VENEZUELAN DOMESTIC DEBT FUND LTD.
Curaçao

Financial Statements

September 30, 2010

With independent auditors’ report thereon

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The Board of Directors
Venezuelan Domestic Debt Fund Ltd.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Venezuelan Domestic Debt Fund Ltd. (the "Fund"), which comprise the statement of financial position, as at September 30, 2010, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Trade register Curaçao no. 75187 (O)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements "investment objective". As of September 30, 2010, the Fund holds investments in highly liquid and publicly traded debt instruments which are not in accordance with the current investment objective of the Fund (refer to schedule of investments on page 5). The Fund is in the process of updating its offering memorandum to expand its investment objective, i.e. to include cash investments and highly-liquid and publicly-negotiable securities in any currency.

Curaçao,
May 15, 2012

KPMG ACCOUNTANTS B.V.

André Delger, RA

Statement of financial position
As at September 30,2010

(in VEF)	Notes	2010	2009
Assets			
Investments, at fair value (cost: 2010: VEF24,972,529, 2009: VEF19,604,508)		24,613,077	19,068,588
Cash and cash equivalents		22,724,798	2,532,113
Interest receivable		244,572	77,423
Other assets		22,801	16,909
Total assets		**47,605,248**	**21,695,033**
Equity			
Non redeemable voting non profit sharing share	3	1	1
Liabilities			
Management fees payable	4	418,960	240,094
Directors fees payable		13,845	13,845
Administrative fees payable	5	64,316	14,310
Professional fees payable		147,639	81,000
Other payables and accrued expenses		359,753	152,896
Redemptions payable		6,392,127	-
Total liabilities (excluding net assets attributable to holders of redeemable shares)		**7,396,640**	**502,145**
Net assets attributable to holders of redeemable shares		**40,208,607**	**21,192,887**
Net asset value per redeemable share [82,698.65 shares outstanding (2009 : 53,576.86)]	3	**486.21**	**395.56**

Schedule of investments
As at September 30, 2010

Nominal Value		Maturity	Cost	Fair Value
			(in VEF)	*(in VEF)*
	Investment in debt instruments			
195,000	Abbott Laboratories (ABT 4.125)	05/2020	1,730,484	1,716,895
195,000	Anheuser Busch Inveb Wor (ABIBB 5.375)	01/2020	1,809,602	1,780,723
195,000	Cigna Corp. (CI 6.35)	03/2018	1,890,281	1,854,868
195,000	Dominion Resources Inc. (D 5.2)	08/2019	1,833,814	1,803,928
195,000	Ecopetrol SA. (ECOPE 7.625)	07/2019	1,942,566	1,908,836
195,000	Empresas Public Medellin 7.625	07/2019	1,922,456	1,893,060
195,000	Kraft Foods Inc. (KFT 6.125)	07/2019	1,885,728	1,864,238
195,000	Lorillard Tobacco Co. (LO 6.875)	05/2020	1,709,763	1,668,606
195,000	NII Capital Corp. (NIHD 10)	08/2013	1,819,691	1,722,164
195,000	Nokia Corp. (NOKIA 5.375)	05/2019	1,766,279	1,794,463
195,000	Target Corp. (TGT 3.875)	07/2020	1,674,242	1,660,860
195,000	Time Warner Inc. (TWX 4.875)	03/2020	1,720,558	1,711,421
195,000	Vale Overseas Ltd. (VALE BZ 4.625)	09/2020	1,603,713	1,584,065
195,000	Wal - Mart Stores (WMT3.625)	07/2020	1,663,352	1,648,950
	Total Investments in debt instruments		**24,972,529**	**24,613,077**

As at September 30, 2009

Nominal Value		Maturity	Cost	Fair Value
			(in VEF)	*(in VEF)*
	Investment in debt instruments			
1,500,000	US Treasury N/B 11/15/2011 - 1.75%	11/2011	8,452,477	8,222,148
2,000,000	US Treasury N/B 12/31/2010 - 0.875%	12/2010	11,152,031	10,846,440
	Total Investments in debt instruments		**19,604,508**	**19,068,588**

