HIGHFIELD FUND LTD.

Annual Report and Audited Financial Statements
For the year ended 31 December 2014

Annual Report and Audited Financial Statements contents

Directors and service providers

Company	Highfield Fund Ltd. Aurum House 35 Richmond Road Hamilton HM 08 Bermuda
Directors	Dudley R Cottingham Tina Gibbons Adam Hopkin Christopher C Morris Meliosa O'Caoimh† Bronwyn Wright† Anthony Stent-Torriani Adam Sweidan

†Independent Directors in accordance with Irish Stock Exchange Listing requirements for Investment Funds

Promoter & Investment Adviser	Aurum MAM Fund Management Ltd. Aurum House 35 Richmond Road Hamilton HM 08 Bermuda
Custodian	Northern Trust Fiduciary Services (Ireland) Limited George's Court 54-62 Townsend Street Dublin 2 Ireland
Administrator Sub-Registrar and Transfer Agent	Northern Trust International Fund Administration Services (Ireland) Limited George's Court 54-62 Townsend Street Dublin 2 Ireland
Bermuda Administrator, Registrar & Secretary	Global Fund Services Ltd. Century House 16 Par-la-Ville Road Hamilton HM 08 Bermuda
Auditor	KPMG Chartered Accountants 1 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland
Bermuda Legal Advisers	Conyers Dill & Pearman Limited Clarendon House 2 Church Street PO Box HM 666 Hamilton HM CX Bermuda

Directors' report

The Directors have the pleasure to present the audited financial statements of Highfield Fund Ltd. (the "Company") for the year ended 31 December 2014 and report as set out herein in respect of matters required under Bermuda Law.

At 31 December 2014 the Net Asset Value per Participating Share was US$113.67 (2013: US$109.32).

No dividends have been declared in the year ended 31 December 2014 (2013: US$Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2014 (2013: US$Nil).

Connected parties

Transactions carried out with the Company by the Administrator, Investment Adviser, Custodian and Directors ("connected parties") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the Shareholders.

The Directors are satisfied all transactions with connected parties entered into during the year were conducted at arm's length prices.

Market Review

The Company returned 3.98% for the year ended 31 December 2014.

At the beginning of 2014 the investment world was largely focusing on US monetary policy and what the ongoing Quantitative Easing (“QE”) tapering would mean for global markets. As it had been widely argued that the Fed has supported liquidity flows – and hence asset prices – since 2008, many investors began positioning for a world in the absence of aggressive Fed stimulus. This largely included taking positions to profit from rising US government yields and conservative positions that had been the largest beneficiaries of Quantitative Easing – namely credit, equities, and emerging market assets. While many managers got the policy outcomes correct (the Fed ended its QE program in October as planned), market movements were far from expected. The elephant in the room was clearly US Treasury yields, which after rising in 2013 hit its high for 2014 in January and retreated thereafter. Macro managers particularly suffered as they expected rates to rise across the yield curve as monetary policy began to normalise. Yields in Europe fell as well as the economy failed to ignite and an expectation of yet further stimulus began to be priced into the market. This later view in Europe became even more consensus as commodities fell over the second half of the year and erased any inflation concerns the European Central Bank (“ECB”) may have had.

One of the more common themes in 2013 – Japanese reflation – also disappointed in 2014, as volatility in the Nikkei and yen led to managers reducing risk. This was despite the encouraging policy developments with regard to Japanese pension allocation changes and reaffirmations by the country's leaders with regard to tackling deflation.

Having said this, currency strategies were perhaps the most successful area for macro funds over the year. While some managers benefitted over more nuanced cross-rate exposures, the strength of the US dollar against most currencies was the standout contributor. This remains a key theme in several portfolios going into 2015, especially as monetary policies in the US and the rest of the world are expected to diverge even further.

In equities, the primary story of the year was the major US indices hitting numerous all-time highs. Again, this surprised many portfolio managers due to expected slowdown in earnings and multiple expansions, as well as QE coming to an end in the fourth quarter. US markets overcame a number of hiccups witnessed over the year, including sharp reversals in the consumer and technology sectors in March and April, and large intra-month swings in the fourth quarter, especially in October and just before Christmas, only to end the year very strong. Event driven strategies had a mixed year, with merger arbitrage strategies hit by two high profile deal breaks (in particular the AbbVie / Shire break) as well as US rulings on Fannie Mae and Freddie Mac.

Perhaps the most dramatic move in 2014 was the fall in oil and energy prices. While the move in hindsight now seems an obvious case of oversupply and stagnating demand, during the year uncertainty and tensions with regard to Russia and Middle East violence still kept oil prices elevated. As such, participation by hedge funds was somewhat limited, although it is expected that the implications of the move will create significant opportunities across the macro and multi-strategy areas for some time.

