or traded with the issuer. The Fund is expected to reasonably liquidate all its investments at an amount close to its fair value in order to meet any liquidity requirements.

**ALPINE FUND 1 LIMITED**  
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**Statement of financial position**  
**As at December 14, 2016**  
*(Expressed in euro)*

	Notes	2016	2015
<b>ASSETS</b>			
Cash at bank	5	1,278,688	116,120
Financial assets at fair value through profit or loss	4, 6	24,475,210	26,492,605
Interest receivable		217,110	304,399
Other receivables		4,948	20,765
<b>TOTAL ASSETS</b>		<b>25,975,956</b>	<b>26,933,889</b>
<b>EQUITY</b>			
Management shares	11	1	1
		<b>1</b>	<b>1</b>
<b>LIABILITIES</b>			
Bank overdraft		97,879	35
Accrued expenses and other payables	8, 10	152,335	196,734
<b>Total liabilities (excluding net assets attributable to holders of non-voting redeemable participating shares)</b>		<b>250,214</b>	<b>196,769</b>
<b>Net assets attributable to holders of non-voting redeemable participating shares</b>	<b>11, 15</b>	<b>25,725,741</b>	<b>26,737,119</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>25,975,956</b>	<b>26,933,889</b>

The accompanying notes are an integral part of these financial statements

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**ALPINE FUND 1 LIMITED**  
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**Statement of comprehensive income**  
**For the period from January 1, 2016 to December 14, 2016**  
*(Expressed in euro)*

	Notes	December 14, 2016	December 31, 2015
<b>Investment income</b>			
Net gain/(loss) on financial instruments at fair value through profit or loss	12	415,897	(951,568)
Dividend income from financial instruments at fair value through profit or loss		29,206	68,779
Net foreign exchange (loss)/gain	14	(5,554)	116,344
Interest income	13	588,821	1,045,519
Other income		-	2,250
<b>Net investment income</b>		<b>1,028,370</b>	<b>281,324</b>
<b>Operating expenses</b>			
Management fee	8.2	(331,392)	(384,508)
Performance fee	8.2	-	(93,905)
Directors' fees	8.1	(19,304)	(13,329)
Administration fee	9.1	(24,181)	(28,023)
Re-domiciliation fee		(12,442)	-
Professional fee		(51,905)	(175,298)
Custody fee	9.2	(40,465)	(35,696)
Interest expense	13	(77,988)	(3,455)
General and other expenses		(24,744)	(36,785)
<b>Total operating expenses</b>		<b>(582,421)</b>	<b>(770,999)</b>
<b>Gain/(Loss) before tax</b>		<b>445,949</b>	<b>(489,675)</b>
<b>Change in net assets attributable to holders of non-voting redeemable participating shares from operations</b>		<b>445,949</b>	<b>(489,675)</b>

The accompanying notes are an integral part of these financial statements

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**ALPINE FUND 1 LIMITED**  
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**Statement of cash flows**  
**For the period from January 1, 2016 to December 14, 2016**  
*(Expressed in euro)*

	<b>December 14, 2016</b>	<b>December 31, 2015</b>
<b>Cash flows from operating activities:</b>		
Change in net assets attributable to holders of non-voting redeemable participating shares from operations	445,949	(489,675)
<b>Adjustments for:</b>		
Dividend income	(29,206)	(68,779)
Interest income	(588,821)	(1,045,519)
Interest expense	77,988	3,455
Foreign exchange gain/(loss) on cash and cash equivalents	6	(39,716)
	<b>(94,084)</b>	<b>(1,640,234)</b>
Purchases of investments	(54,864,977)	(32,308,927)
Proceeds from sale of investments	57,298,269	31,112,224
Net realized loss/(gain) on financial instruments at fair value through profit or loss	1,706,760	(1,269,551)
Net change in unrealized (gain)/loss on financial instruments at fair value through profit or loss	(2,122,657)	2,221,119
<b>Changes in operating assets and liabilities:</b>		
Other receivables	15,817	(20,765)
Accrued expenses and other payables	(44,399)	67,213
<b>Cash from/(used in) operating activities</b>	<b>1,894,729</b>	<b>(1,838,921)</b>
Dividends received	29,206	68,779
Interest received	676,110	1,027,253
Interest paid	(77,988)	(3,455)
<b>Net cash from/(used in) operating activities</b>	<b>2,522,057</b>	<b>(746,344)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of non-voting redeemable participating shares	89,580	126,631
Payments on redemption of non-voting redeemable participating shares	(1,546,907)	(667,461)
<b>Net cash used in financing activities</b>	<b>(1,457,327)</b>	<b>(540,830)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,064,730</b>	<b>(1,287,174)</b>
Cash and cash equivalents at the beginning of the period/year	116,085	1,363,543
Effect of exchange rate fluctuations on cash and cash equivalents	(6)	39,716
<b>Cash and cash equivalents at the end of the period/year</b>	<b>1,180,809</b>	<b>116,085</b>
<b>Analysis of cash and cash equivalents</b>		
Cash at bank	1,278,688	116,120
Bank overdraft	(97,879)	(35)
<b>Net cash and cash equivalents</b>	<b>1,180,809</b>	<b>116,085</b>

The accompanying notes are an integral part of these financial statements

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**Statement of changes in net assets attributable to holders of non-voting redeemable participating shares**

**For the period from January 1, 2016 to December 14, 2016**

*(Expressed in euro)*

	<b>December 14, 2016</b>	<b>December 31, 2015</b>
<b>Net assets attributable to holders of non-voting redeemable participating shares at the beginning of the period/year</b>	<b>26,737,119</b>	<b>27,767,624</b>
Issue of shares during the period/year	89,580	126,631
Redemption of shares during the period/year	<u>(1,546,907)</u>	<u>(667,461)</u>
<b>Net change from share transactions</b>	<b>(1,457,327)</b>	<b>(540,830)</b>
Change in net assets attributable to holders of non-voting redeemable participating shares from operations	<u>445,949</u>	<u>(489,675)</u>
<b>Net assets attributable to holders of non-voting redeemable participating shares at the end of the period/year</b>	<b><u>25,725,741</u></b>	<b><u>26,737,119</u></b>