Statement of comprehensive income
Year ended September 30, 2010

(in VEF)	Note	2010	2009
Net realized (loss) gain on investments		(1,711,122)	31,988,422
Net realized (loss) gain on foreign currency exchange		(149,507)	225,902
Change in unrealized appreciation/ (depreciation) on investments		176,468	(13,966,427)
Change in unrealized gain (loss) on foreign currency exchange		1,613,549	(2,808,272)
Interest income		394,584	38,433
Other income		-	7
Investment income		**323,972**	**15,478,065**
Expenses			
Management fee	4	178,866	302,905
Directors fee	4	13,845	13,844
Administration fee	5	219,166	229,666
Audit fee		103,408	90,399
Other expenses		120,224	142,051
Operating expenses		**635,509**	**778,865**
Net investment (loss) income		**(311,537)**	**14,699,200**
Changes in net assets from operations attributable to holders of redeemable shares		**(311,537)**	**14,699,200**

Statement of changes in net assets attributable to holders of redeemable shares
Year ended September 30, 2010

(in VEF)	**2010**	**2009**
Balance at the beginning of the year	**21,192,887**	**66,549,121**
Changes in net assets from operations attributable to holders of redeemable shares	(311,537)	14,699,200
Issue of redeemable shares during the year	174,432,320	42,437,693
Redemption of redeemable shares during the year	(155,105,063)	(102,493,127)
Net assets attributable to holders of redeemable shares at end of the year	**40,208,607**	**21,192,887**

Statement of cash flows
Year ended September 30, 2010

(in VEF)	2010	2009
Cash flows from operating activities		
Changes in net assets from operations attributable to holders of redeemable shares	(311,537)	14,699,200
Adjustments to reconcile changes in net assets from operations attributable to holders of redeemable shares cash (used in) from operating activities:		
Purchases of investments	(89,145,556)	(36,984,343)
Proceeds from sale of investments	82,066,413	100,835,724
Net realized loss (gain) on investments	1,711,122	(31,988,422)
Change in unrealized appreciation/depreciation on investments	(176,468)	13,966,427
Increase in interest receivable	(167,149)	(77,423)
Increase in other assets	(5,892)	(6,194)
Increase in professional fee payable	66,639	10,341
Decrease in directors fee payable	-	(12,875)
Increase in management fee payable	178,866	122,273
Increase (decrease) in administration fee payable	50,006	(45,090)
Increase in other payables and accrued expenses	206,857	133,392
Net cash (used in) from operating activities	**(5,526,699)**	**60,653,010**
Cash flows from financing activities		
Proceeds from issue of redeemable shares	174,432,320	42,437,693
Payments on redemption of redeemable shares	(148,712,936)	(102,493,127)
Net cash from (used in) financing activities	**25,719,384**	**(60,055,434)**
Net increase in cash and cash equivalents	**20,192,685**	**597,576**
Cash and cash equivalents at beginning of the year	2,532,113	1,934,537
Cash and cash equivalents at the end of the year	**22,724,798**	**2,532,113**
Supplemental cash flows information:		
Interest received	227,435	38,433
Cash and cash equivalent consist of the following:		
Cash at brokers	22,721,355	2,527,146
Cash at bank	3,443	4,967

Notes to the financial statements
September 30, 2010

(1) Description of business and summary of significant accounting policies

Venezuelan Domestic Debt Fund Ltd. (the “Fund”) is a collective investment company incorporated with limited liability in Curaçao on September 16, 2005.The Fund commenced operations on January 1, 2006.

The Fund has been formed to provide professional investors with a vehicle that allows direct exposure to debt securities issued by the Bolivarian Republic of Venezuela and/or to purchase public obligations of the U.S. Treasury, thereby allowing investors to obtain market exposure to either of those securities in an easily tradable form as shares listed on an international Stock exchange.

