

Jacana Diversified Fund Ltd.

Annual Report and Audited Financial Statements

For the year ended 31 December 2008

# Jacana Diversified Fund Ltd.

## Annual Report and Audited Financial Statements Contents

	Page
Directors and service providers	1
Directors report	3
Independent Auditors report to the members and directors	4
Portfolio Statement as at 31 December 2008	5
Portfolio Statement as at 31 December 2007	6
Statement of Comprehensive Income for the year ended 31 December 2008	7
Statement of Financial Position as at 31 December 2008	8
Statement of change in net assets attributable to holders of Participating Shares for the year to 31 December 2008	9
Statement of cashflows for the year to 31 December 2008	10
Notes to the Financial Statements	11

# Jacana Diversified Fund Ltd.

## Directors and service providers

<b>Company</b>	Jacana Diversified Fund Ltd. Aurum House 35 Richmond Road P.O. Box HM 1806 Hamilton HM 08 Bermuda  Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164
<b>Directors</b>	Dudley R Cottingham Adrian De Fay Christopher C Morris S Arthur Morris Adam Sweiden
<b>Custodian</b>	Northern Trust Fiduciary Services (Ireland) Limited George's Court 54 - 62 Townsend Street Dublin 2 Ireland  Tel: (353) (1) 542 2000 Fax: (353) (1) 542 2920
<b>Promoter and Investment Advisor</b>	Aurum Jacana Fund Management Limited Aurum House 35 Richmond Road P.O. Box HM 1806 Hamilton HM 08 Bermuda  Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164
<b>Administrator</b>	Northern Trust International Fund Administration Services (Ireland) Limited George's Court 54 - 62 Townsend Street Dublin 2 Ireland  Tel: (353) (1) 542 2000 Fax: (353) (1) 542 2920

## Jacana Diversified Fund Ltd.

**Bermuda  
Administrator**

Global Fund Services Ltd.  
Aurum House  
35 Richmond Road  
P.O. Box HM 1806  
Hamilton HM 08  
Bermuda

Tel: (1) (441) 292 7478  
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**Independent  
Auditor**

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland

Tel: (353) (1) 410 1000  
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**Sponsoring  
Broker for  
Bermuda Stock  
Exchange**

Continental Sponsors Ltd.  
Century House  
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**Legal  
Advisors in  
Matters of  
Bermuda Law**

Conyers Dill & Pearman  
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Hamilton HM CX  
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# Jacana Diversified Fund Ltd.

## Directors' Report

The Directors have the pleasure to present the Audited Annual accounts of the company for the year ended 31 December 2008 and report as set out herein in respect of matters required by the Bermuda Stock Exchange listing regulations.

At 31 December 2008 the Net Asset Value per Participating Share was US\$115.56 (2007: US\$157.88).

No dividends have been declared in the financial year ended 31 December 2008 (2007: US\$Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2008 (2007: US\$Nil).

### Review

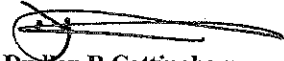
Jacana Diversified Fund Ltd. returned -26.81% for the full year. 2008 saw extraordinary turmoil in global financial markets as a deteriorating global economic outlook and acute instability across the world's banking system caused equity markets around the world to plummet, with the MSCI World Index falling -42.1%. The second half of the year, in particular, saw a rapid deterioration in investor sentiment and substantial deleveraging across multiple asset classes, causing heightened volatility and an unprecedented degree of downside correlation across every strategy that the Fund invests in, including equities, fixed income, and commodities.

### Outlook

Jacana Diversified Fund Ltd. has generated a compound annual return of 2.01%. We continue to believe that the Fund is invested with the highest quality managers who will, over the long term, be able to successfully navigate the current period of heightened volatility and uncertainty to generate solid returns over the long term for Jacana Diversified Fund Ltd.

### Thanks

We thank the shareholders for their support and look forward to the return of long term growth



**Dudley R Cottingham**  
Director

12 May 2009

# Jacana Diversified Fund Ltd.

## Independent Auditor's Report to the Members and Directors of Jacana Diversified Fund Ltd

We have audited the accompanying financial statements of Jacana Diversified Fund Ltd ("the Company"), which comprise the statement of financial position and portfolio statement as at 31 December 2008 and the statement of comprehensive income, statement of changes in net assets attributable to holders of Participating Shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

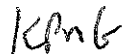
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 principles 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 opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