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The accompanying notes are an integral part of these financial statements

**ALPINE FUND 1 LIMITED**  
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**Schedule of investments**  
**As at December 14, 2016**

<b>Assets</b>	<b>Currency</b>	<b>Fair Value in EUR</b>	<b>% of NAV</b>
<b>Bonds</b>			
Abengoa Finance SAU 6% Reg S Sen 14/31.03.21	EUR	36,000	0.14%
Abengoa SA 8.5% EMTN Sen 10/31.03.16 *	EUR	15,192	0.06%
Agrokor DD 9.875% Reg S Sen 12/01.05.19	EUR	519,755	2.02%
Air Berlin Plc 6.75% 14/09.05.19	EUR	410,185	1.59%
Alba Gr Plc KG & Ca 8% Sen 11/15.05.18	EUR	446,974	1.74%
Altice Financing SA 6.5% Reg S 13/15.01.22	EUR	526,748	2.05%
ARD Finance SA VAR Reg S Sen TOG PIK 16/15.09.23	EUR	498,960	1.94%
Bormioli Rocco Holdings SA 10% Reg-S Sen 11/01.08.18	EUR	929,925	3.61%
DB Contingent Cap Trust IV 8% Sub 08/15.05.Perpetual	EUR	514,323	2.00%
Deutsche Postbank Fding Tr I FRN Ser I 04/02.12.Perpetual	EUR	596,170	2.32%
Financiere Quick SAS FRN Reg S 14/15.10.19	EUR	680,479	2.65%
Hertz Holdings Nether BV 4.125% Reg S Sen 16/15.10.21	EUR	500,135	1.94%
INEOS Finance Plc 4% Reg S Sen 15/01.05.23	EUR	517,610	2.01%
Lecta SA 6.5% Reg S Sen 16/01.08.23	EUR	506,199	1.97%
Picard BondCo SA 7.75% Reg S Sen 15/01.02.20	EUR	524,603	2.04%
Silk Bidco AS 7.5% Reg S Sen 15/01.02.22	EUR	477,595	1.86%
Techem GmbH 6.125 EMTN Reg S 12/01.10.19	EUR	518,118	2.01%
Thomas Cook Fin Plc 6.75% Reg S Sen 15/15.06.21	EUR	532,508	2.07%
Trafigura Funding SA 5.25% EMTN Reg S Sen 13/29.11.18	EUR	519,738	2.02%
Trionista Holdco GmbH 5% Reg S Sen 13/30.04.20	EUR	515,320	2.00%
Univeg Holding BV 7.875% Reg S 13/15.11.20	EUR	470,558	1.83%
Wienerberger AG VAR Sub 07/09.02.Perpetual	EUR	502,638	1.95%
<b>Total bonds</b>		<b>10,759,733</b>	<b>41.82%</b>
<b>Investment funds</b>			
Bellevue Fds (Lux) BB Global Macro I Cap	EUR	1,517,802	5.90%
ETFS Physical Gold	EUR	2,130,062	8.28%
db x-trackers DAX UCITS ETF (DR)1C Cap	EUR	1,974,329	7.67%
Flossbach von Storch Multiple Opportunities II I Dist	EUR	1,515,877	5.89%
iShares Core DAX UCITS ETF (DE) Cap	EUR	1,977,964	7.69%
iShares MDAX Cap	EUR	1,882,923	7.32%
Multi Units France Lyxor UCITS ETF Germany Mid-Cap MDAX Dist	EUR	1,299,584	5.05%
Multi Units Luxembourg Lyxor UCITS ETF DAX	EUR	1,416,936	5.51%
<b>Total investment funds</b>		<b>13,715,477</b>	<b>53.31%</b>
<b>Total value of financial instruments at fair value through profit or loss</b>		<b>24,475,210</b>	<b>95.13%</b>

\* Maturity was March 31, 2016 but the Company filed for bankruptcy in the United States on March 19, 2016. Abengoa SA was restructured post re-domiciliation.

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**Schedule of investments**  
**As at December 31, 2015**

<b>Assets</b>	<b>Currency</b>	<b>Fair Value in EUR</b>	<b>% of NAV</b>
<b>Bonds</b>			
Abengoa Finance SAU 6% Reg S Sen 14/31.03.21	EUR	103,505	0.39%
Abengoa SA 8.5% EMTN Sen 10/31.03.16	EUR	71,624	0.27%
Air France KLM VAR Reg S Sub 15/01.10.Perpetual	EUR	832,847	3.11%
Alba Gr Plc KG & Ca 8% Sen 11/15.05.18	EUR	418,725	1.57%
Algeco Scotsman Global Fin Plc 9% EMTN Reg S Sen 12/15.10.18	EUR	724,653	2.71%
Altice Finco SA 6.25% Reg S Sen 15/15.02.25	EUR	760,725	2.85%
Bormioli Rocco Holdings SA 10% Reg-S Sen 11/01.08.18	EUR	945,000	3.53%
Cemex SAB de CV 4.75% Reg S 14/11.01.22	EUR	374,506	1.40%
Financiere Quick SAS FRN Reg S 14/15.10.19	EUR	669,753	2.50%
Hertz Holdings Nether BV 4.375% Reg S 13/15.01.19	EUR	410,482	1.54%
Kerling PLC 10.625% REGS Sen 10/01.02.17	EUR	906,961	3.39%
Magnolia BC SA 9% EMTN Reg S 13/01.08.20	EUR	480,591	1.80%
PagesJaunes Finance & Co SCA 8.875% Reg-S Sen 11/01.06.18	EUR	659,997	2.47%
Perstorp Holding AB 9% Reg-S 12/15.05.17	EUR	454,703	1.70%
Petrobras Global Finance BV 4.875% EMTN Sen 11/07.03.18	EUR	754,537	2.82%
Rain CII Carbon LLC / Corp 8.5% Reg S 12/15.01.21	EUR	682,128	2.55%
Stork Technical Services Hg BV 11% Reg-S 12/15.08.17	EUR	927,643	3.47%
Trafigura Funding SA 5.25% EMTN Reg S Sen 13/29.11.18	EUR	361,930	1.35%
Univeg Holding BV 7.875% Reg S 13/15.11.20	EUR	472,613	1.77%
<b>Total bonds</b>		<b>11,012,923</b>	<b>41.19%</b>
<b>Investment funds</b>			
BlackRock Global Fds World Energy D2 EUR Cap	EUR	997,302	3.73%
Carmignac Portfolio Investissement Latitude F EUR Cap	EUR	1,968,165	7.36%
db x-trackers DAX UCITS ETF (DR)1C Cap	EUR	1,430,866	5.35%
Flossbach von Storch Fundament I Cap	EUR	2,082,321	7.79%
Flossbach von Storch Multiple Opportunities II I Dist	EUR	3,127,750	11.70%
MPPM Deutschland I EUR Cap	EUR	3,318,104	12.41%
Multi Opportunities III Dist	EUR	2,555,174	9.56%
<b>Total investment funds</b>		<b>15,479,682</b>	<b>57.90%</b>
<b>Total value of financial instruments at fair value through profit or loss</b>		<b>26,492,605</b>	<b>99.09%</b>

