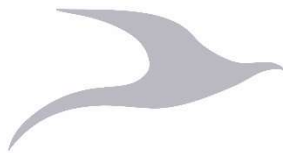

Audited Consolidated Financial Statements

Firebird Republics Fund, Ltd.

Year Ended December 31, 2019

With Report of Independent Auditors



FIREBIRD MANAGEMENT LLC

Firebird Republics Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2019

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Report of Independent Auditors

The Board of Directors
Firebird Republics Fund, Ltd.

We have audited the accompanying consolidated financial statements of Firebird Republics Fund, Ltd. (the “Fund”), which comprise the consolidated statement of assets and liabilities, including the consolidated condensed schedule of investments, as of December 31, 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the consolidated financial position of Firebird Republics Fund, Ltd. at December 31, 2019, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young Ltd.

March 31, 2020

Firebird Republics Fund, Ltd.

Consolidated Statement of Assets and Liabilities (Stated in United States Dollars)

December 31, 2019

Assets

Cash and cash equivalents	\$	1,395,467
Investments in securities, at fair value (cost \$109,541,208) (of which investments in securities with a cost of \$9,896,026 and fair value of \$69,812,338 are held for Firebird Republics SPV Ltd. under participation note)		243,557,886
Investments in other investment funds, at fair value (cost \$179,898)		782,014
Dividend receivable		315,865
Due from brokers		16,530
Other assets		24,778
Total assets		246,092,540

Liabilities

Due to Firebird Republics SPV Ltd. under participation note (<i>see Note 4</i>)		57,708,808
Due to brokers		124,576
Class A redemptions payable		322,139
Class M redemptions payable		100,000
Unrealized capital gains tax reserve (of which unrealized capital gains tax reserve of \$12,091,188 relates to investments in securities held for Firebird Republics SPV Ltd. under participation note)		12,734,303
Accounts payable and accrued expenses		221,966
Total liabilities		71,211,792
Net assets	\$	174,880,748

Net asset value per share

Class A Series 1 - 1 (based on 55,182.09 shares outstanding)	\$	1,286.12
Class A Series 1 - 2 (based on 1,320.94 shares outstanding)	\$	1,285.52
Class A Series 1 - 3 (based on 325.58 shares outstanding)	\$	1,285.00
Class A Series 1 - 4 (based on 411.02 shares outstanding)	\$	1,284.73
Class A Series 1 - 5 (based on 503.35 shares outstanding)	\$	1,280.92
Class A Series 1 - 6 (based on 399.61 shares outstanding)	\$	1,277.51
Class A Series 1 - 7 (based on 145.95 shares outstanding)	\$	1,274.78
Class A Series 1 - 8 (based on 149.47 shares outstanding)	\$	1,262.81
Class A Series 2 - 1 (based on 147.81 shares outstanding)	\$	1,041.61
Class A Series 2 - 2 (based on 0.89 shares outstanding)	\$	1,049.67
Class A Series 2 - 3 (based on 59.87 shares outstanding)	\$	1,049.70
Class A Series 2 - 4 (based on 5.44 shares outstanding)	\$	1,056.77
Class A Series 2 - 5 (based on 306.81 shares outstanding)	\$	1,056.79

Firebird Republics Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)
(Stated in United States Dollars)

December 31, 2019

Class A Series 2 - 6 (based on 66.63 shares outstanding)	\$	1,224.54
Class A Series 2 - 7 (based on 66.96 shares outstanding)	\$	1,243.85
Class A Series 2 - 8 (based on 343.3 shares outstanding)	\$	1,243.86
Class A Series 2 - 9 (based on 7.86 shares outstanding)	\$	1,243.87
Class A Series 2 - 10 (based on 27.28 shares outstanding)	\$	1,243.89
Class A Series 2 - 11 (based on 14.44 shares outstanding)	\$	1,247.51
Class A Series 2 - 12 (based on 28.50 shares outstanding)	\$	1,247.52
Class A Series 2 - 13 (based on 437.94 shares outstanding)	\$	1,247.55
Class A Series 2 - 14 (based on 40.65 shares outstanding)	\$	1,247.92
Class A Series 2 - 15 (based on 2.03 shares outstanding)	\$	1,249.48
Class A Series 2 - 16 (based on 0.79 shares outstanding)	\$	1,255.06
Class A Series 2 - 17 (based on 10.62 shares outstanding)	\$	1,255.07
Class A Series 2 - 18 (based on 3.89 shares outstanding)	\$	1,255.08
Class A Series 2 - 19 (based on 212.23 shares outstanding)	\$	1,262.60
Class A Series 2 - 20 (based on 504.04 shares outstanding)	\$	1,266.27
Class A Series 3 - 1 (based on 225.00 shares outstanding)	\$	945.79
Class A Series 3 - 2 (based on 106.84 shares outstanding)	\$	950.35
Class A Series 3 - 3 (based on 1,000 shares outstanding)	\$	1,033.29
Class A Series 3 - 4 (based on 56.05 shares outstanding)	\$	1,045.43
Class A Series 3 - 5 (based on 141.81 shares outstanding)	\$	1,046.45
Class A Series 3 - 6 (based on 37.92 shares outstanding)	\$	1,046.73
Class A Series 3 - 7 (based on 500.00 shares outstanding)	\$	1,047.35
Class A Series 3 - 8 (based on 99.11 shares outstanding)	\$	1,054.95
Class A Series 3 - 9 (based on 357.89 shares outstanding)	\$	1,059.36
Class A Series 3 - 10 (based on 18.95 shares outstanding)	\$	1,059.73
Class A Series 3 - 11 (based on 18.91 shares outstanding)	\$	1,091.05
Class A Series 3 - 12 (based on 18.87 shares outstanding)	\$	1,101.83
Class A Series 3 - 13 (based on 2,935.85 shares outstanding)	\$	1,224.96
Class A Series 3 - 14 (based on 85.08 shares outstanding)	\$	1,230.55
Class A Series 3 - 15 (based on 88.21 shares outstanding)	\$	1,253.36
Class A Series 3 - 16 (based on 4,398.67 shares outstanding)	\$	1,259.02
Class A Series 3 - 17 (based on 300.45 shares outstanding)	\$	1,271.62
Class A Series 3 - 18 (based on 42.65 shares outstanding)	\$	1,279.88
Class A Series 3 - 19 (based on 348.61 shares outstanding)	\$	1,280.24
Class A Series 3 - 20 (based on 279.38 shares outstanding)	\$	1,282.06
Class A Series 3 - 21 (based on 1,145.97 shares outstanding)	\$	1,286.12
Class M Series 1 - 1 (based on 64,753.21 shares outstanding)	\$	162.71
Class M Series 1 - 2 (based on 0.17 shares outstanding)	\$	1,062.71
Class M Series 1 - 3 (based on 0.27 shares outstanding)	\$	1,065.66
Class M Series 1 - 4 (based on 66,557.02 shares outstanding)	\$	1,071.89
Class M Series 1 - 5 (based on 20.62 shares outstanding)	\$	1,073.42
Class M Series 1 - 6 (based on 135.44 shares outstanding)	\$	1,096.30
Class M Series 1 - 7 (based on 1.83 shares outstanding)	\$	1,280.60