Directors' report (continued)

Market Review (continued)

The main driver of the Company's performance over the year was the strong contribution from the multi-strategy and equity allocations and the relative underperformance of the macro allocation. Within the multi strategy allocation all seven managers had positive years, which remains the Company's largest position and had an extremely strong and consistent year. The equity allocation contributed well, with the highest performing fund showing strong alpha and negligible exposure to the broader market. Macro had a disappointing year throughout as a number of core themes at the beginning of the year failed to materialise, particularly in US rates markets. One macro fund was added later in the year, and struggled especially in the last quarter due to move in European yields.

Outlook

Looking into the year ahead we feel that a major determinant for asset moves will be the strength of underlying economies in the absence of US quantitative easing. While the ECB may have announced an aggressive stimulus package in January, it is generally believed that the problems of Europe are more structural than those in the US, and that the ECB's action will have less impact on the flow of investment capital. In the absence of QE it is likely that the opportunity cost for investment will be higher and that volatility may increase. While sharp spikes in volatility are not often welcomed, a moderate rise we feel would be healthy for Aurum's underlying strategies. As the year unfolds we believe there is a strong composition of relative value managers that have performed consistently well in previous years, as well as more directional managers that can opportunistically trade around the major market developments.

Thanks

We thank the Shareholders for their support and look forward to further opportunities for continued growth.

Director
21 April 2015

Independent Auditors' Report to the Shareholders of Highfield Fund Ltd.

We have audited the accompanying financial statements of Highfield Fund Ltd. (the "Company") for the year ended 31 December 2014, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Holders of Participating Shares, the Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as they determine 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

KPMG
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland
21 April 2015

Portfolio Statement
as at 31 December 2014

Sector Analysis	US$	% of Total Net Assets	US$	% of Total Net Assets
Multi-Strategy			15,109,328	44.96%
Fund 1	4,327,990	12.88%		
Fund 2	3,597,106	10.70%		
Fund 3	2,851,034	8.48%		
Fund 4	2,620,668	7.80%		
Fund 5	1,712,530	5.10%		
Macro			10,447,471	31.09%
Fund 6	2,155,640	6.42%		
Fund 7	1,866,147	5.55%		
Fund 8	1,844,437	5.49%		
Fund 9	1,478,286	4.40%		
Fund 10	1,137,453	3.38%		
Fund 11	869,263	2.59%		
Fund 12	811,243	2.41%		
Fund 13	285,002	0.85%		
Equity Strategies			7,600,872	22.62%
Fund 14	2,348,474	6.99%		
Fund 15	1,658,086	4.94%		
Fund 16	1,234,318	3.67%		
Fund 17	847,244	2.52%		
Fund 18	762,750	2.27%		
Fund 19	750,000	2.23%		
Systematic			4,264,871	12.69%
Fund 20	2,259,682	6.72%		
Fund 21	2,005,189	5.97%		
Total investments	37,422,542	111.36%	37,422,542	111.36%
Other assets	500,964	1.49%	500,964	1.49%
Total Assets	37,923,506	112.85%	37,923,506	112.85%
Other liabilities	(4,317,991)	(12.85%)	(4,317,991)	(12.85%)
Total Net Assets	33,605,515	100.00%	33,605,515	100.00%

Portfolio Statement
as at 31 December 2013

Sector Analysis	US$	% of Total Net Assets	US$	% of Total Net Assets
Multi-Strategy			11,238,184	41.65%
Fund 1	2,617,719	9.70%		
Fund 2	2,583,673	9.58%		
Fund 3	2,497,165	9.25%		
Fund 4	2,403,842	8.91%		
Fund 5	1,135,785	4.21%		
Macro			9,859,710	36.54%
Fund 6	2,042,215	7.56%		
Fund 7	1,988,522	7.37%		
Fund 8	1,500,000	5.56%		
Fund 9	1,060,190	3.93%		
Fund 10	1,027,430	3.81%		
Fund 11	1,007,990	3.74%		
Fund 12	855,706	3.17%		
Fund 13	377,657	1.40%		
Equity Strategies			7,335,658	27.19%
Fund 14	3,015,964	11.18%		
Fund 15	1,666,604	6.18%		
Fund 16	1,531,250	5.67%		
Fund 17	1,121,840	4.16%		
Total investments	28,433,552	105.38%	28,433,552	105.38%
Other assets	1,052,023	3.90%	1,052,023	3.90%
Total Assets	29,485,575	109.28%	29,485,575	109.28%
Other liabilities	(2,502,642)	(9.28%)	(2,502,642)	(9.28%)
Total Net Assets	26,982,933	100.00%	26,982,933	100.00%