KPMG  
Chartered Accountants

1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland  
12 May 2009

# Jacana Diversified Fund Ltd.

## Portfolio Statement as at 31 December 2008

<b>Sector Analysis</b>	<b>US\$</b>	<b>% of Fund</b>	<b>US\$</b>	<b>% of Fund</b>
<b>Equity - Trading</b> Fund 1	1,955,774	19.07	1,955,774	19.07
<b>Equity - Multi Strategy</b> Fund 2	627,038	6.11	627,038	6.11
<b>Equity - Fundamental</b> Fund 3	366,814	3.58	366,814	3.58
<b>Multi Strategy - General</b> Fund 4	1,834,034	17.88	1,834,034	17.88
<b>Total investment:</b>	<b>4,783,660</b>	<b>46.65</b>	<b>4,783,660</b>	<b>46.65</b>
<b>Other assets</b>			<b>5,509,692</b>	<b>53.72</b>
<b>Other liabilities</b>			<b>(37,989)</b>	<b>(0.37)</b>
<b>Total Net Assets</b>			<b>10,255,363</b>	<b>100.00</b>

*The accompanying notes form part of these financial statements.*

# Jacana Diversified Fund Ltd.

## Portfolio Statement as at 31 December 2007

Sector Analysis	US\$	% of Fund	US\$	% of Fund
<b>Equity - Trading</b>			8,368,580	44.37
Fund 1	3,130,168	16.60		
Fund 2	2,165,386	11.48		
Fund 3	1,427,196	7.57		
Fund 4	1,133,882	6.01		
Fund 5	511,948	2.71		
<b>Equity - Fundamental</b>			2,519,585	13.36
Fund 6	1,313,560	6.96		
Fund 7	615,527	3.27		
Fund 8	590,498	3.13		
<b>Equity - Systematic</b>			983,831	5.22
Fund 9	983,831	5.22		
<b>Equity - Multi Strategy</b>			782,619	4.15
Fund 10	782,619	4.15		
<b>Multi-Strategy - Fund of Funds</b>			1,653,497	8.77
Fund 11	872,329	4.63		
Fund 12	781,168	4.14		
<b>Credit - Multi Strategy</b>			1,377,379	7.30
Fund 13	1,377,379	7.30		
<b>Macro - Directional</b>			1,067,780	5.66
Fund 14	1,067,780	5.66		
<b>Commodity - Multi Strategy</b>			984,918	5.22
Fund 15	984,918	5.22		
<b>Total investments</b>	<b>17,738,189</b>	<b>94.05</b>	<b>17,738,189</b>	<b>94.05</b>
<b>Other assets</b>			<b>1,166,939</b>	<b>6.19</b>
<b>Other liabilities</b>			<b>(45,197)</b>	<b>(0.24)</b>
<b>Total Net Assets</b>			<b>18,859,931</b>	<b>100.00</b>

*The accompanying notes form part of these financial statements.*



# Jacana Diversified Fund Ltd.

## Statement of Comprehensive Income for the year ended 31 December 2008

2007 US\$		Notes	2008 US\$
	<b>Income from financial assets at fair value through profit or loss</b>	2	
4,070	Net interest income		10,560
(601,121)	Net unrealised capital loss on investments and currencies		(5,208,249)
1,691,476	Net realised capital gain on investments and currencies		1,595,566
<b>1,094,425</b>	<b>Total Income from financial assets at fair value through profit or loss</b>		<b>(3,602,123)</b>
	<b>Expenses</b>	2	
290,891	Investment advisory fee	3	240,230
18,466	Incentive fee	3	0
18,679	Administration fee	4	14,531
7,957	Custodian fee	5	6,023
30,000	Directors' fees		30,000
8,846	Audit fee		9,265
17,187	Other operating expenses		16,908
<b>392,026</b>	<b>Operating expenses</b>		<b>316,957</b>
<b>702,399</b>	<b>Change in net assets attributable to holders of participating shares resulting from operations</b>		<b>(3,919,080)</b>

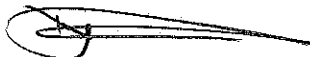
*The accompanying notes form part of these financial statements.*