Firebird Republics Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)
(Stated in United States Dollars)

December 31, 2019

Class M Series 1 - 8 (based on 4.71 shares outstanding)	\$	1,291.99
Class M Series 1 - 9 (based on 30.47 shares outstanding)	\$	1,312.17
Class A Allocation Shares Series 1 - 1 (based on 1.99 shares outstanding)	\$	45,353.78
Class A Allocation Shares Series 1 - 2 (based on 1.03 shares outstanding)	\$	45,364.50
Class B Allocation Shares (based on 35.80 shares outstanding)	\$	332.34

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments
(Stated in United States Dollars)

December 31, 2019

Quantity	Fair Value	Percent of Net Assets
Investment in securities		
Equities:		
Common stock:		
Bulgaria:		
	\$	%
	1,550,305	0.89
	213,835	0.12
	151,435	0.09
	2,950,753	1.69
	922,805	0.53
Total Bulgaria (cost \$4,600,892)	5,789,133	3.32
Estonia:		
	3,686,863	2.11
	1,870,637	1.07
	658,991	0.38
	455,575	0.26
	2,349,740	1.34
	5,114,538	2.92
Total Estonia (cost \$7,511,362)	14,136,344	8.08
Georgia:		
Banking:		
456,346	9,832,745	5.62
	2,663,601	1.52
	704,335	0.40
	5,815,825	3.33
Total Georgia (cost \$10,008,115)	19,016,506	10.87
Kazakhstan:		
	3,367	0.00
	2,782,405	1.59
	-	-
	3,286,786	1.88
	5,074,761	2.90
Total Kazakhstan (cost \$9,482,097)	11,147,319	6.37

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2019

Quantity	Fair Value	Percent of Net Assets
Investment in securities (continued)		
Equities (continued):		
Common stock (continued):		
Kyrgyzstan:		
	\$	%
Metallurgy & Mining	-	-
Oil & Gas	-	-
Telecommunications	17,877	0.01
Utilities	54,786	0.03
Total Kyrgyzstan (cost \$300,592)	72,663	0.04
Lithuania:		
Banking	6,110,418	3.49
Construction	787,126	0.45
Retail	2,425,131	1.39
Total Lithuania (cost \$4,703,190)	9,322,675	5.33
Poland:		
Media and Entertainment	2,091,330	1.20
Total Poland (cost \$2,552,169)	2,091,330	1.20
Romania:		
Aerospace	5,394,126	3.08
Automobiles	1,629,616	0.93
Banking:		
Banca Transilvania	11,186,833	6.38
Chemicals	48,285	0.03
Consumer Products	2,476,987	1.42
Metallurgy & Mining	393,510	0.23
Miscellaneous	1,898,594	1.09
Oil & Gas	8,283,751	4.74
Real Estate	936,048	0.54
Transportation	382,725	0.22
Utilities	3,112,178	1.78
Total Romania (cost \$17,881,030)	35,742,653	20.44
18,399,000		

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2019

Quantity	Fair Value	Percent of Net Assets
Investment in securities (continued)		
Equities (continued):		
Common stock (continued):		
Russia:		
	Agriculture	\$ 3,885,929 2.22 %
	Airlines	3,382,129 1.93
	Banking	9,795,166 5.61
	Gold	621,920 0.36
	Manufacturing	3,133,551 1.79
	Metallurgy & Mining	11,524,246 6.59
	Restaurants	424,449 0.24
	Technology	5,851,449 3.35
	Stock Exchange	3,573,765 2.04
	Oil & Gas:	
400,846	Gazpromneft PJSC	9,906,539 5.66
	Other	10,382,808 5.94
	Total Oil & Gas	20,289,347 11.60
	Total Russia (cost \$36,328,778)	62,481,951 35.73
	Total common stock (cost \$93,368,225)	159,800,574 91.38
Depository receipts (includes ADRs and GDRs):		
Kazakhstan:		
	Banking	9,194,399 5.26
	Telecommunications	33 0.00
	Total Kazakhstan (cost \$320,949)	9,194,432 5.26
Russia:		
	Banking	1,802,839 1.03
	Metallurgy & Mining	24,880 0.01
	Oil & Gas	920,844 0.53
	Retail	1,858,481 1.06
	Total Russia (cost \$3,801,999)	4,607,044 2.63
Ukraine:		
	Agriculture (cost \$315,469)	130,489 0.07
	Total Ukraine (cost \$315,469)	130,489 0.07
	Total depository receipts (cost \$4,438,417)	13,931,965 7.96