Statement of Comprehensive Income
for the year ended 31 December 2014

2013 US$		note	2014 US$
	Gains from financial assets at fair value through profit or loss		
1,132,943	Net gain on investments	2	1,774,512
1,132,943	**Total revenue**		1,774,512
	Operating expenses		
217,647	Investment Adviser fees	3	304,903
84,602	Incentive fee	3	160,127
18,392	Administrator fees	4	25,133
7,904	Custodian fees	5	11,058
30,000	Directors' fees		30,000
8,023	Audit fee		7,227
13,526	Net interest expense		14,961
33,574	Other operating expenses		36,276
413,668	**Total operating expenses**		589,685
719,275	**Change in net assets attributable to holders of Participating Shares resulting from operations**		1,184,827

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 31 December 2014

2013 US$		note	2014 US$
	Assets		
	Financial assets at fair value through profit or loss		
28,433,552	Investments at fair value	2, 11	37,422,542
	Financial assets measured at amortised cost		
1,050,644	Securities sold receivable		493,643
1,379	Other receivables		7,321
29,485,575	**Total assets**		37,923,506
	Liabilities		
	Financial liabilities measured at amortised cost		
22,534	Investment Adviser fees payable	3	28,034
26,656	Incentive fees payable	3	-
2,486	Administrator fees payable	4	2,934
813	Custodian fees payable	5	1,022
2,285,859	Bank overdraft	2, 7	1,274,761
14,294	Other payables		11,240
150,000	Subscriptions to shares not yet allotted		3,000,000
2,502,642	**Total liabilities (excluding net assets attributable to holders of Participating Shares)**		4,317,991
26,982,933	**Net Assets attributable to holders of Participating and Sponsor Shares**	6	33,605,515
26,982,931	**Net Assets attributable to holders of Participating Shares**	8	33,605,513
	Equity		
2	Net Assets attributable to holders of Sponsor Shares	6	2
2	**Total Equity**		2

These financial statements were approved by the Directors on 21 April 2015 and signed on their behalf by:

Director
21 April 2015

Director
21 April 2015

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Participating Shares
for the year ended 31 December 2014

	US$
Balance at 1 January 2014	26,982,931
Change in net assets attributable to holders of Participating Shares resulting from operations	1,184,827
Subscriptions during the year	6,490,788
Redemptions during the year	(1,053,033)
Balance at 31 December 2014	33,605,513
Balance at 1 January 2013	16,835,640
Change in net assets attributable to holders of Participating Shares resulting from operations	719,275
Subscriptions during the year	12,063,480
Redemptions during the year	(2,635,464)
Balance at 31 December 2013	26,982,931

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2014

2013 US$		2014 US$
	Cash flows from operating activities	
	Change in net assets attributable to holders of	
719,275	Participating Shares resulting from operations	1,184,827
(18,817,332)	Purchase of investments	(15,716,197)
8,880,040	Proceeds from sales of investments	9,058,720
	Adjustment for non cash items and working capital	
(796,866)	Net unrealised gain on investments	(952,410)
(336,077)	Net realised gain on investments	(822,102)
	Changes in operating assets and liabilities	
18,450	Increase in receivables	(5,942)
19,370	Increase/(Decrease) in payables	(23,553)
(10,313,140)	**Net cash outflow from operating activities**	(7,276,657)
	Cash flows from financing activities	
12,213,480	Subscriptions for shares	9,340,788
(2,635,464)	Redemption of shares	(1,053,033)
9,578,016	**Net cash inflow from financing activities**	8,287,755
(735,124)	**Net (decrease)/increase in cash and cash equivalents**	1,011,098
(1,550,735)	Cash and cash equivalents at the beginning of the year	(2,285,859)
(2,285,859)	**Cash and cash equivalents at the end of the year**	(1,274,761)

The accompanying notes form part of these financial statements.

1. General

Highfield Fund Ltd. (the "Company") was incorporated in Bermuda on 19 February 2010 under the Companies Act 1981 as amended and acts as an investment company.

The Company's investment objective is to achieve long-term capital growth by investing either directly or indirectly through selected funds or investment managers, in a strategically determined mix of global fixed income securities, equity securities, derivative securities, currencies and other investment assets with an emphasis on long-term growth.

The audited financial statements were approved by the Board of Directors on 21 April 2015.

2. Significant Accounting Policies

The significant accounting policies which have been applied are set out below.

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit or loss that have been measured at fair value.

The accounting policies have been applied consistently by the Company and are consistent with those used in the previous year, other than for the effect of any new standards adopted.

The financial statements have been prepared on a going concern basis.

The functional currency of the Company is the US dollar as the Directors have determined that this reflects the Company's primary economic environment. The presentation currency of the financial statements is also the US dollar.

Changes in accounting policy

- The Company has adopted "Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)" from 1 January 2014. The Company has no legally enforceable right to set-off, therefore the amendment did not have any impact on the Company's financial statements.

New standards and interpretations applicable to future reporting periods

There are standards and interpretations issued but not effective that have not been adopted in these financial statements:

- IFRS 9 "Financial instruments", effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets as being at fair value through profit or loss.