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**Notes to the financial statements**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 1 – ACTIVITY**

Alpine Fund 1 Limited (the "Fund") was incorporated on September 28, 2007 as an exempted limited liability Company under the provisions of the Companies Law (as amended) of the Cayman Islands. The Fund registered under the Mutual Funds Law of the Cayman Islands on October 26, 2007. The Fund started operations on October 31, 2007. As at the issue date of this annual report the latest private placement memorandum in circulation is dated March 2011.

The Fund aims to generate regular positive returns on a euro base through investment in conservative, interest bearing or dividend driven securities.

On January 6, 2016, the Board of Directors decided to change the domiciliation of the Fund from the Cayman Islands to Malta. This was initially scheduled to be effective in March 2016.

After further discussion with the Maltese Authorities MFSA, the Fund was finally informed, in the beginning of December 2016, that the "in-principal-approval" will be provided shortly for the issue of a Collective Investment Scheme License to the Schemes in the form of a Maltese UCITS and that the re-domiciliation from Cayman Island to Malta can happen at the earliest on December 15, 2016. The re-domiciliation was made effective as at December 15, 2016.

The financial statements were authorized for issue by the Board of Directors on June 21, 2017.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB").

**Basis of preparation**

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortized cost or redemption amount.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the Fund to exercise its judgement in the process of applying the Fund's accounting policies.

The statement of financial position presents the assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All the Fund's assets and liabilities are held for the purpose of being traded or are generally expected to be realized within one year.

**Changes in accounting policies**

The Fund has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 Statement of compliance (continued)**

**Changes in accounting policies (continued)**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning January 1, 2016 that have had a material impact on the Fund.

*New Standards and interpretations not adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these financial statements.

New standards potentially relevant to the Fund are discussed below. The Fund does not plan to adopt these standards early.

IFRS 9 Financial Instruments, published in July 2014 will replace IAS 39 Financial Instruments: Recognition and Measurement. 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 de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting 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 Fund.

**2.2 Foreign currency**

*Functional and presentation currency*

The functional currency of the Fund is the euro (“EUR”) reflecting the fact that the majority of the transactions are settled in EUR. The Fund has adopted the EUR as its presentation currency as the shares of the Fund are denominated in EUR. All amounts have been rounded to the nearest unit, unless otherwise indicated.

*Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign currency closing exchange rate ruling at the statement of financial position date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to EUR at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in recognized gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the statement of comprehensive income.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 Involvement with unconsolidated structured entities**

The Fund has concluded that open-ended investment funds in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- The voting rights in the funds are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- Each fund's activities are restricted by its prospectus; and
- The funds have narrow and well-defined objectives to provide investment opportunities to investors.

**2.4 Financial instruments at fair value through profit or loss**

(a) Classification

The category of financial instruments that are classified at fair value through profit or loss contains two sub-categories:

- Financial instruments designated at fair value through profit or loss upon initial recognition  
All investments are classified as financial instruments designated at fair value through profit or loss upon initial recognition. Designation of any financial asset at fair value through profit or loss is made upon initial recognition at the Fund's discretion provided that certain conditions are met. These investments are managed and their performance is evaluated on a fair value basis, in accordance with the Fund's investment strategy. Furthermore, the information about these financial assets is used on a fair value basis for the net asset value calculation of the Fund and periodic information to the shareholders of the Fund. These include equity securities, investment funds, bonds, structured products and certificates.

- Financial instruments held for trading

All derivative financial instruments are classified as financial instruments held for trading. All non-derivative financial instruments sold short are classified as financial instruments held for trading.

- Financial assets at amortised cost

Loans and receivables: cash at bank, interest receivables and other receivables.

- Financial liabilities at amortised cost

Other liabilities: Bank overdraft, accrued expenses and other payables

(b) Recognition

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial instruments at fair value through profit or loss are initially recognized using trade date accounting. Gains and losses are recognized from this date.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Financial instruments at fair value through profit or loss (continued)**

(c) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of these financial instruments. Transaction costs on financial instruments at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized if applicable.

After initial recognition, financial instruments at fair value through profit or loss are measured at fair value, with changes in their fair value recognized as gains or losses in the statement of comprehensive income.