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2019

Quantity	Fair Value	Percent of Net Assets
Investment in securities (continued)		
Equities (continued):		
Preferred stock:		
Russia:		
Manufacturing (cost \$192,000)	\$ -	- %
Total preferred stock (cost \$192,000)	-	-
Restricted stock:		
Armenia:		
Gold (cost \$1,646,540)	13,009	0.01
Total restricted stock (cost \$1,646,540)	13,009	0.01
Total equities (cost \$99,645,182)	173,745,548	99.37
Total investments in securities (cost \$99,645,182)	173,745,548	99.35
Investment in securities held for Firebird Republics SPV Ltd. under participation note		
Equities:		
Common stock:		
Kazakhstan:		
Oil & Gas:		
153,561 CNPC – Aktobemunaigas JSC	61,030,183	34.90
Total Kazakhstan (cost \$2,566,197)	61,030,183	34.90
Kyrgyzstan:		
Cement (cost \$645,034)	3,059,944	1.75
Russia:		
Banking (cost \$6,684,795)	5,722,211	3.27
Total common stock (cost \$9,896,026)	69,812,338	39.92
Total equities (cost \$9,896,026)	69,812,338	39.92
Total investment in securities held for Firebird Republics SPV Ltd. under participation note (cost \$9,896,026)	69,812,338	39.92

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2019

Quantity	Fair Value	Percent of Net Assets
Investment in securities(continued)		
Total investment in securities including investments in securities held for Firebird Republics SPV Ltd. under participation note (cost 109,541,208)	\$ 243,557,886	139.27 %
Investment in other investment funds		
Estonia:		
Miscellaneous (cost \$0)	251,136	0.14
Lithuania		
Miscellaneous (cost \$179,898)	530,878	0.30
Total investment in other investment funds (cost \$179,898)	\$ 782,014	0.44 %

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Statement of Operations
(Stated in United States Dollars)

December 31, 2019

Investment income

Dividend income (net of dividend income \$6,771,333 and withholding taxes of \$1,288,385 allocated to Firebird Republics SPV Ltd. under terms of participation note) (net of \$563,857 withholding taxes)	\$	8,647,977
Interest income		16
Other income		114,409
Total investment income		8,762,402

Expenses

Management fees		1,678,194
Professional fees and other		715,143
Custodian fees		309,506
Interest expense		8,578
Total expenses		2,711,421

Net investment income		6,050,981
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Net gain on investments and foreign currency transactions

Net change in realized capital gains tax reserve		107,623
Net change in unrealized capital gains tax reserve (net of \$709,019 increase in unrealized capital gains tax reserve allocated to Firebird Republics SPV Ltd. under terms of participation note)		24,243
Net realized gain on investments and foreign currency transactions (net of \$34,742 realized loss on investments and foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		1,503,931
Net change in unrealized appreciation on investments and foreign currency transactions (net of \$6,645,483 change in unrealized appreciation on investments and foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		22,838,883
Net gain on investments and foreign currency transactions		24,474,680
Net increase in net assets resulting from operations	\$	30,525,661

See accompanying notes.

Firebird Republics Fund, Ltd.

Consolidated Statement of Changes in Net Assets
(Stated in United States Dollars)

Year Ended December 31, 2019

Increase in net assets resulting from operations

Net investment income	\$	6,050,981
Net change in realized capital gains tax reserve		107,623
Net change in unrealized capital gains tax reserve (net of \$709,109 increase in unrealized capital gains tax reserve allocated to Firebird Republics SPV Ltd. under terms of participation note)		24,243
Net realized gain on investments and foreign currency transactions (net of \$34,742 realized loss on investments and foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		1,503,931
Net change in unrealized appreciation on investments and foreign currency transactions (net of \$6,645,483 change in unrealized appreciation on investments and foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		22,838,883
Net increase in net assets resulting from operations		30,525,661

Decrease in net assets resulting from capital share transactions

Class A shares subscribed		390,518
Class M Shares subscribed		269
Class A shares redeemed		(629,729)
Class M shares redeemed		(1,400,000)
Performance allocation from Class A shares		(95,098)
Performance allocation to Class A Allocation shares		87,490
Performance allocation to Class B Allocation shares		7,608
Net decrease in net assets resulting from capital share transactions		(1,638,942)

Net change in net assets		28,886,719
Net assets at beginning of year		145,994,029
Net assets at end of year	\$	174,880,748

See accompanying notes.

Firebird Republics Fund, Ltd.

Consolidated Statement of Cash Flows (Stated in United States Dollars)

Year Ended December 31, 2019

Operating activities

Net increase in net assets resulting from operations	\$	30,525,661
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized gain on investments		(1,455,078)
Net change in unrealized appreciation on investments		(29,481,106)
Purchases of investments		(19,092,338)
Proceeds from sales of investments		14,135,079
Changes in operating assets and liabilities:		
Loans receivable		4,236
Due from brokers		16,611
Due to brokers		43,268
Dividends receivable		270,925
Other assets		840
Due to Firebird Republic SPV Ltd. under terms of participation note		5,945,652
Realized capital gains tax payable		(107,623)
Unrealized capital gains tax reserve		684,778
Accounts payable and accrued expenses		(33,140)
Net cash provided by operating activities		1,457,765