The Directors anticipate that the adoption of standards or interpretations currently in issue but not yet effective will have no material impact on the financial statements of the Company in the period of initial application.

2. Significant Accounting Policies (continued)

Assets and liabilities

Investments

The Company classifies its financial investments (assets and liabilities) into categories in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

The Company, on initial recognition, designates investments at fair value through profit or loss as, in doing so, it results in more relevant information because the investments and related liabilities are managed as a group of financial assets and liabilities and performance is evaluated on a fair value basis and reported to key management personnel accordingly. Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the date of measurement.

Investments are recorded on the trade date at which point the Company becomes a party to the specific investment. Initial measurement of fair value is based on the transaction price at the trade with any transaction costs being expensed immediately. After initial measurement any changes in fair value, and realised gains or losses, related to investments are recognised in the Statement of Comprehensive Income within net gain on investments.

The Company may from time to time hold investments in collective investment schemes ("Investee Funds") that are advised by Aurum MAM Fund Management Ltd. (the "Investment Adviser") and Investee Funds advised by Aurum Fund Management Ltd, and these Investee Funds are referred to as “MAM Funds”,"Aurum Funds" or "other Aurum Funds".

Investments in Investee Funds are recorded at the net asset value per share as reported by the administrators of the Investee Funds at the measurement date which the Directors believe to best represent fair value. Where administrators are unable to provide net asset value per share the Directors make their own assessment of fair value based on available information. In determining fair value the Directors take into consideration, where applicable, the impact of suspension of redemptions, liquidation proceedings, investments in side pockets and any other significant factors.

At 31 December 2014 there were no instances wherein the administrator was unable to provide the net asset value per share or that the Directors considered it necessary to make any adjustment to the net asset value per share provided in order to arrive at fair value.

Financial assets at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and they are carried at amortised cost. The Company includes in this category cash and cash equivalents, amounts receivable from brokers, if any, and other receivables. The amortised cost of a financial asset is the amount at which the instrument is measured at initial recognition (its fair value) adjusted for initial direct costs, minus principal repayments, plus or minus the cumulative amortisation, using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Financial liabilities at amortised cost

The Company includes in this category expenses payable for investments purchased.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

For the year ended 31 December 2014, and 31 December 2013, there were no financial assets or liabilities subject to enforceable master netting arrangements or similar agreements which would require disclosure.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, they expire or they are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or it expires.

2. Significant Accounting Policies (continued)

Assets and liabilities (continued)

Participating Shares

Under IFRS, Participating Shares redeemable at the Shareholder's option are classified as financial liabilities and the format of the Statement of Financial Position reflects this in accordance with IAS 32 "Financial Instruments: Presentation". The net assets attributable to holders of Participating Shares are stated at the redemption amount on the reporting date without discounting.

Sponsor Shares

Sponsor Shares are classified as equity based on the substance of the contractual arrangements between the Company and the Sponsor Shareholder and in accordance with the definition of equity instruments under IAS 32. The Sponsor Shareholder's equity is stated at amortised cost.

Translation of foreign currencies

Transactions in currencies other than US dollar are recorded at the rate prevailing on the date of the transaction. At each reporting date, non US dollar denominated monetary items and assets and liabilities measured at fair value are retranslated at the rate prevailing on the reporting date. Foreign currency exchange differences related to investments at fair value through profit or loss are included in net gain on investments. All other differences are reflected in net profit or loss for the year.

Net gain on investments

Net gain on investments includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest.

Net realised gain on investments is calculated using the average cost method.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing instruments on an effective interest rate yield basis.

Cash and Cash Equivalents and Bank Overdrafts

Cash and cash equivalents comprise cash balances held at banks. Bank overdrafts are repayable on demand.

In the Statement of Cash Flows, cash and cash equivalents are shown net of any short term overdrafts which are repayable on demand, and form an integral part of the Company's cash management.

Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Taxation

The Company has received an undertaking from the Ministry of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act, 1966 exempting the Company from Bermuda income, profit, capital transfer or capital taxes, should such taxes be enacted, until 31 March 2035.

Use of Estimates and Judgements

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

Revisions to accounting estimates are recognised in the year in which an estimate is revised. The areas of estimates which have the most significant effect on the amounts recognised in the financial statements are disclosed within note 10 'Financial Instruments and Risk Exposure' and note 11 'Fair Value Measurement'.

2. Significant Accounting Policies (continued)

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; restricted activities, a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, insufficient equity to permit the structured entity to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company may invest in entities whose objectives range from achieving medium to long term capital growth. The investments are managed by related and unrelated asset managers and apply various investment strategies to accomplish their respective investment management objectives. The investments finance their operations by issuing redeemable shares and interests which are puttable at the holder's option and entitle the holder to a proportional stake in the respective investment's net assets. Where the Directors consider that the investment displays some of the features and attributes of a structured entity to varying degrees, they will present disclosures related to structured entities for all investments, where obtainable, as they consider these disclosures may be of relevance to investors.