(d) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market using the last traded price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(e) Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in the statement of comprehensive income. Any interest in such transferred financial asset that is created or retained by the Fund is recognized as a separate asset or liability.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Financial instruments at fair value through profit or loss (continued)**

(e) Derecognition (continued)

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

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

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

(g) Impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through the statement of comprehensive income.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Receivables**

Receivables are initially valued at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment.

**2.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value and which have a maturity of three months or less at acquisition. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**2.7 Statement of cash flows**

The statement of cash flows is prepared according to the indirect method. The statement of cash flows shows the Fund's cash flows for the period divided into cash flows from operating and financing activities and how the cash flows have affected cash funds.

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from issuance and payments for redemptions of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

**2.8 Accrued expenses and other payables**

Accrued expenses and other payables are initially valued at fair value and subsequently measured at amortized cost using the effective interest method.

**2.9 Management and non-voting Redeemable participating shares**

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has two classes of shares in issue: management shares and non-voting redeemable participating shares. The management shares are non-redeemable, have no entitlements to dividends and are the most subordinate class in issue. Consequently, management shares are classified as equity in accordance with IAS 32. The non-voting redeemable participating shares issued by the Fund provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date and also in the event of the Fund's liquidation. Because the management shares are subordinate to the non-voting redeemable participating shares, the non-voting redeemable participating shares are classified as financial liabilities and are measured at the present value of the redemption amounts.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.10 Income and expense recognition**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Interest income and expense is recognized as the interest accrues (taking into account the effective yield on the asset) unless collection is in doubt. Management fees are based on the net asset value of the Fund and performance fees are determined based on the Fund's performance for each reporting period.

**2.11 Dividend income**

Dividend income relating to exchange-traded equity investments is recognized in the statement of comprehensive income on the ex-dividend date.

**2.12 Amortised cost measurement**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

**2.13 Taxation**

At present, no income profit, capital or capital gains taxes are levied in the Cayman Islands, and accordingly, no provision for such taxes has been recorded by the Fund in the accompanying financial statements. In the event that such taxes are levied, the Fund has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all such taxes for a period of twenty years as from October 23, 2007.

Interest income and dividend income received by the Fund may be subject to withholding tax imposed in the country of origin. Interest and dividend income are presented gross and taxes are presented as separately.

**NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES**

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results and other developments, including the likelihood, timing or amount of future transactions or events. The Fund has no significant accounting estimates that require complex estimates or significant judgment in applying its accounting policies.

The Fund's financial risks are managed through diversification of the financial instruments at fair value through profit or loss in line with its investment objectives, policies and processes.

**ALPINE FUND 1 LIMITED**  
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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT**

**4.1 Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, interest rate risk and currency risk.

(a) Market price risk

A total amount of EUR 24,475,210 (2015: EUR 26,492,605) is classified as financial instruments at fair value through profit or loss, representing 95.13% (2015: 99.09%) of the net assets attributable to holders of non-voting redeemable participating shares (NAV). The Fund's diversification of the financial instruments at fair value through profit or loss summarized by significant industry sector as of December 14, 2016 and December 31, 2015 is as follows:

Sector	2016		2015	
	Fair value in EUR	% of NAV	Fair value in EUR	% of NAV
Basic Materials	-	-	1,361,664	5.09
Collective Investments	13,715,477	53.31	15,479,682	57.90
Commercial Services & Supplies	-	-	927,643	3.47
Consumer, Cyclical	929,925	3.61	945,000	3.53
Consumer, Non-cyclical	519,755	2.02	-	-
Construction & Engineering	15,192	0.06	71,624	0.27
Electric Utilities	518,118	2.01	-	-
Finance	6,386,144	24.83	3,259,599	12.20
Food	524,603	2.04	-	-
Industrial	949,612	3.69	418,725	1.57
Machinery, Equipment & Components	-	-	374,506	1.40
Media & Publishing	-	-	659,997	2.47
Metals & Mining	-	-	682,128	2.55
Oil & Gas	-	-	754,537	2.82
Paper & Forest Products	506,199	1.97	-	-
Storage/Warehousing	-	-	724,653	2.71
Transportation	410,185	1.59	832,847	3.11
<b>Total</b>	<b>24,475,210</b>	<b>95.13</b>	<b>26,492,605</b>	<b>99.09</b>

The Fund identifies each significant sector based on the classification of the individual investments. The Fund has determined each sector as significant when the total amount of an individual sector represents at least 5% of the Fund's net asset value. The table below details the sensitivity of a reasonable possible increase in fair value of 5% for each significant sector towards the Fund's NAV at December 14, 2016 and December 31, 2015.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.1 Market risk (continued)**

(a) Market price risk (continued)

	2016		2015	
	in EUR	% of NAV	in EUR	% of NAV
<b>Sector</b>				
Basic Materials	-	-	68,083	0.25
Collective Investments	685,774	2.67	773,984	2.89
Finance	319,307	1.24	162,980	0.61

A decrease of 5% in fair value would have resulted in an equal but opposite effect to the amounts shown above.

(b) Interest rate risk

The Fund's exposure to market risk for changes in interest rates relate to the Fund's financial instruments at fair value through profit or loss. The tables below summarize the Fund's exposure to interest rate risks (interest sensitivity gap). It includes the Fund's financial instruments at fair value through profit or loss, cash and cash equivalents and other assets or other liabilities, categorized by the earlier of contractual re-pricing or maturity dates.