Financing activities

Proceeds from issuance of Class A shares		390,518
Proceeds from issuance of Class M shares		269
Payments for redemptions of Class A shares		(1,379,226)
Payments for redemptions of Class M shares		(1,300,000)
Net cash used in financing activities		(2,288,439)

Net change in cash and cash equivalents		(830,674)
Cash and cash equivalents at beginning of year		2,226,141
Cash and cash equivalents at end of year	\$	1,395,467

Supplemental disclosure of cashflow information

Cash paid during the year for interest		8,578
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See accompanying notes.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements

Year Ended December 31, 2019

1. Organization

Firebird Republics Fund, Ltd. (the “Fund”) was incorporated as an exempted company under the laws of the Cayman Islands on January 22, 1997 and was registered under the Cayman Islands Mutual Fund Law on April 11, 1997. The Fund commenced operations on April 25, 1997. The purpose of the Fund is to invest primarily in publicly traded securities of companies operating in Russia, the other former Soviet republics, and certain Eastern European countries. The Class A shares of the Fund are listed on the Bermuda Stock Exchange.

Clairmont Holdings Ltd. (“Clairmont”) is a wholly owned subsidiary of the Fund and was incorporated as a limited liability company under the Companies Law, Cap. 113, of Cyprus on April 18, 1997. Clairmont owns shares of companies operating in Russia and various Eastern European countries.

Firebird Republics SPV Ltd. (the “SPV”) is a Cayman Islands exempt company which was incorporated on March 19, 2009, in order to hold illiquid assets of the Fund under a participation note dated March 31, 2009 (see Note 4).

The Fund’s investment advisor is Firebird Management, LLC (the “Advisor”), a New York limited liability company, which also acts as the investment advisor of the SPV. The principals of the Advisor are also directors of the Fund and of the SPV. The Advisor is a registered investment advisor with the United States Securities and Exchange Commission.

HedgeServ (Cayman) Ltd. (the “Administrator”) provides administration services to the Fund. The Harbour Trust Co. Ltd. maintains the registered office of the Fund and the SPV. Seaward Management Limited provides administration and management services to Clairmont and maintains its registered and regional office.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) as detailed in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) and are stated in United States Dollars. The Fund meets the definition of an investment company and follows the accounting and reporting guidance in ASC 946, *Financial Services – Investment Companies*. The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the results of the Fund and its subsidiary Clairmont, after the elimination of all intercompany balances and transactions.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include amounts due from banks on demand and deposits with original maturities of three months or less. Substantially all of the cash and cash equivalents are held at Swedbank AS and State Street Bank. All cash and cash equivalents are held at banks organized in the United States of America, Estonia, Georgia, Kazakhstan and Bulgaria. The Fund does not expect any material losses as a result of this allocation.

Cash and cash equivalents may be restricted if they serve as deposits for investments sold short. In addition, margin borrowings are collateralized by certain securities and cash balances held by the Fund. As of December 31, 2019, the Fund did not have any restricted cash.

Participation Note

Assets and liabilities for which all net proceeds are held by the Fund on behalf of the SPV under the terms of the participation note are disclosed in the consolidated statement of assets and liabilities, the consolidated condensed schedule of investments held for Firebird Republics SPV Ltd. under participation note, and in Note 3. Allocated changes in valuation of investments held by the Fund on behalf of the SPV under the terms of the participation note, and related allocated movements in the unrealized capital gains tax reserve on such investments, are disclosed on the consolidated statement of operations.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Security Transactions and Related Investment Income and Expenses

Security transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are determined using the specific identification method and are recorded in the consolidated statement of operations. Interest is recorded on the accrual basis and dividends are recorded net of withholding taxes on the ex-dividend date in the consolidated statement of operations.

Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the consolidated financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the consolidated statement of operations.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and change in unrealized gains and losses on investments and foreign currency transactions.

Fair Value of Financial Instruments

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Accounting Standards Codification Topic 825, *Financial Instruments*, approximates the carrying amounts presented in the consolidated financial statements.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

In accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability under an orderly liquidation in a timely transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability.

ASC Topic 820 establishes a three-tier hierarchy to distinguish between inputs obtained from sources independent of the reporting entity that affect assumptions that market participants would use in pricing an asset or liability (observable inputs) and inputs that reflect the reporting entity's own assumptions that it thinks market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. The inputs are summarized in the three broad levels listed below:

Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to assess and in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 securities. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. These inputs may include the Advisor's own assumptions in determining the fair value of investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

In general, portfolio securities that are traded in an active market (in most cases a market where there has been at least one transaction in the last 15 business days and had at least 12 trading days in the recent month at sufficient volumes with reasonably consistent price levels taking into account the volatility of the market in question) are classified as Level 1. These securities are valued at their last reported sales price on the valuation date in the case of securities listed or quoted on a recognized securities exchange, the U.S. NASDAQ National Market List or any comparable foreign quotation system for securities that generally trade daily, or if no prices were quoted on such date, at the last reported sales price on the last prior date when a price was quoted for such securities.

If no such prices have been quoted in an active market, the investment is valued in good faith by the Advisor, in consultation with the Administrator, and approved by the Board of Directors, according to the steps outlined in ASC Topic 820. For these Level 2 or Level 3 securities, the Advisor may consult with and rely upon information provided by the Fund's custodians, market makers, brokers, and outside valuation services.

Level 2 securities will normally be priced using other observable information including identical or similar securities traded on other exchanges and quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. The Fund holds certain securities which are restricted under Rule 144A. Restricted securities are generally fair valued at a discount to similar publicly traded securities.