3. Investment Adviser Fee and Incentive Fee

The Company pays the Investment Adviser (i) a monthly Advisory fee of 0.083333% (equivalent to approximately 1% per annum) of the Net Asset Value of the Participating Shares of the Company as at the relevant month end; and (ii) a monthly incentive fee of 10% of the increase, if any, of the Net Asset Value of the Participating Shares of the Company as at the end of each month, over the Base Value of the Participating Shares of the Company, or if higher the Net Asset Value of the Participating Shares of the Company on the last date in respect of which an incentive fee was paid (the high water mark in respect of the Company). The Base Date is the 31 December immediately prior to the month and the Base Value is the Net Asset Value of the Participating Shares of the Company as at that date. For the purposes of this calculation it is assumed that all the Participating Shares in issue at the valuation day were in issue at the Base Date or the high water mark date as the case may be and had a Net Asset Value equal to the Net Asset Value of each Participating Share in the Company at the Base Date or the high water mark date as the case may be. These fees are calculated before all Investment Adviser, Administrators and Custodian fees, Directors' fees, audit fees, formation and sundry expenses for the month concerned have been deducted and are paid monthly in arrears. In so far as the Company invests in other Aurum Funds or MAM Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such Aurum Funds or MAM Funds.

4. Bermuda Administrator, Registrar, Secretary and Administrator Fees

The Company pays to the Secretary, Bermuda Administrator and Registrar and the Administrator and Sub-Registrar (collectively the "Administrators") an annual fee of US$1,500 plus a monthly fee which, subject to a minimum, will be no greater than 1/12 of 0.085% of the Net Asset Value of the Company. These fees are calculated before all fees payable to the Investment Adviser, Administrators, Custodian and Directors, audit fees, formation and sundry expenses for the month concerned are deducted, are paid monthly in arrears and are subject to a US$2,000 minimum per month. The Administration Fee may be subject to reduction if the total Administration Fees from other Aurum Funds exceed specified limits. In so far as the Company invests in other Aurum Funds or MAM Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such Aurum Funds or MAM Funds, but the minimum will remain applicable.

5. Custodian Fee

The Company pays to the Custodian a monthly fee no greater than 1/12 of 0.04% of the Net Asset Value of that part of the assets of the Company entrusted to the care of the Custodian. This fee is calculated before all fees payable to the Investment Adviser, Administrators, Custodian and Directors, audit fees, formation and sundry expenses for the month concerned are deducted, is paid monthly in arrears, is subject to a US$1,000 minimum per month and may be subject to reduction if the total Custodian Fees from Aurum Funds exceed specified limits.

5. Custodian Fee (continued)

In addition, the Custodian shall receive from the Company a transaction fee of US$150 for each transaction conducted, pursuant to the Custodian Agreement. In so far as the Company invests in other Aurum Funds or MAM Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such Aurum Funds or MAM Funds, but the minimum, including transaction fees, will remain applicable.

6. Share Capital

	December 2014 US$	December 2013 US$
Authorised share capital of US$0.002 par value per share		
1,000 Sponsor Shares (presented as equity in accordance with IAS 32)	2	2
4,999,000 Participating Shares (presented as a liability in accordance with IAS 32)	9,998	9,998
Authorised share capital	10,000	10,000

All of the Sponsor Shares have been issued to and are beneficially owned by the Investment Adviser. The Sponsor Shares do not carry the right to participate in the assets of the Company in a winding up, except to the extent of repayment of par value paid in cash, nor in any dividends or other distribution of the Company so long as any Participating Shares are in issue.

The Participating Shares are entitled to receive, to the exclusion of the Sponsor Shares, any dividends which may be declared by the Board of the Company and, upon the winding up of the Company, their par value and any surplus remaining after paying to the holders of the Sponsor Shares the par value of the Sponsor Shares (to the extent actually paid up in cash). The Sponsor Shares have the general voting powers of the Company and the holders of Participating Shares are entitled to receive notice of and attend all general meetings of the members.

	Number of Participating Shares		Number of Participating Shares
Opening at 1 January 2014	246,814.17	Opening at 1 January 2013	159,415.53
Issued during the year	58,367.35	Issued during the year	111,961.81
Redeemed during the year	(9,541.63)	Redeemed during the year	(24,563.17)
Closing at 31 December 2014	295,639.89	**Closing at 31 December 2013**	246,814.17

Statement of Changes in Sponsor and Participating Shares

	Sponsor Shares US$	Participating Shares US$	Share Premium and Return allocated to Participating Shareholders US$	Total US$
Balance at 1 January 2014	2	493	26,982,438	26,982,933
Change in net assets attributable to holders of Participating Shares resulting from operations			1,184,827	1,184,827
Subscriptions during the year		117	6,490,671	6,490,788
Redemption during the year		(19)	(1,053,014)	(1,053,033)
Balance at 31 December 2014	2	591	33,604,922	33,605,515
Balance at 1 January 2013	2	318	16,835,322	16,835,642
Change in net assets attributable to holders of Participating Shares resulting from operations			719,275	719,275
Subscriptions during the year		224	12,063,256	12,063,480
Redemption during the year		(49)	(2,635,415)	(2,635,464)
Balance at 31 December 2013	2	493	26,982,438	26,982,933

7. Bank Overdraft

The Company has a facility with Northern Trust Company, London Branch and any outstanding bank overdraft is secured over the portfolio of the Company. This facility was transferred from Northern Trust (Guernsey) Limited on 17 May 2014.