In order to achieve its investment objective the Fund will seek to hold portfolio of transferable debt securities issued by the Bolivarian Republic of Venezuela and /or to purchase public obligations of the U.S. Treasury. As of September 30, 2010, the Fund holds investments in highly liquid and publicly traded debt instruments which are not in accordance with the current investment objective of the Fund (refer to schedule of investments in page 5). The Fund is in the process of updating its offering memorandum to expand its investment objective i.e. to include cash investments and highly-liquid and publicly-negotiable securities in any currency.

The Fund’s shares are listed on the Bermuda Stock Exchange.

The Funds financial statements were authorized for issue by the directors on May 15, 2012.

Statement of compliance
The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

Basis of preparation
The functional currency of the Fund is USD and the presentation currency of the financial statements is Venezuelan Bolivar Fuerte (“VEF”), and rounded to the nearest VEF. 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 (“redeemable shares”).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period or future period if the revision affects both current and future period.

The accounting policies have been applied consistently by the Fund.

Segment Reporting
An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Fund’s other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of audit, directors’ and other operating expenses.

Foreign currency translation
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 VEF at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlement 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 VEF at the foreign currency exchange rate 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 gain or loss on investments.

At September 30, 2010, the currency exchange rate used in these financial statements is VEF8.09 (2009: VEF 5.4) against USD1. The exchange rates fluctuated during the year ranging from VEF4.9 to VEF8.35 (2009: VEF 3.28 to VEF 6.85). The exchange rate used is the Parallel Rate Exchange for the VEF. Although it is not an official rate of exchange, it constitutes a legal rate of exchange, as it is derived from security transactions which, in management’s opinion, are expressly exonerated from Venezuela’s Law against Exchange Crimes.

Financial instruments

Classification
Investments are classified at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in debt instruments.

Financial assets that are classified as receivable include cash and cash equivalents, interest receivable and other assets.

Financial liabilities that are not at fair value through profit or loss include payables for management fees, directors fees, administration fees, professional fees, other payables and accrued expenses and financial liabilities arising on redeemable shares.

Recognition
The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognized using trade date accounting. From this date any gains and losses arising from changes in fair values of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognized unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

Measurement
Financial instruments are measured initially at fair value plus, in case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

Subsequent to initial recognition, all instruments classified at fair value through profit or losses are measured at fair value with changes in the fair value recognized in the statement of comprehensive income.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective interest rate. Financial liabilities arising from the redeemable shares issued by the Fund are carried at the redemption amount representing the investors’ right to a residual interest in the Fund’s assets.

Fair value measurement principles
Fair values of financial assets and financial liabilities are instruments are based on their quoted market prices at the reporting date without any deduction for estimated future selling cost .Financial assets are priced at current bid price, while financial liabilities are priced at current asking prices.

The carrying amount of the Fund’s financial assets and financial liabilities at the reporting date approximated their fair values.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the financial assets and the transfer qualifies for derecognition in accordance with IAS 39. The Fund uses the first-in first-out method to determine realized gain or losses on derecognition.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Cash and cash equivalents

Cash comprises current deposits with banks and brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Fund's cash and cash equivalents represent cash at bank amounting VEF3,443 (2009: VEF4,967) and cash at broker amounting VEF22,721,355 (2009: VEF2,527,146).

Redeemable shares

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investors share in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the redemption amount.

Interest income

Interest income and expense are recognized in the statement of comprehensive income as they accrue, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

Interest income includes the amortization of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on debt instruments at fair value through profit or loss is accrued using the original effective interest rate and recognized as interest income within the statement of comprehensive income. Interest income is recognized on a net basis, excluding withholding tax, if any.