Investments in other investment funds that meet the definition of an investment company for which its net asset value or partners' capital has been measured in accordance with, or in a manner consistent with, the principles of ASC Topic 946, *Financial Services – Investment Companies*, are valued using the reported net asset value as a practical expedient.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Fund's investments in other investment funds are generally valued at the reported values, provided by the administrator or management of the investment fund, after discounts for any applicable redemption charges and any lock up periods, which valuations are prepared in accordance with such investment fund's governing documents. The Advisor considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. However, in certain circumstances, the Advisor will estimate the value of such investment based on available relevant information as it considers material.

The strategies of the other investment funds in which the Fund has a position are to invest into investments in the Baltic region. One of these investment funds is a private equity fund and distributions are received as assets are liquidated. The other investment fund has a redemption notice period of 30 days.

For Level 3 securities, the Advisor will value the equity securities using either a "market approach," an "income approach," or both approaches, as appropriate. The "market approach" uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The "income approach" uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted).

In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, the nature and realizable value of any collateral, the issuer of the security's ability to make payments, the issuer's earnings, discounted cash flows and net asset value analysis, the markets in which the issuer does business, comparisons of financial ratios of peer public companies, recent merger and acquisition transactions for comparable public or private companies, actual and imminent capital transactions in the subject investee company and the principal market for the relevant security, among other factors.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Advisor and analysts monitor and review the valuation methodologies on a monthly basis. They use the latest available information to update the valuations each month. A Valuation Committee oversees the process and procedures for the valuation of the Level 3 investments in accordance with the valuation policy approved by the Board of Directors. The Valuation Committee meets on a quarterly basis or more frequently as required. It is comprised of staff of the Advisor and two Directors, who are also principals of the Advisor.

Because of the inherent uncertainty of valuation of securities and investment funds traded in emerging market economies (see Note 12), the estimated fair values may differ significantly from values that will eventually be realized upon an actual liquidation of the portfolio, and such differences could be material.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Classification

The industry and geographic classifications reflected in the consolidated condensed schedule of investments represent the Advisor's belief as to the most meaningful presentation of the classification of the principal business of the holdings in the portfolio.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments

The following is a summary of the inputs used as of December 31, 2019, in valuing the Fund's investments, including the investments held by the Fund on behalf of the SPV under terms of participation note, carried at fair value, disaggregated by geographic region.

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2019
Investments in securities: Equities and Depository receipts (includes ADRs and GDRs):				
Baltics:				
Estonia	\$ -	\$ 13,915,858	\$ 220,486	\$ 14,136,344
Lithuania	-	9,322,675	-	9,322,675
Total Baltics	-	23,238,533	220,486	23,459,019
Central Asia:				
Kazakhstan	-	17,054,873	3,286,878	20,341,751
Kyrgyzstan	-	-	72,663	72,663
Total Central Asia	-	17,054,873	3,359,541	20,414,414
Eastern Europe:				
Armenia	-	-	13,009	13,009
Bulgaria	-	5,575,296	213,837	5,789,133
Georgia	16,352,905	-	2,663,601	19,016,506
Poland	-	2,091,330	-	2,091,330
Romania	1,677,900	33,596,800	467,953	35,742,653
Russia	43,104,641	19,405,783	4,578,571	67,088,995
Ukraine	-	-	130,489	130,489
Total Eastern Europe	61,135,446	60,669,209	8,067,460	129,872,115
Total investments in securities	\$ 61,135,446	\$ 100,962,615	\$ 11,647,487	\$ 173,745,548

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments (continued)

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2019
Investments in securities held by the Fund on behalf of the SPV under terms of the participation note:				
Equities and ADRs:				
Central Asia:				
Kazakhstan	-	-	61,030,183	61,030,183
Kyrgyzstan	-	-	3,059,944	3,059,944
Total Central Asia	-	-	64,090,127	64,090,127
Eastern Europe:				
Russia	-	-	5,722,211	5,722,211
Total equities	-	-	69,812,338	69,812,338
Total investments in securities	\$ 61,135,446	\$ 100,962,615	\$ 81,459,825	\$ 243,557,886
Investments in other investment funds:				
Baltics:				
Estonia	-	-	251,136	251,136
Lithuania	-	530,878	-	530,878
Total investments in other investment funds	-	\$ 530,878	\$ 251,136	\$ 782,014

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments (continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	Equities			Total
	Baltics	Central Asia	Eastern Europe	
Balance as at December 31, 2018	\$ 206,395	\$ 3,097,368	\$ 8,731,750	\$ 12,035,513
Net realized loss	-	-	-	-
Net change in unrealized appreciation (depreciation)	14,091	184,894	(1,852,367)	(1,653,382)
Purchases	-	-	918,870	918,870
Sales	-	-	-	-
Transfers from Level 3	-	-	-	-
Transfers in to Level 3	-	77,279	269,207	346,486
Balance as at December 31, 2019	<u>\$ 220,486</u>	<u>\$ 3,359,541</u>	<u>\$ 8,067,460</u>	<u>\$ 11,647,487</u>

	Other Investments Funds
	Baltics
Balance as at December 31, 2018	\$ 279,010
Net realized gain (loss)	-
Net change in unrealized appreciation (depreciation)	(27,874)
Purchases	-
Sales	-
Balance as at December 31, 2019	<u>\$ 251,136</u>

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments (continued)

**Investments in Securities
Held by the Fund on Behalf of the SPV
Under Terms of Participation Note**

	Equities		
	Central Asia	Eastern Europe	Total
Balance as at December 31, 2018	\$ 59,078,300	\$ 4,088,555	\$ 63,166,855
Net realized loss	-	-	-
Net change in unrealized appreciation	5,011,827	1,633,656	6,645,483
Sales	-	-	-
Balance as at December 31, 2019	\$ 64,090,127	\$ 5,722,211	\$ 69,812,338

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Financial Instruments (continued)

A quantitative disclosure of the unobservable inputs and assumptions for Level 3 securities has been provided in the table below.