(all amounts in EUR)	2016				
	Less than 1 year	Between 1 and 5 years	Longer than 5 years	Non interest bearing	Total
<b>Assets</b>					
Financial instruments at fair value through profit or loss	15,192	6,604,298	6,270,305	11,585,415	24,475,210
Cash at bank	1,278,688	-	-	-	1,278,688
Other assets	-	-	-	222,058	222,058
<b>Total assets</b>	<b>1,293,880</b>	<b>6,604,298</b>	<b>6,270,305</b>	<b>11,807,473</b>	<b>25,975,956</b>
<b>Liabilities</b>					
Bank overdraft	97,879	-	-	-	97,879
Other liabilities	-	-	-	152,335	152,335
Net assets attributable to holders of non-voting redeemable participating shares	-	-	-	25,725,741	25,725,741
<b>Total liabilities</b>	<b>97,879</b>	<b>-</b>	<b>-</b>	<b>25,878,076</b>	<b>25,975,955</b>
<b>Total Interest sensitivity gap</b>	<b>5,980</b>	<b>33,021</b>	<b>31,352</b>	<b>-</b>	<b>70,353</b>

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.1 Market risk (continued)**

(b) Interest rate risk (continued)

(all amounts in EUR)	2015				Total
	Less than 1 year	Between 1 and 5 years	Longer than 5 years	Non interest bearing	
<b>Assets</b>					
Financial instruments at fair value through profit or loss	71,624	8,187,588	2,753,711	15,479,682	26,492,605
Cash at bank	116,120	-	-	-	116,120
Other assets	-	-	-	325,164	325,164
<b>Total assets</b>	<b>187,744</b>	<b>8,187,588</b>	<b>2,753,711</b>	<b>15,804,846</b>	<b>26,933,889</b>
<b>Liabilities</b>					
Bank overdraft	35	-	-	-	35
Other liabilities	-	-	-	196,734	196,734
Net assets attributable to holders of non-voting redeemable participating shares	-	-	-	26,737,119	26,737,119
<b>Total liabilities</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>26,933,853</b>	<b>26,933,888</b>
<b>Total Interest sensitivity gap</b>	<b>580</b>	<b>38,893</b>	<b>16,172</b>	<b>-</b>	<b>55,645</b>

At December 14, 2016 should interest rates have been higher by 50 (2015: 50) basis points with all other variables remaining constant, the increase in net assets attributable to holders of non-voting redeemable participating shares for the period would amount to EUR 70,354, approximately 0.27% of NAV (2015: EUR 55,645, approximately 0.21%).

A decrease of 50 basis points would have resulted in an equal but opposite effect.

(c) Currency risk

Currency risk exposure exists primarily with respect to investments in foreign securities, cash at banks and bank overdraft. As at December 14, 2016, 100.38% (2015: 99.96%) of the financial instruments at fair value through profit or loss are traded in EUR. The currency exposure of the Fund at December 14, 2016 is as follows:

Currency	2016		2015	
	Fair value in EUR	% of NAV	Fair value in EUR	% of NAV
United States dollar	(97,879)	(0.38)	9,593	0.04

At December 14, 2016 had the EUR strengthened by 5% (2015:5%) in relation to all currencies, with all other variables held constant, the NAV and the change in the NAV would have decreased by the amounts shown below.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.1 Market risk (continued)**

(c) Currency risk (continued)

	<u>2016</u>	<u>2015</u>
	<u>in EUR</u>	<u>in EUR</u>
<b>Currency</b>		
United States dollar	4,894	(480)

A 5% weakening of EUR against the above currencies would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts shown above, on the basis that all other variables remain constant. The effect on the NAV is calculated based on a reasonable possible change related to significant foreign currency positions of the Fund at December 14, 2016 and December 31, 2015.

**4.2 Credit risk**

Credit risk arising from the inability of a counterparty to meet the terms of the Fund's financial instrument contracts is limited as it is the Fund's policy to enter into financial instruments with a diversity of creditworthy counterparties. All transactions in listed securities are settled/paid for upon delivery using approved brokers. Regarding securities, 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 their obligation. Abengoa S.A. filed for bankruptcy in the United States on March 19, 2016. As at December 14, 2016, the Fund holds a bond issued by this company and another one, issued by Abengoa Finance S.A.U, for which this company is the parent guarantor. Abengoa S.A. completed its financial restructuring and recapitalization in the first quarter of 2017.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.2 Credit risk (continued)**

The Fund's financial instruments at fair value through profit or loss consist mainly of bonds and investment funds and are therefore exposed to credit risk. The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of financial position date. The Fund had investments in bonds with the following credit ratings:

Credit rating	2016	2015
	in EUR	in EUR
BB	1,035,728	754,537
BB-	526,748	-
B+	515,320	1,056,634
B	2,446,227	2,596,798
B-	1,491,332	3,219,254
CCC+	498,960	1,346,041
CCC	680,479	669,753
CCC-	-	175,129
Not Rated	3,564,939	1,194,777
<b>Total investments in bonds</b>	<b>10,759,733</b>	<b>11,012,923</b>

The classification of the credit ratings is based on public information provided by a leading credit rating agency, Standard & Poor's. In addition the Fund has cash held at Lombard Odier Darier Hentsch & Cie. The Custodian bank has a credit rating of AA-.

**4.3 Liquidity risk**

The table below analyzes the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**At December 14, 2016**

(all amounts in EUR)	Less than 1 month
Bank overdraft	97,879
Accrued expenses and other payables	152,335
Net asset attributable to holders of non-voting redeemable participating shares*	25,725,741

**At December 31, 2015**

(all amounts in EUR)	Less than 1 month
Bank overdraft	35
Accrued expenses and other payables	196,734
Net asset attributable to holders of non-voting redeemable participating shares*	26,737,119

\*Shareholders may request all or part redemption of their Shares on any Redemption Day provided a Redemption Notice is received by the Fund at least 2 Business Days prior to the proposed Redemption Day.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a certain period.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.4 Fair value of financial assets and financial liabilities**

The Fund 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 in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted prices in active market for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data (Level 2). Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments (Level 3).