New standards and amendments to standards effective January 1, 2009

Presentation of financial statements

The Fund applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of January 1, 2009. As a result, the Fund presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. The application of the amended requirements did not have any impact on the Fund's financial statements.

Disclosures pertaining to fair values and liquidity risk for financial instruments

The Fund has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between the different levels of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons for such changes are required to be disclosed for each class of financial instruments. Revised disclosures in respect of fair values of financial instruments are included in note 7.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. Revised disclosures in respect of liquidity risk are included in note 7 to the extent applicable.

Puttable financial instruments and obligations arising on liquidation
Effective January 1, 2009, the Fund has applied amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation that provide exemptions from financial liability classification for:

- puttable financial instruments that meet certain conditions
- certain instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

The application of the amended requirements did not have any impact on the Fund's financial statements

Segment reporting
As of October 1, 2009, the Fund determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Fund's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8, Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting.

Comparative segment information has been re-presented in conformity with the transitional requirements of this standard. The change in accounting policy only impacts presentation and disclosure aspects.

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, 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognized in the financial statements of the Fund. However, IFRS 9 will change the classification of financial assets.

IFRS 9, Financial Instruments
The standard is not expected to have an impact on the measurement basis of the financial assets since the majority of the Fund's financial assets are measured at fair value through profit or loss.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial assets and financial liabilities. Its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

IFRS 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Other requirements of IFRS 9 relating to classification and measurement of financial liabilities are unchanged from IAS 39.The requirements of IFRS 9 relating to derecognition are unchanged from IAS 39.

The standard is effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The Fund does not plan to adopt this standard early.

IFRS 13, Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The standard explains 'how' to measure fair value when it is required or permitted by other IFRSs. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard requires enhanced disclosures regarding the valuation techniques and inputs used to develop the measurements for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position, and the effect of the measurements on profit or loss or other comprehensive income on fair value measurements using significant unobservable inputs.

The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Fund does not plan to adopt this standard early.

(2) Curaçao profit tax

Under current system of taxation in Curaçao, the Fund is currently exempt from paying taxes on income, profits or capital gains. The Fund has received an undertaking from the Inspector of Taxes of Curaçao to be exempt from paying taxes under certain conditions.

(3) Share capital

The share capital of the Fund is divided into an unlimited number of redeemable Non – Voting, Profit Sharing Shares and one Non – redeemable Voting Non – Profit Sharing share. At September 30, 2010 and 2009, the Voting Share is issued and held by Sequoian Financial Group Ltd. which is affiliated with the Investment Manager.

The redeemable share capital of the Fund shall at all times equal the Net Asset value. For the period of five years from the date of incorporation, the Managing Directors are empowered to issue shares of VEF1 par value in the Fund. The minimum initial subscription is the equivalent in VEF of USD50,000. The Managing Directors are entitled in their absolute discretion from time to time to accept or reject any applications for shares.

Share transactions for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
(Number of shares)		
Shares outstanding at the beginning of the year	53,576.86	201,874.96
Shares subscribed during the year	376,525.74	100,104.66
Shares redeemed during the year	(347,403.95)	(248,402.76)
Shares outstanding at the ending of the year	**82,698.65**	**53,576.86**

(4) Related party transactions

Investment management agreement

Pursuant to an investment management agreement, dated September 8, 2005, Sequoian Asset Management LLC (the “Investment Manager’’), a Delaware limited liability company, furnishes investment management services to the Fund. For its services the Fund pays the Investment Manager a monthly fee at an annual rate of one percent (1%) per annum, multiplied by the net asset value of the Fund as of the last business day immediately preceding the payment date. For the year ended September 30, 2010, the management fees amounted to VEF178,866 (2009: VEF302,905)

The Investment Manager of the Fund is also the Managing Director of the Fund.

Entities related to the Investment Manager either directly or indirectly held 57,687.74 shares (69.76%) as of September 30, 2010 (2009: 37,563.10 shares (70.28%)) of the shares of the Fund.