Asset Class	Geographic Region	Fair Value as at December 31, 2019	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Baltics	\$ 220,486	Market comparable companies	Price/Book Value Ratio	1.2
				Enterprise value/EBITDA Ratio	5.8
				Enterprise Value/Sales Ratio	0.3
				Discount	30%
	Central Asia	3,286,878	Market comparable companies	Price/Earnings ratio	6.5
				Enterprise value/EBITDA Ratio	4.5
			Discounted cash Flows	Cost of capital	25%
		72,662	Last Transaction		4.8%
	Eastern Europe	5,260,362	Market comparable companies	Enterprise value/EBITDA Ratio	9.0-15.7 (15.1)
				Price/Book Value Ratio	0.7-2.0 (0.9)
				Enterprise Value/Sales Ratio	1.7-3.4 (3.3)
				Price/Earnings ratio	6.8
				Discount	10-40%
		2,807,099	Last Transaction	Transaction Multiple	0.8
Other investment funds	Baltics	\$ 251,136	Quarterly net asset valuation	Lock up discount	10%

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

4. Participation Note

On March 31, 2009, the Fund entered into a participation note with the SPV under which the Fund agreed to pay to the SPV the net proceeds, as defined therein, received by the Fund with respect to certain designated investments and other receivables of the Fund, being about 38% of the net asset value of the Fund at that date. In return for this payment, the SPV issued participating shares to each of the shareholders of the Fund pro-rata to the value of their respective shareholdings of the Fund at that date. The net proceeds are defined as the cash received from dividends, interest, sale or other realization proceeds on each such designated investment, less (a) expenses incurred by the Fund in connection with the realization or receipt of such cash, (b) management fees and performance allocation due to the Advisor with respect to such designated investments and (c) any other expenses incurred by the Fund on behalf of the SPV.

5. Due from/to Brokers and Concentration of Credit Risk

Due from/to brokers generally includes amounts receivable or payable for securities transactions that have not been settled at the date of the consolidated financial statements and cash held at brokers for settled trades. The majority of publicly traded investments are held with Swedbank AS and State Street Bank. The Fund periodically monitors the credit standing of the brokers and does not expect any material losses as a result of default by brokers.

6. Share Capital

The Fund's authorized share capital is \$50,000 divided into 4,990,000 Class A and Class M Common shares and 10,000 Allocation shares each having a par value of \$0.01 per share. Outstanding Common and Allocation shares will participate in the assets of the Fund upon liquidation ratably in proportion to their respective redemption values. Each Common and Allocation shareholder is entitled to one vote for each \$1 of Net Asset Value on any matter presented to a meeting of shareholders.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

6. Share Capital (continued)

The Fund operates series of shares accounting methodology, as per the Memorandum and Articles of Association. Class A shares are issued and redeemed in accordance with the Memorandum and Articles of Association. At the end of each year, each shareholder pays a performance allocation equal to 20% of the net increase in the Net Asset Value of the shares held by that shareholder (see Note 8).

The Class A Allocation shares and Class B Allocation shares are owned by the principals and key employees, respectively, of the Advisor. These Allocation shares are not subject to management fees and will receive a performance allocation each year equal to 20% of the net increase in the Net Asset Value of each outstanding Class A Share (see Note 8).

Class M shares are only offered to employees of the Advisor, its affiliates and related persons, and are subject to the same rights, terms and conditions as the Class A shares except that Class M shares will not be subject to any management fee or performance allocation.

Share transactions for the year ended December 31, 2019, were as follows:

	Class A	Class M	Class A Allocation Shares	Class B Allocation Shares
Shares outstanding at December 31, 2018	73,057.66	138,691.09	3.02	35.80
Shares issued	390.50	.27	-	-
Shares redeemed	(515.91)	(7,187.52)	-	-
Shares outstanding at December 31, 2019	72,932.25	131,503.84	3.02	35.80

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

7. Management Fees

Pursuant to the Memorandum and Articles of Association and the Management Agreement, the Fund pays the Advisor a management fee at an annual rate of 2.00% of the Class A net asset value calculated and payable quarterly in advance based on the Class A share of the Fund's net asset value (before accrual for performance allocation) as of the last business day of the preceding quarter. For the year ended December 31, 2019, the Fund recorded \$1,678,194 in management fees during the year.

Management fees are not charged to the Class M and Allocation Shares shareholders. The Advisor may, in its discretion, waive all or a portion of the management fee with respect to any shareholder.

8. Performance Allocation

Pursuant to the Memorandum and Articles of Association and the Management Agreement, Allocation shares receive a performance allocation annually equal in the aggregate to 20% of the net increase each year in the Net Asset Value of each outstanding Class A Share (including net unrealized gains and losses) subject to a loss carryforward.

However, the performance allocation for Class A shareholders who also hold Participating shares in the SPV shall only be paid to the Allocation shares to the extent that the combined net gain for each such Class A shareholder on their shares in the Fund and their Participating shares in the SPV exceeds any loss carryforward or high watermark applicable to the relevant Class A shares in the Fund prior to the date of the participation note. In making this calculation, the appreciation of the Participating shares in the SPV reflects only realized gains on the sale or disposition of investments and other assets held under the terms of the participation note that have been or are being distributed to the shareholders of the SPV, thus excluding any unrealized appreciation on unsold investments while such investments are held within the SPV.

The Advisor may waive all or part of the performance allocation for certain investors. The performance allocation to the Allocation shares for the year ended December 31, 2019 was \$95,098. The performance allocation can be withdrawn at any time by the holders of the Allocation shares by way of distribution or redemption.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

9. Taxation

There is currently no taxation imposed on income or profits of the Fund by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Fund has been granted an exemption therefrom until April 12, 2037.