# Jacana Diversified Fund Ltd.

## Statement of Financial Position as at 31 December 2008


2007 US\$		Notes	2008 US\$
<b>Assets</b>			
<b>Financial assets at fair value through profit or loss</b>			
17,738,189	Investments at fair value	2	4,783,660
<b>Loans and receivables</b>			
1,184,029	Cash and cash equivalents	2	5,509,530
2,230	Bank interest receivable		162
<b>18,924,448</b>	<b>Total Assets</b>		<b>10,293,352</b>
<b>Liabilities</b>			
<b>Financial liabilities measured at amortised cost</b>			
23,510	Investment advisory fee		17,127
2,085	Administration fee		1,550
617	Custodian fee		372
19,320	Subscriptions to shares not yet allotted		0
18,985	Other payables		18,940
<b>64,517</b>	<b>Liabilities (excluding amounts attributable to holders of participating shares)</b>		<b>37,989</b>
<b>18,859,931</b>	<b>Net Assets attributable to holders of participating shares and sponsor shares</b>	6	<b>10,255,363</b>
<b>18,859,921</b>	<b>Net Assets attributable to holders of participating shares</b>	8	<b>10,255,353</b>
<b>10</b>	<b>Net Assets attributable to holders of sponsor shares</b>	6	<b>10</b>
<b>119,453.83</b>	<b>Participating Shares Outstanding (number of shares)</b>	6	<b>88,742.92</b>
<b>157.88</b>	<b>Net Asset Value per Participating Share</b>	8	<b>115.56</b>

These financial statements were approved by the Directors on 12 May 2009 and signed on their behalf by:



**D.R. Cottingham**

**Director**



**C.C. Morris**

**Director**

*The accompanying notes form part of these financial statements.*

## Jacana Diversified Fund Ltd.

### Statement of Changes in Net Assets Attributable to Holders of Participating Shares for the year ended 31 December 2008

	Total US\$
<b>Balance at 1 January 2008</b>	<b>18,859,921</b>
Change in net assets attributable to holders of participating shares resulting from operations	(3,919,080)
Subscriptions during the year	177,340
Redemptions during the year	(4,862,828)
<b>Balance at 31 December 2008</b>	<b>10,255,353</b>
<b>Balance at 1 January 2007</b>	<b>20,410,308</b>
Change in net assets attributable to holders of participating shares resulting from operations	702,399
Subscriptions during the year	768,411
Redemptions during the year	(3,021,197)
<b>Balance at 31 December 2007</b>	<b>18,859,921</b>

*The accompanying notes form part of these financial statements.*

# Jacana Diversified Fund Ltd.

## Statement of Cash Flows for the year ended 31 December 2008

2007		2008
US\$		US\$
	<b>Cash flows from operating activities</b>	
	Change in net assets attributable to holders of participating	
702,399	shares resulting from operations	(3,919,080)
	<b>Adjustment for non cash items</b>	
(1,090,355)	Net gain/(loss) on investments	3,632,003
	<b>Changes in operating assets and liabilities</b>	
918	Decrease in debtors	2,068
(6,757)	Decrease in creditors	(26,528)
<b>(393,795)</b>	<b>Net cash used in operating activities</b>	<b>(311,537)</b>
	<b>Cash flows from investing activities</b>	
(3,619,747)	Purchase of investments	(2,007,569)
6,924,658	Proceeds from sales of investments	11,349,415
<b>3,304,911</b>	<b>Net cash inflow from investing activities</b>	<b>9,341,846</b>
	<b>Cash flows from financing activities</b>	
787,731	Issue of shares	158,020
(3,021,197)	Redemption of shares	(4,862,828)
<b>(2,233,466)</b>	<b>Net cash outflow from financing activities</b>	<b>(4,704,808)</b>
677,650	Net increase in cash and cash equivalents	4,325,501
<b>506,379</b>	<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,184,029</b>
<b>1,184,029</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>5,509,530</b>
	<b>Supplementary Information</b>	
4,988	Net interest received	12,628

*The accompanying notes form part of these financial statements.*

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008

### 1 General

Jacana Diversified Fund Ltd. ("the Company") was incorporated in the British Virgin Islands on 18 June 2001 and was re-domiciled to Bermuda under the Companies Act 1981 on 1 December 2003 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 12 May 2009.

### 2 Principal Accounting Policies

The principal 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 (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

#### Basis of Preparation

The financial statements are presented in the currency of the primary economic environment in which the Company operates, this is the US Dollar reflecting the fact that the redeemable Participating Shares are issued in US Dollars and the Company's operations are primarily conducted in US Dollars. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit and loss. All other assets and liabilities are stated at amortised cost.

The accounting policies have been applied consistently by the Company and are consistent with those used in the previous year.

The Company is organised and operates as one segment (in terms of both business and geography). Consequently, no segment reporting is provided in the Company's financial statements.

#### Investments

The Company on initial recognition designated investments as at fair value through profit and 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 on that basis.