8. Net Asset Value per Participating Share

The Net Asset Value per Participating Share is calculated by dividing the net assets attributable to holders of Participating Shares included in the Statement of Financial Position by the number of Participating Shares in issue at the year end.

	December 2014 US$	December 2013 US$
Net Asset Value per Participating Share		
Net assets attributable to holders of Participating Shares (US$)	33,605,513	26,982,931
Issued Participating Shares (number of shares)	295,639.89	246,814.17
Net Asset Value per Participating Share (US$)	113.67	109.32

9. Related Parties

In accordance with IAS 24 "Related Party Disclosures" the related parties to the Company are outlined below.

The Company's connected and related parties include the Directors, the Administrator, the Investment Adviser and the Custodian.

Directors

Mrs T Gibbons and Mr A Hopkin are Directors of the Investment Adviser. Mr C C Morris, Mr D R Cottingham, Mr A Sweidan and Mr A J Stent-Torriani are Directors of, and directly and indirectly hold shares in, the Investment Adviser with Mr A J Stent-Torriani being a Director and Shareholder in Monaco Asset Management S.A.M. Mr D R Cottingham and Mr C C Morris are Directors of Global Fund Services Ltd., the Bermuda Administrator. Mr A Hopkin and Mr C C Morris are Directors of Continental Sponsors Ltd., the sponsoring broker on the Bermuda Stock Exchange.

Ms M O'Caoimh is employed by an associate of the Irish Administrator as Senior Vice President.

The Investment Adviser owns all of the Sponsor Shares of the Company, and is itself owned 50% each by Aurum Fund Management Ltd. and Monaco Asset Management. S.A.M.

At 31 December 2014, Directors and Persons so connected did not hold any Participating Shares in the Company (2013: Nil)

During the year, the Company had dealings with other Aurum Funds and funds in which the Investment Adviser had a significant interest by reason of the direct or indirect ownership of Sponsor Shares therein, the dealings were conducted in order to balance the portfolio of investments, and those dealings may be identified as follows:

	2014 US$	2013 US$
Sales of investments to such other funds	496,659	1,123,031
Purchases of investments from such other funds	250,000	5,250,000

At the end of the year, there were no amounts due to or from such other funds (31 December 2013: US$Nil).

The above figures exclude amounts due to the Investment Adviser which are shown in the body of the financial statements.

10. Financial Instruments and Risk Exposure

The Company, in the normal course of business, enters into investment transactions in financial instruments through investments in Investee Funds. Financial instruments include investments, cash, interest receivable, dividends receivable, subscriptions receivable, bank overdrafts, accrued expenses, redemptions payable and Participating Shares presented as financial liabilities. The carrying value of these financial instruments in the financial statements approximates their fair value. For the year ended 31 December 2014 all other assets and liabilities, other than Investments at fair value, whose carrying amounts approximate fair value would have been considered to be classified within Level 2 of the fair value hierarchy if such classification was required.

Asset allocation is determined by the Board of Directors who manage the distribution of the assets to achieve the investment objectives set out in note 1 'General'. Divergence from target asset allocations and the composition of the portfolio is monitored by the Board of Directors.

The Company is limited by the prospectus as to the percentage of assets that may be invested into any one investment in order to diversify risk. The holding of such instruments gives exposure to market risk, credit risk, currency risk and liquidity risk.

Market Risk

Market risk is the risk that the market price of the financial instrument will fluctuate due to changes in foreign exchange rates, market interest rates, market factors specific to the security or its issuer or factors affecting all securities traded in the market. All investments are recognised at fair value, and all changes in market conditions directly affect net income.

The Company's market risk is managed by the Company within a rigorous risk management framework including diversification of the investment portfolio. The risk management policy includes initial and subsequent due diligence reviews of all underlying investments of entities included in the portfolio.

Market risk – interest risk; the Investee Funds do not pay interest, and as a result are subject to limited risk due to fluctuations in the prevailing levels of market interest rates on these investments.

Market risk – currency risk; the risk that the value of a financial instrument may fluctuate due to changes in the price of one currency against another.

Market Risk – Other Price Risk

Other price risk is the risk that the value of an investment may fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or all factors affecting all instruments traded in the market. As the majority of the Company's investments are carried at fair value with fair value changes recognised through the Statement of Comprehensive Income, all changes in market conditions may directly affect net income.