Directors
The Board of Directors of the Fund consisted of the following members: Mr.Oswaldo J.Lairet and Mr. J.Robert M. Ellis. The remuneration shall not exceed the aggregate amount of USD10,000 per annum for providing service as director(s) to the Fund. For the year ended September 30, 2010, the director(s) fees amounted to VEF13,845 (2009: VEF13,844).

(5) Administrative Agreement

Up to December 31, 2008, the Fund was administered by SS&C Fund Services N.V and from January 1, 2009, Amicorp Fund Services N.V is the administrator for the Fund (collectively the “Administrators”). Pursuant to an agreement, the Administrators of the Fund receive an administrative fee based on the net assets. The administrator shall also be reimbursed for all out of pocket expenses. For the year ended September 30, 2010, administrative expenses amounted to VEF219,166 (2009: VEF229,666).

(6) Financial assets and liabilities at fair value through profit and loss

For the year ended September 30, 2010, financial assets at fair value through profit and loss consisted of investment of VEF24,613,077 which represented 61.21% of net assets (2009: VEF19,068,588 which represented 89.98% of net assets).

For the year ended September 30, 2010, the Fund incurred a net loss of VEF1,534,654 (2009: net gain of VEF18,021,995) from investments.

(7) Financial instruments and associated risks

The Fund maintains positions in a variety of derivative and non-derivative financial instruments as dictated by its investment management strategy. The Fund’s investment portfolio consists of investments in debt securities.

The Fund's investment activities expose it to various types of risk, both on and off balance sheet, which are associated with the financial instruments and markets in which it invests. These financial instruments expose the Fund, in varying degrees, to elements of market risk, credit risk and liquidity risk.

Asset allocation is determined by the Investment Manager who manages the distribution of the assets to achieve the investment objective. Divergence from target asset allocations and the composition of the portfolio is monitored by the Investment Manager.

The nature and extent of the risks associated with the financial instruments outstanding at the reporting date are discussed below. The following summary is not intended to be a comprehensive summary of all risks and investors should refer to the offering memorandum for a more detailed discussion of the risks inherent in investing in the Fund.

Market risk
Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

The Fund’s strategy on the management of investment risk is driven by the Fund’s investment objective. The Fund’s market risk is managed by the Investment Manager in accordance with policies and procedure in place as described in the offering memorandum. The Fund’s overall market positions are monitored on an ongoing basis by the Board of Directors.

Details of the Fund’s investment portfolio at reporting date are disclosed in the schedule of investments on page 5.

Currency risk
The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund’s assets or liabilities denominated in currencies other than the USD.

The Fund's total net exposure to fluctuations in foreign currency exchange rates at the reporting date were as follows:

	Monetary assets	Non-monetary assets	Monetary liabilities	Non-monetary liabilities	Net exposure
(in VEF)					
September 30, 2010					
VEF	3,443	22,262	-	(419,226)	(393,521)
September 30, 2009**					
VEF	21,875	-	-	(240,094)	(218,219)

***2009 figures have been adjusted in order to present the results from methods used to prepare these numbers in line with those used in the current year.*

Sensitivity analysis
At September 30, 2010, had the USD strengthened by 5 % in relation to the VEF, with all other variables held constant, net assets attributable to holders of redeemable shares per the statement of comprehensive income would have decreased by VEF19,676 (2009: VEF10,911). In practice, the actual trading results may differ from the sensitivity analysis above and the difference could be material.

A 5 % weakening of the USD against the VEF would have resulted in an equal but opposite effects on the above financial statements amounts to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk
The Fund invests in interest bearing instruments. Interest bearing financial assets mature or reprice in the short term, no longer than twelve months. As results, the Fund is subject to limited exposure to fair value interest rate risks due to fluctuations in the prevailing levels of market interest rate.