The Fund is not subject to United States Federal, state or local taxation. The Fund reports tax information to its U.S. resident shareholders on the accrual basis. The Fund has elected to be treated as a partnership for U.S. Federal income tax purposes.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. The Fund has adopted ASC Topic 740 and its impact is reflected in these consolidated financial statements.

Unrealized capital gains tax reserve is allocated by the Fund to the SPV on specific investments under the terms of the participation note.

The Fund recognizes interest and penalties, if any, as capital gains tax expense in the consolidated statement of operations. During the year, the Fund did not accrue any interest or penalties.

Tax accruals are calculated in local currencies. The effective rate to the Fund can exceed or be less than the applicable rates if the local currency has appreciated or depreciated against the US Dollar during the period of investment.

Tax legislation in all of the jurisdictions in which the Fund invests is subject to varying interpretations and changes, which can occur unexpectedly. The Advisor's interpretation of such legislation as applied to transactions and activities of the Fund and its subsidiaries since inception may be challenged by the relevant regional and federal authorities. It is not practical to determine the amount of unasserted claims that may manifest themselves, if any, or the likelihood of any unfavorable outcome thereof.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

9. Taxation (continued)

As at December 31, 2019, the Advisor has identified six investment holdings in Bulgaria, Georgia, Russia and Kazakhstan which, under the current tax regulation in these jurisdictions, would be subject to income taxes on the investment gains realized for the period since purchase of the investment holdings to the date of realization. As such, the Advisor has accrued an income tax liability of \$12,734,303 (of which unrealized capital gains tax reserve of \$12,091,188 relates to investments in securities held for the SPV under participation note) with regard to such investment holdings, which is disclosed in the unrealized capital gains tax reserve in the consolidated statement of assets and liabilities. Should the fair value of the investment holdings identified change prior to the realization of the investment then the accrued income tax liability would be adjusted accordingly.

10. Derivative Financial Instruments

In the normal course of business, the Fund may enter into transactions involving derivative financial instruments in connection with its investing activities. These instruments are subject to various risks similar to non-derivative instruments, including market, credit, liquidity, and operational risks. The Fund manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. The Fund does not distinguish derivative profit or loss from any other category of investments for consolidated statement of operations presentation purposes. No derivative positions were held during the year.

11. Related Party Transactions

In accordance with ASC Topic 850, *Related Party Disclosures*, related parties include principal ownership (defined to include investments where the Fund combined with funds under common control hold interests greater than 10%), associated companies (defined as investments where the Fund combined with funds under common control hold interests less than 10% and have members on the Board of Directors), and Affiliates. Affiliates are defined as other investment funds managed by the Advisor and related parties of the Advisor.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

11. Related Party Transactions (continued)

Outstanding balances at year-end and transactions with these entities during the year were as follows:

	Principal Ownership	Associated Companies	Affiliates
Purchases of investments	928,322	–	–
Sales of investments	–	–	–
Realized gain/(loss)	–	–	–

Outstanding balances at year-end and transactions with the SPV under the participation note during the year ended December 31, 2019, were as follows:

	Firebird Republics SPV Ltd.
Due to Firebird Republics SPV Ltd. under participation note as at December 31, 2018	\$ 51,763,156
Recognition of net change in unrealized capital gains tax liability on investments in securities held by the Fund on behalf of the SPV	(709,019)
Recognition of realized gain during the year on investments in securities held by the Fund on behalf of the SPV	–
Recognition of unrealized appreciation during the year on investments in securities held by the Fund on behalf of the SPV	6,645,483
Proceeds from sale of securities held by the Fund on behalf of the SPV	–
Decrease in payable held by the Fund on behalf of the SPV	9,188
Due to Firebird Republics SPV Ltd. under participation note as at December 31, 2019	\$ 57,708,808

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

11. Related Party Transactions (continued)

Included in related parties are the following entities in which the Fund and Affiliates have a greater than 20% aggregate interest in the entity and/or a Director(s) seat is held.

Name of Company	2019 Ownership by the Fund and Affiliates	2019 Investments Held by the Fund	Industry
Amber Trust	2.34%	\$ 251,136	Miscellaneous
Arco Vara AS	7.70	455,575	Real Estate
Caspian Energy	20.00	107,323	Oil & Gas
Global Gold Corp	48.27	13,010	Gold
Iron Wolf Partners L.P.	45.85	530,878	Miscellaneous
PR Foods	58.92	658,991	Food
Georgian Beverages Holdings	13.02	2,663,601	Consumer Products

All investments in the above companies are carried at fair value, as discussed in Note 2.

12. Investment Risks

The Fund's investments are based principally in the emerging economies of Russia, the other former Soviet republics, and other Eastern European countries (the "Target Region"). Therefore, they are subject to the risks inherent in those economies including, but not limited to:

- Political Risk** Changes in government policy of countries in the Target Region (such as nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, social instability or diplomatic developments) could adversely affect the economies of the countries in the Target Region. In addition, geopolitical conflicts between countries in the Target Region, or between such countries and Western countries, could lead to sanctions or other restrictions that could adversely affect existing and potential investment opportunities for the Fund;