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value at December 14, 2016 and as at December 31, 2015:

**As at December 14, 2016**

(all amounts in EUR)

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated at fair value through profit or loss				
- Investment Funds	10,681,798	3,033,679	-	13,715,477
- Bonds	-	10,759,733	-	10,759,733
<b>Total assets</b>	<b>10,681,798</b>	<b>13,793,412</b>	<b>-</b>	<b>24,475,210</b>

**As at December 31, 2015**

(all amounts in EUR)

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated at fair value through profit or loss				
- Investment Funds	1,430,866	14,048,816	-	15,479,682
- Bonds	-	11,012,923	-	11,012,923
<b>Total assets</b>	<b>1,430,866</b>	<b>25,061,739</b>	<b>-</b>	<b>26,492,605</b>

There were no transfers between hierarchy levels and no level 3 investments held during the period from January 1, 2016 to December 14, 2016.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.4 Fair value of financial assets and financial liabilities (continued)**

The following table analyzes within the fair value hierarchy the Fund's financial assets and financial liabilities not measured at fair value at the end of the reporting period:

**As at December 14, 2016**  
(all amounts in EUR)

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>
Cash at bank	-	1,278,688	-	1,278,688
Interest receivable	-	217,110	-	217,110
Other receivables	-	4,948	-	4,948
<b>Total assets</b>	<b>-</b>	<b>1,500,746</b>	<b>-</b>	<b>1,500,746</b>
<b>Liabilities</b>				
Bank overdraft	-	97,879	-	97,879
Accrued expenses and other payables	-	152,335	-	152,335
Net assets attributable to holders of non-voting redeemable participating shares	-	25,725,741	-	25,725,741
<b>Total liabilities</b>	<b>-</b>	<b>25,975,955</b>	<b>-</b>	<b>25,975,955</b>

**As at December 31, 2015**  
(all amounts in EUR)

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total balance</b>
Cash at bank	-	116,120	-	116,120
Interest receivable	-	304,399	-	304,399
Other receivables	-	20,765	-	20,765
<b>Total assets</b>	<b>-</b>	<b>441,284</b>	<b>-</b>	<b>441,284</b>
<b>Liabilities</b>				
Bank overdraft	-	35	-	35
Accrued expenses and other payables	-	196,734	-	196,734
Net assets attributable to holders of non-voting redeemable participating shares	-	26,737,119	-	26,737,119
<b>Total liabilities</b>	<b>-</b>	<b>26,933,888</b>	<b>-</b>	<b>26,933,888</b>

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash at bank include cash in hand and deposits held with the Custodian.

Interest receivable and other receivables include the contractual amounts for settlement of trades and other obligations due to the Fund.

Accrued expenses and other payables represent the contractual amounts and obligations due by the Fund for settlement of trades and expenses.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.5 Fair value of other financial assets and financial liabilities**

There is no material difference between the value of the other financial assets and liabilities, as shown in the statement of financial position, and their fair value.

**NOTE 5 – CASH AT BANK**

At December 14, 2016 and December 31, 2015 no restrictions on the use of cash and cash equivalents exist. There were no cash equivalents as at December 14, 2016 and December 31, 2015.

**NOTE 6 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The carrying amounts of financial assets at fair value through profit or loss at the end of the reporting period are as follows:

(all amounts in EUR)	<b>2016</b>	<b>2015</b>
Listed		
- Investment Funds	13,715,477	15,479,682
- Bonds	10,759,733	11,012,923
<b>Designated at fair value through profit or loss upon initial recognition</b>	<b>24,475,210</b>	<b>26,492,605</b>
<b>Total value of financial assets at fair value through profit or loss</b>	<b>24,475,210</b>	<b>26,492,605</b>

**NOTE 7 – FINANCIAL INSTRUMENTS BY CATEGORY**

<b>December 14, 2016</b>	<b>Loans and receivables</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit or loss	-	24,475,210	24,475,210
Interest receivable	222,058	-	222,058
Cash at bank	1,278,688	-	1,278,688
<b>Total</b>	<b>1,500,746</b>	<b>24,475,210</b>	<b>25,975,956</b>
<b>December 31, 2015</b>	<b>Loans and receivables</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit or loss	-	26,492,605	26,492,605
Interest receivable	325,164	-	325,164
Cash at bank	116,120	-	116,120
<b>Total</b>	<b>441,284</b>	<b>26,492,605</b>	<b>26,933,889</b>

**ALPINE FUND 1 LIMITED**  
**A Cayman Islands exempted company**

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 7 – FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

<b>December 14, 2016</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>Liabilities as per statement of financial position</b>		
Accrued expenses and other payables	152,335	152,335
Bank overdraft	97,879	97,879
Net assets attributable to holders of non-voting redeemable participating shares	25,725,741	25,725,741
<b>Total</b>	<b>25,975,955</b>	<b>25,975,955</b>

  

<b>December 31, 2015</b>	<b>Other financial liabilities</b>	<b>Total</b>
<b>Liabilities as per statement of financial position</b>		
Accrued expenses and other payables	196,734	196,734
Bank overdraft	35	35
Net assets attributable to holders of non-voting redeemable participating shares	26,737,119	26,737,119
<b>Total</b>	<b>26,933,888</b>	<b>26,933,888</b>

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. 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 or is part of key management of the Fund. The following parties are considered related parties.

**8.1 Board of Directors**

The Board of Directors received remuneration during the period, as detailed below. Disbursements for travel expenses, etc. incurred in relation to matters concerning the Fund can be charged to the Fund separately. The directors' fees amounted to EUR 19,304 for the period ended December 14, 2016 (year ended December 31, 2015: EUR 13,329), which have been included in directors' fees on the statement of comprehensive income.

There are no directors' fees payable as at December 14, 2016 and December 31, 2015.

**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 8 – RELATED PARTY TRANSACTIONS (continued)**

**8.2 Investment Manager**

(a) Management fee

The Investment Manager receives a management fee (the “Management Fee”), payable quarterly by the Fund, which is equal to 1.35% per annum of the Net Asset Value (before any reserves or accruals for the Management Fee for the current quarter or Performance Fee over the current period).

The management fee is calculated monthly (based on the average monthly Net Asset Value) and payable quarterly in arrears on the last day of each quarter and will be allocated rateably to each class and series of shares and for partial periods. Any new or existing shareholder that subscribes for shares at any time other than the first day of the quarter will be assessed a prorated portion of the Management Fee with respect to such subscription.