Sensitivity analysis
The sensitivity analysis below has been determined based on the Funds exposure to variable interest rate for interest bearing assets and liabilities at the reporting date. As at September 30, 2010, the interest bearing assets and liabilities consisted of cash and cash equivalents and investments in debt instruments which amounted to VEF47, 337,875 (2009: VEF21,600,701). The analysis assumes that the stipulated change takes place at the beginning of the financial year and is held constant throughout the reporting period in the case of instruments that have floating rate. A 100 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the possible change in the interest rates. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

For the year ended September 30, 2010, an increase of 100 basis points in annualized effective interest rates, applied to the amounts outstanding at the reporting date would have increased the net assets attributable to the holders of redeemable shares by VEF473,378 or 118 basis points (2009: VEF216,007 or 102 basis points). A decrease of 100 basis points would have had an equal but opposite effect.

Price risk
Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of 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 net operating results.

Credit risk
Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Investment Manager monitors the exposure to credit risk on an ongoing basis.

At September 30, 2010, the following financial assets were exposed to credit risk: investments, cash and cash equivalents and interest receivable. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates also to financial assets carried at amortized cost, as they have a short-term to maturity. Total carrying amount of financial assets exposed to credit risk amounted to VEF47.5million (2009: VEF21.7 million)

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered minimal due to the short settlement period involved.

Liquidity risk
The Fund's constitution provides for the creation and cancellation of shares on a weekly basis and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

The Fund's liquidity risk is managed on an ongoing basis by the Investment Manager in accordance with policies and procedures in place. The Fund's overall liquidity risks are monitored on a monthly basis by the Board of Directors.

The contractual maturities of financial liabilities are one year or less.

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

Level 1 - Quoted market price (unadjusted) in an active market for identical instruments.

Level 2 - Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from the market data.

Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Fund management. Fund management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Fund management's perceived risk of that instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, Fund management's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Fund management uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation techniques
Investments in securities, which are traded on a recognized exchange, are valued based on quoted market prices. For financial assets, the Fund uses the current bid price as the appropriate quoted market price; whereas current asking price is used as the appropriate quoted market price for financial liabilities. Investments whose values are based on quoted market prices in active markets are therefore categorized in Level 1 of the fair value hierarchy. Fund management does not adjust the quoted price for such instruments, even in situations where the Fund holds a large position and a sale could reasonably impact the quoted price.

Fair value measurements
The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with IFRS 7. See Note 1 for a discussion of the Fund's policies.

The following table presents information about the Fund's assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

	Balance at September 30, 2010	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(in VEF)				
Assets				
Investments in debt instruments	24,613,077	24,613,077	-	-
Total	**24,613,077**	**24,613,077**	-	-

There were no significant transfers between the levels for the year ended September 30, 2010.

(8) Segment Information

The Fund is organized into one operating segment which allows direct exposure to debt securities issued by the Bolivarian Republic of Venezuela and/or to purchase public obligations of the U.S. Treasury. The Fund's reporting format is geographical segments based on location of the investments.

The Fund operates in one main geographical area which is the United States of America. The information about the Fund's operating segment are as follows:

	2010	2009
(in VEF)		
Investment income	323,972	15,478,058

	2010	2009
(in VEF)		
Total investments	24,613,077	19,068,588

To determine the geographical segment for financial instruments the following rules have been applied:

- Listed non - monetary financial instruments (excluding derivatives) place of primary listing;
- Unlisted non - monetary financial instruments (excluding derivatives) place of incorporation of the issuer;
- Derivatives place of registration of the counterparty or if traded on an active market, place of stock exchange; and
- Monetary financial instruments place of incorporation of the debtor.

(9) Personnel

The Fund had no direct employees during the year ended September 30, 2010 and 2009.

(10) Subsequent Events

The capital subscription and redemption from the Fund amounted to VEF601,570,241 and VEF567,516,892 respectively, for the period from October 1, 2010 to May 15, 2012.

As of May 15, 2012, the Fund does not hold any security positions.