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

12. Investment Risks (continued)

- **Legal Risk** Many of the laws that govern private and foreign investment, securities transactions, creditors' rights and other contractual relationships in countries in the Target Region are relatively untested and not fully developed. As a result, the Fund may be subject to a number of unusual risks, including contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that difficulties in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations. Laws and regulations of countries in the Target Region could change quickly and unpredictably and may impose restrictions or approvals that do not exist in countries with more developed market economies;
- **Market Risk** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods where stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods;
- **Exchange and Currency Risk** At present, some of the currencies of countries in the Target Region are not freely and fully convertible into other currencies or traded internationally. Currency exchange values are also subject to direct and indirect government controls. Such internal exchange markets can therefore be said to be neither liquid nor competitive. Historically, many currencies in the Target Region have experienced sharp devaluations relative to the U.S. dollar and other Western currencies. The value of investments in the Fund will be affected by fluctuations in the value of local currencies against the U.S. dollar or by changes in local exchange control regulations, tax laws, withholding taxes, and economic or monetary policies. Additionally, since several of the countries in the Target Region are either Eurozone members or have local currencies pegged to the Euro, fluctuations in the Euro's value against the U.S. dollar will affect the Fund. Adverse fluctuations in currency exchange rates can result in a decrease in net return and in a loss of capital. Accordingly, investors must recognize that the value of Class A, Class M Common shares and Allocation shares can fall as well as rise for this reason;

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

12. Investment Risks (continued)

- **Investments through Subsidiaries** The Fund may make investments in portfolio companies through wholly-owned or jointly-owned subsidiaries under certain circumstances, for example to minimize exposure to certain taxes, to facilitate future sales of portfolio companies, or to facilitate an initial offering of stock of the holding company on an international stock exchange. These subsidiaries may have different depositaries, administrators and/or auditors than the Fund, or may have no such depositary, administrator or auditors. Therefore, the use of these subsidiaries may subject the Fund to additional risks that would not have been incurred if investments were made directly;
- **Illiquidity of Investments** Securities held by the Fund may be subject to greater price volatility than is usually the case with stocks in more developed markets, in some cases to a substantial degree. A limited number of issuers often represent a disproportionately large percentage of market capitalization and trading value in markets in the Target Region. Also, the Fund may invest in securities that are acquired from companies in offerings that are not registered under U.S. or other securities laws. Such securities may be illiquid, may not be actively and widely traded, may only be traded by a limited number of institutional investors, or may not be traded at all. Registered securities may also be “deregistered” after they are acquired by the Fund;
- **Settlement Risk** The clearing, settlement and registration systems through which transactions are executed and settled in certain countries in the Target Region are significantly less developed than those in more mature world markets. This can result in significant delays and other material difficulties in settling trades and in registering transfers of securities;
- **Quality of Information** Investors in the Target Region often have access to less reliable or less detailed information, including both general economic data and information concerning the operations, financial results, capitalization and financial obligations, earnings and securities of specific enterprises. The quality and reliability of information available to the Fund may, therefore, in some cases, be less than in respect of investments in Western countries;

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

12. Investment Risks (continued)

- **Taxation in Target Region** Investments by the Fund in the Target Region will have differing tax consequences. Not all jurisdictions in the Target Region have tax treaties providing relief from capital gains or other taxes. Consequently, the Fund may be subject to substantial taxation in certain jurisdictions. In order to minimize the tax consequences of investments, the Fund may invest through the Subsidiary or create investment vehicles in other jurisdictions or make investments directly. Tax laws and administration in certain countries in the Target Region, however, are fluid and often capricious, and there can be no assurance that the Fund will be able to anticipate all taxes or will be able to create a structure to minimize taxes in any particular jurisdiction;
- **Accounting Practices** Accounting standards in many nations in the Target Region frequently do not correspond to international accounting standards or generally accepted accounting practices in all material respects. In addition, auditing requirements and standards may differ from those generally accepted in the international capital markets and, consequently, information available to investors in developed capital markets is not always obtainable in respect of companies in the Target Region;
- **Criminality** Organized crime and corruption, including extortion and fraud, remain common in many countries in the Target Region. Threats or incidents of crime may cause or force the Fund to cease or alter certain activities or liquidate certain investments, which may cause losses or otherwise have a material adverse effect on the Fund.

The above risks are not unique in the context of emerging markets investing.

The Fund could be affected, for the foreseeable future, by these risks and their consequences, and the effects could be significant. The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Fund's consolidated financial statements in the period when they become known and estimable.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Indemnifications

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

14. Financial Highlights

Financial highlights for the year ended December 31, 2019, were as follows:

	<u>Class A</u>
Total return before performance allocation	19.87%
Performance allocation	<u>(0.13)%</u>
Total return after performance allocation	<u>19.74%</u>
Ratios to average shareholders' capital	
Total expenses before performance allocation	(2.63)%
Performance allocation	<u>(0.11)%</u>
Total expenses after performance allocation	(2.74)%
Net investment income	<u>2.85%</u>

Shares are issued within classes to each investor by series. These series are permanent and will remain outstanding until the investor fully redeems. As a result, the Fund presents financial highlights consistent with those presented for a partnership, which are ratios to average net assets and total return, but not per share data.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

15. Credit Facilities

As of December 31, 2019, the Fund had a credit agreement (“Credit Facility”) with Swedbank AS, pursuant to which the Fund has granted security over its assets held at Swedbank AS in order to have access to funds on a short-term basis to fulfill redemption requests in limited circumstances, as determined by the Advisor. Pursuant to the terms of the Credit Facility, the Fund can borrow up to \$2,500,000. This line of credit is at market rates and as at December 31, 2019, there were no outstanding amounts due.

16. Subsequent Events

Management has evaluated events subsequent to year-end and through March 31, 2020, the date the financial statements were available to issue. During this period, the Fund recorded \$36,683 of contributions and \$4,162 of withdrawals.

As a result of the COVID-19 pandemic occurring subsequent to year end, there has been disruption occurring in economies globally. At this stage we can not predict the longer term impact on the operating results of the Fund.