The total management fee for the period ended December 14, 2016 was EUR 331,392 (year ended December 31, 2015: EUR 384,508). At December 14, 2016, EUR 73,469 due to the Investment Manager are included in accrued expenses and other payables (December 31, 2015: EUR 93,116).

(b) Performance fee

The Investment Manager receives a performance fee (the “Performance Fee”) payable quarterly and calculated on a series-by-series and class-by-class basis, in an amount equal to 5% of the increase, if any, in the Net Asset Value of each series of each class of Shares, during each Fiscal Year, above the Net Asset Value thereof for the fiscal year with respect to any such series of such Shares since the issuance thereof, measured cumulatively from the original issuance of such series of such class of Shares prior to any accrual of the Performance Fee attributable to such series of such classes of Shares for such fiscal year.

No performance fee was charged for the period ended December 14, 2016 (year ended December 31, 2015: EUR 93,905). There are no performance fee payable as at both December 14, 2016 and December 31, 2015.

**NOTE 9 – OTHER RELEVANT CONTRACTS**

**9.1 Administrator**

The fee payable to the Administrator varies from 0.12% to 0.54% per annum according to the Net Asset Value. The administration fee was subject to a minimum of EUR 13,500 per year.

**9.2 Custodian**

The Fund has entered into a Prime Broker/Custodian agreement with Lombard Odier Darier Hentsch & Cie. The Prime Broker/Custodian is entitled to receive fees from the Fund in accordance with its customary charges. The fees are based on the Net Asset Value of the Fund. In addition, the Prime Broker/Custodian is entitled to receive reasonable out of pocket expenses.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 10 – ACCRUED EXPENSES AND OTHER PAYABLES**

As at December 14, 2016 the accrued expenses and other payables consist of the following:

(all amounts in EUR)	2016	2015
Management fee payable	73,469	93,116
Administration fee payable	1,612	2,201
Audit fee payable	31,337	28,642
Other fees and expenses, payable	45,917	72,775
<b>Total accrued expenses and other payables</b>	<b>152,335</b>	<b>196,734</b>

**NOTE 11 – MANAGEMENT SHARES AND NON-VOTING REDEEMABLE PARTICIPATING SHARES**

(a) Structure of the Fund's capital

The Fund's authorized share capital is EUR 50,000 divided into 4,999,900 Participating Shares being non-voting redeemable participating shares of par value EUR 0.01 each to be issued to investors and 100 Management shares being voting non-participating shares of par value EUR 0.01 each. All management shares have been issued and are held by the Investment Manager.

(b) Subscriptions and redemptions

Participating shares were offered during the Initial Offering Period at a Subscription Price of EUR 100 each or such amount as may be specified in any Supplement. Thereafter Participating Shares are offered on each Subscription Day at the Net Asset Value per Participating Share of the relevant Class or Series on the Valuation Day immediately preceding the relevant Subscription Day. In addition there may be a subscription fee of 5% of the aggregate Subscription Price payable to certain German banking institutions where investors purchased Participating Shares through these institutions. Participating Shares will be redeemed at the Net Asset Value per Participating Share as at the immediately preceding Valuation Day.

Redemption payments will be made in euro or in the currency in which the Class is denominated. In the absolute discretion of the Directors redemption payments may be made, in kind, or partly in cash and partly in kind. Cash payments will be remitted by wire transfer to the account designated by the Participating Shareholder in the Redemption notice. No interest will accrue on the redemption proceeds pending payment. The Fund will normally pay the amount due to Redeeming Shareholders within three (3) Business Days of the date on which the Net Asset Value in respect of the relevant Redemption Day is determined.

(c) Rights and obligations

The Participating Shares do not have the right to receive notice of, attend, speak or vote at general meetings of the Fund. Participating Shares are redeemable at the option of the holder in accordance with the terms set out in the Memorandum and Articles of Association of the Fund and are subject to compulsory redemption. Management Shares carry one vote per share but do not carry any right to dividends. In a liquidation the Management Shares rank only for a return of the nominal amount paid up on those shares before any payment to the holders of Participating Shares and any other shares ranking *pari passu* with the Participating Shares in a liquidation. The Fund may by special resolution of the voting shareholders increase or reduce its authorized share capital.

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 11 – MANAGEMENT SHARES AND NON-VOTING REDEEMABLE PARTICIPATING SHARES (continued)**

d) Restrictions

The minimum initial subscription from each investor is EUR 100,000 provided, however that such minimum investment shall not be less than the relevant currency equivalent of USD 100,000. Existing Participating Shareholders may increase their investment in multiples of EUR 1,000 subject to the discretion of the Investment Manager to accept a lower amount.

(e) Capital management

All issued shares are part of the Fund's capital management objectives. The Fund's objectives when managing capital are 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 an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, it is not expected that the Fund will declare any dividends. All earnings normally will be retained for investments. However the Fund reserves the right to declare dividends or make distributions if the Board of Directors so decides.

The Fund does not have any externally imposed capital requirements.

	December 14, 2016	December 31, 2015
<b>Number of shares attributable to holders of non-voting redeemable participating shares at the beginning of the period/year</b>	<b>261,437.030</b>	<b>266,444.081</b>
Shares issued during the period/year	892.464	1,141.463
Shares redeemed during the period/year	<u>(15,291.786)</u>	<u>(6,148.514)</u>
<b>Number of shares attributable to holders of non-voting redeemable participating shares at the end of the period/year</b>	<b><u>247,037.708</u></b>	<b><u>261,437.030</u></b>

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 12 – RECOGNIZED GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

For the period ended December 14, 2016 the recognized gains and losses on financial instruments at fair value through profit or loss consists of the following:

(all amounts in EUR)	<b>Period ended December 14, 2016</b>	<b>Year ended December 31, 2015</b>
<b>Recognized gains and losses on financial instruments designated at fair value through profit or loss upon initial recognition</b>		
<i>Net realized (losses)/gains</i>		
Market (losses)/gains	(1,706,760)	1,269,551
<i>Net unrealized gains/(losses)</i>		
Changes in fair value	<u>2,122,657</u>	<u>(2,221,119)</u>
<b>Total recognized gains/(losses) on financial instruments designated at fair value through profit or loss upon initial recognition</b>	<b>415,897</b>	<b>(951,568)</b>
<b>Net gain/(loss) on financial instruments at fair value through profit or loss</b>	<b><u>415,897</u></b>	<b><u>(951,568)</u></b>

**NOTE 13 – INTEREST INCOME AND INTEREST EXPENSE**

The following table details the interest income and interest expense during the period/year.