Other price risk is mitigated by the Board of Directors constructing a diversified portfolio of investments traded on various markets. The Company does not use sensitivity analysis to measure market risk.

The right of the Company to request redemption of its investments in Investee Funds ranges in frequency from weekly to semi-annually. The Company invests across a broad range of fund managers, which have been classified under the following investment strategies:

Equity strategies involve the buying and selling of listed equities based on a wide range of varying opinions, research, and forecasting techniques. The most common type is based on fundamental research based on company analysis (earnings growth etc), although the presence of automatic and quantitatively based trading styles has proliferated in recent years.

Multi-Strategy Funds Utilise a variety of investment strategies with the goal of generating a smooth return that is not reliant on one type of market condition to generate returns. In general the Aurum Funds and MAM Funds invest in managers that are biased to our favoured strategies of systematic, macro, fixed income and equity trading but these managers may also hold some allocation to credit and arbitrage strategies.

Macro is one of the most classical hedge fund strategies. Portfolio Managers have a wide range of tools at their disposal including stocks, bonds, and derivatives, and seek to profit from movements in global interest rates, equity markets, commodity prices, and foreign exchange values. Positions tend to be thematic in nature, backed by rigorous economic research and political insight.

10. Financial Instruments and Risk Exposure (continued)

Market risk – other price risk (continued)

Systematic encompasses a range of strategies that are all researched, developed and traded using quantitative methods. This will likely involve the use of computer algorithms, automated execution systems and vast types and amounts of data.

The following table reflects the exposure of the Company to the above listed strategies:

As at 31 December 2014

Strategy	Number of funds	Range of Net Asset Value of Investee Fund (US$m)	Weighted average of net asset value of Investee Fund (US$m)	Fair value US$	% of Net Assets
Multi-Strategy	5	974 - 7,721	4,517	15,109,328	44.96%
Macro	8	1 - 6,700	3,681	10,447,471	31.09%
Equity Strategies	6	1 - 995	381	7,600,872	22.62%
Systematic	2	594 - 4,000	2,399	4,264,871	12.69%
Total	21			37,422,542	111.36%
Net other assets and liabilities				(3,817,027)	(11.36%)
Total Net Assets				33,605,515	100.00%

As at 31 December 2013

Strategy	Number of funds	Range of Net Asset Value of Investee Fund (US$m)	Weighted average of net asset value of Investee Fund (US$m)	Fair value US$	% of Net Assets
Multi-Strategy	5	1 - 7,092	3,051	11,238,184	41.65%
Macro	8	895 - 5,625	3,652	9,859,710	36.54%
Equity Strategies	4	1 - 597	336	7,335,658	27.19%
Total	17			28,433,552	105.38%
Net other assets and liabilities				(1,450,619)	(5.38%)
Total Net Assets				26,982,933	100.00%

The sum total of fair values shown in the above table are reflected in the audited Statement of Financial Position on page 8 as Investments at fair value.

The Company's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds. Once the Company has disposed of its shares in an Investee Fund the Company ceases to be exposed to any risk from that Investee Fund. The Company's investment strategy entails trading in Investee Funds on a regular basis. Total purchases in Investee Funds during the year ended 31 December 2014 were US$15,716,197 (31 December 2013: US$18,817,332). Total sales of Investee Funds during the year ended 31 December 2014 were US$9,058,720 (31 December 2013: US$8,880,040). As at 31 December 2014, and 31 December 2013, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

During the year ended 31 December 2014 total net gain on investments in Investee Funds was US$1,774,512 (31 December 2013: US$ 1,132,943).

The Investee funds do not pay interest, and as a result are subject to limited risk due to fluctuations in the prevailing levels of market interest rates on these investments.

Market Risk - Currency Risk

The Company invests in Investee Funds which are denominated in US dollars.

The Investee Funds in which the Company invests have full discretion as to the currencies in whose shares their investments are denominated. Consequently, performance of the Investee Funds may be subject to fluctuations in foreign currency exchange rates.

10. Financial Instruments and Risk Exposure (continued)

Credit Risk and other price risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Certain markets which may be traded by the Company or any Investee Funds in which the Company invests, for example the inter-bank market in currencies, the swaps market and the government securities market are "principal's markets" in which they are fully subject to the risk of counterparty default.

Credit risk is managed by the Company through initial and subsequent due diligence reviews of all underlying investments, as already stated. The diversification of the investment portfolio reduces the overall credit risk to the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. This relates also to financial assets carried at amortised cost, as they have a short term to maturity.

The carrying amounts as at year end were:

	December 2014 US$	December 2013 US$
Securities sold receivable	493,643	1,050,644
Other receivables	7,321	1,379
Carrying amount representing credit risk exposure	500,964	1,052,023

Credit risk arising on transactions with brokers relates to transactions awaiting settlement and cash collateral provided against open contracts. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit rating and financial positions of the brokers used to further mitigate the risk.