(all amounts in EUR)	<b>Period ended December 14, 2016</b>		<b>Year ended December 31, 2015</b>	
	<b>Income</b>	<b>Expense</b>	<b>Income</b>	<b>Expense</b>
Cash at bank	-	(77,988)	-	(3,455)
Financial instruments designated at fair value through profit or loss	<u>588,821</u>	<u>-</u>	<u>1,045,519</u>	<u>-</u>
<b>Total</b>	<b><u>588,821</u></b>	<b><u>(77,988)</u></b>	<b><u>1,045,519</u></b>	<b><u>(3,455)</u></b>

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 14 – FOREIGN CURRENCY TRANSLATION**

Realized and unrealized exchange differences consist of realized and unrealized translation gain or loss on assets and liabilities other than those classified at fair value through profit or loss.

During the period ended December 14, 2016, net foreign exchange loss amounted to EUR 5,554 (year ended December 31, 2015: gain of EUR 116,344)

The following closing rates have been applied in preparation of these financial statements:

	2016	2015
(Showing the equivalent of 1 Euro)	Closing	Closing
United States Dollar	1.0643	1.0860
Swiss Franc	1.0761	1.0875
Swedish Krona	9.7340	9.1583

**NOTE 15 – NET ASSET VALUE PER SHARE**

The Fund's net asset value per non-voting redeemable participating share is EUR 104.14 (2015: EUR 102.27), at the statement of financial position date.

**NOTE 16 – PERSONNEL**

The Fund did not employ any personnel during the period ended December 14, 2016 and the 2015 year.

**NOTE 17 – OVERDRAFT CREDIT FACILITY**

The Fund has been entered into an overdraft credit facility agreement with Lombard Odier & Cie (as Lender) since 7 July 2011.

The overdraft limit is currently held at EUR 2,000,000.

**NOTE 18 – INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES**

The table below describes the types of structured entities that the Fund does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Fund
Investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager.  These vehicles are financed through the issue of shares to investors.	Investments in shares issued by the funds

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 18 – INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES**  
**(continued)**

The table below sets out interests held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

<b>December 14, 2016</b>	<b>Carrying amount included in financial assets at fair value through profit or loss in EUR</b>	<b>Total Net Assets as at December 14, 2016* in million EUR</b>
<b>Investment in open-ended funds</b>		
Bellevue Fds (Lux) BB Global Macro I Cap	1,517,802	296.92
ETFs Physical Gold	2,130,063	5,164.48
db x-trackers DAX UCITS ETF (DR)1C Cap	1,974,329	4,004.45
Flossbach von Storch Multiple Opportunities II I Dist	1,515,877	2,654.95
iShares Core DAX UCITS ETF (DE) Cap	1,977,964	8,100.65
iShares MDAX Cap	1,882,923	1,795.94
Multi Units France Lyxor UCITS ETF Germany Mid-Cap MDAX Dist	1,299,584	11.50
Multi Units Luxembourg Lyxor UCITS ETF DAX	1,416,936	1,013.59

\* the net assets disclosed are based on unaudited information

During the period, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

The Fund can redeem units in the above investment funds at least once a day on a specified date.

<b>December 31, 2015</b>	<b>Carrying amount included in financial assets at fair value through profit or loss in EUR</b>	<b>Total Net Assets as at December 31, 2015 in million EUR</b>
<b>Investment in open-ended funds</b>		
BlackRock Global Fds World Energy D2 EUR Cap	997,302	1,566.41
Carmignac Portfolio Investissement Latitude F EUR Cap	1,968,165	136.15
db x-trackers DAX UCITS ETF (DR)1C Cap	1,430,866	4,990.45
Flossbach von Storch Fundament I Cap	2,082,321	287.20
Flossbach von Storch Multiple Opportunities II I Dist	3,127,750	1,354.73
MPPM Deutschland I EUR Cap	3,318,104	112.76
Multi Opportunities III Dist	2,555,174	165.22

\* the net assets disclosed are based on unaudited information

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**Notes to the financial statements (continued)**  
**For the period from January 1, 2016 to December 14, 2016**

**NOTE 19 – EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE**

Re-domiciliation of the Fund from Cayman to Malta was effective on December 15, 2016. Cancellation of registration with CIMA was requested at this date. In the context of this re-domiciliation, the Board of Directors changed on December 15, 2016. Roger H. Hanson and Nicole Ramroop were replaced by Dr. Oliver Stolte, Sandro Bartoli and Axel Rohr.

There has been no other significant events after the statement of financial position date to the date of the audit report which in the opinion of the Board of Directors requires adjustments or disclosures in the financial statements.



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

### ***Opinion***

We have audited the accompanying financial statements of Alpine Fund 1 Limited (the "Fund"), which comprise the statement of financial position as at December 14, 2016, the statements of comprehensive income, changes in net assets attributable to holders of non-voting redeemable participating shares and cash flows for the period ended December 14, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 14, 2016, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. The other information comprises the report of the board of directors on page 3, the investment objective, policy and processes descriptions on pages 4 to 6 and the schedule of investments on pages 11 to 12 but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### ***Responsibility of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

June 21, 2016