Substantially all of the assets of the Company, including cash, are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality of the Custodian used by the Company. The Custodian is a wholly owned subsidiary of Northern Trust Corporation. As at 31 December 2014, Northern Trust Corporation had a Long Term Rating from Standard and Poor's of A+.

Depending on the requirements of the jurisdictions in which the investments of the Company are issued, the custodian may generally, without affecting its potential liability, use the services of one or more sub - custodians.

The board of Directors analyses and controls credit concentration based on the counterparty, industry and geographical location of the financial assets that the Company holds.

There are 2 individual investments which exceed 10% of the net assets attributable to the holders of participating shares as at 31 December 2014 (31 December 2013: 1)

Liquidity Risk

Liquidity risk is the risk that difficulties may be encountered in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

At various times, the markets for some securities purchased or sold by the Company may be illiquid, making purchases or sales of securities at desired prices or in desired quantities difficult or impossible.

As there is not always a recognisable market for the investments made by the Company, it may be difficult to deal in any such investments at the value recorded in the Statement of Financial Position.

10. Financial Instruments and Risk Exposure (continued)

Liquidity Risk (continued)

The liquidity of the underlying investments of the Company is reviewed monthly based on the marketability of those investments. The diversification of the investment portfolio best reduces overall liquidity risk. No new arrangements have been employed by the Company in managing liquidity risk during the year.

Participating Shares in the Company may be redeemed at the Net Asset Value per Participating Share on the dealing day immediately following the valuation day, being the last business day of each month, on at least 90 days notice to the Administrator. The Company endeavours to pay the redemption proceeds within 30 days of the redemption date.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

As at 31 December 2014

Liabilities	< 1month US$	1 - 3 months US$	3 months to 1 Year US$	Total US$
Bank Overdraft	1,274,761	-	-	1,274,761
Investment Adviser fees payable	28,034	-	-	28,034
Incentive fees payable	-			
Administrator fees payable	2,934	-	-	2,934
Custodian fees payable	1,022	-	-	1,022
Other payables	11,240	-	-	11,240
Subscriptions to shares not yet allocated		-	3,000,000	3,000,000
Net assets attributable to holders of Participating Shares	-	-	33,605,513	33,605,513
Total Liabilities	1,317,991	-	36,605,513	37,923,504

As at 31 December 2013

Liabilities	< 1month US$	1 - 3 months US$	3 months to 1 Year US$	Total US$
Bank Overdraft	2,285,859	-	-	2,285,859
Investment Adviser fees payable	22,534	-	-	22,534
Incentive fees payable	26,656	-	-	26,656
Administrator fees payable	2,486	-	-	2,486
Custodian fees payable	813	-	-	813
Other payables	14,294	-	-	14,294
Subscriptions to shares not yet allocated		-	150,000	150,000
Net assets attributable to holders of Participating Shares	-	-	26,982,931	26,982,931
Total Liabilities	2,352,642	-	27,132,931	29,485,573

Leverage

The Company may use overall leverage up to a maximum of 30% of the Company's total assets, without double counting, from time to time for general investment purposes or to facilitate redemptions.

During the year the maximum leverage utilised by the Company, measured at any one month end, was less than 15% (2013: less than 27%).

11. Fair Value Measurement (continued)

The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

Valuation techniques shall maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of the fair value hierarchy under IFRS 13 are as follows:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument;
- 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: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques for which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which 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 the Company. The Company 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 Company categorises Investee Funds into which the Company may invest that provide their own monthly net asset value at level 2 as not independently sourced albeit that the Company does not doubt such net asset value.

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument.

Financial instruments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, includes all listed funds with regular independent quotes.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

As level 2 financial instruments include positions that are not traded in active markets or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

All other unquoted Investee Funds would be classified into level 3 category by default. Financial instruments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all.

11. Fair Value Measurement (continued)

The following table presents the financial instruments carried on the Statement of Financial Position by level within the valuation hierarchy as at 31 December 2014.

Financial assets at fair value through profit or loss at 31 December 2014	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Investee Funds	-	37,422,542	-	37,422,542
Financial assets at fair value through profit or loss at 31 December 2014	-	37,422,542	-	37,422,542

Financial assets at fair value through profit or loss at 31 December 2013	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Investee Funds	-	28,433,552	-	28,433,552
Financial assets at fair value through profit or loss at 31 December 2013	-	28,433,552	-	28,433,552

There have been no transfers between levels 1, 2 or 3 assets held in either year.

Details of the Company's Investment Portfolio's maturity profile are disclosed in the Liquidity Risk note on pages 19-20

12. Subsequent Events

No events have occurred in respect of the Company subsequent to the year end that may be deemed relevant to the accuracy of these financial statements.