Investments in collective investment schemes are recorded at the net asset value per share as reported by the administrators of such funds. Investment transactions are recorded on a settlement date basis. Realised capital gains and losses on investment transactions are determined on the weighted average cost basis and are included in the Statement of Comprehensive Income. Unrealised capital gains and losses from a change in the fair value of investments are recognised in the Statement of Comprehensive Income.

The Company may invest in Funds advised by Aurum Jacana Fund Management Limited (where such Funds exist) and Funds advised by Aurum Fund Management Ltd, these Funds are referred to as "other Aurum Jacana Funds" and "other Aurum Funds" respectively. The Company may also invest in Funds advised by Jacana Fund Management Ltd. and these Funds are referred to as "Jacana Funds".

Where administrators are unable to provide net asset value per share the Directors make their own assessment of value based on available information. In determining fair value, the Directors take into consideration where applicable, the impact of suspensions of redemptions, liquidation proceedings, investments in side pockets and any other significant factors.

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 2 Principal Accounting Policies (continued)

#### Investments (continued)

On September 15, 2008, Lehman Brothers International (Europe) (“Lehman”) was placed into administration. Lehman served as the prime broker for certain investment funds into which the Company was invested and which either suspended valuations and redemptions or materially wrote down the value of their Lehman affected assets. Because of the uncertain value of the affected investment funds the Directors have valued the affected assets at nil in assessing the net asset value at 31 December 2008 and at both prior and subsequent valuation dates. The net realizable value recorded as of 31 December 2008 may differ from the amounts ultimately realized due to the inherent uncertainties in any such estimation process. Such differences, if any, will be reported in future periods when additional information is provided by the administrators to the underlying fund investments.

Under IFRS, Participating Shares are treated as a Financial Liability and the format of the Statement of Financial Position reflects this position.

#### Translation of Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rates in effect at the date of the financial statements. Transactions in foreign currencies are translated into US dollars based on exchange rates on the date of the transaction.

#### Interest Income

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

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held at banks together with bank overdrafts. The bank overdrafts are repayable on demand and form an integral part of the Company’s cash management system.

#### 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 income, profit, capital transfer or capital taxes, should taxes be enacted, until 28 March 2016.

#### Expenses

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

#### Use of Estimates

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

#### Derecognition of Financial Assets and Liabilities

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, expire or are surrendered. Assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the settlement date. The Company uses the weighted average cost basis to determine the realised gain or loss on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 3 Investment Advisory Fee and Incentive Fee

The Company pays the Investment Advisor (i) a monthly fee of 0.16666% (equivalent to approximately 2% per annum) of the Net Asset Value of the Company as at relevant month-end; and (ii) a monthly incentive fee equal to 15% of the increase, if any, of the Net Asset Value of the Company as at the end of each month (adjusted for subscriptions and redemptions), over the Base Value of the Company adjusted for subscriptions and redemptions, increased by a factor of 0.83333% (equivalent to approximately 10% per annum) for each month (except in the case of subscriptions the first two months from subscription date) that has expired since the Base Date (or later subscription or redemption date) or if higher the Net Asset Value of the Company adjusted for subscriptions and redemptions on the last date in respect of which an incentive fee was paid. The Base Date is the 31 December immediately prior to the month end and the Base Value is the Net Asset Value of the Company at that date. These fees are calculated before all Investment Advisor, Administrator and Custodian fees, Directors' fees, audit fees, formation and sundry expenses for the month concerned and are paid monthly in arrears. In so far as the Company invests in other Aurum Jacana Funds or other Aurum Funds, no fees will be payable on the amount so invested. In so far as the Company invests in Jacana Funds, no Investment Advisor fees will be payable on the amount so invested.

### 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 will be no greater than 1/12 of 0.10% of the Net Asset Value of the Company. The fee is calculated before all fees payable to the Investment Advisor, Administrators and Custodian for the month concerned and is paid monthly in arrears and is subject to a US\$2,000 minimum per month and may be subject to reduction if the total Administration Fees from Aurum related Funds exceed specified levels. In so far as the Company invests in other Aurum Jacana Funds or other Aurum Funds, no fees will be payable on the amount so invested, but the minimum will remain applicable.

### 5 Custodian Fee

The Company pays to the Custodian a monthly fee no greater than 1/12 of 0.050% on 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 Advisor, Administrators, Custodian and Directors for the month concerned and is paid monthly in arrears and is subject to a US\$1,000 minimum per month and may be subject to reduction if the total Custodian Fees from Aurum related Funds exceed specified levels. In addition, the Custodian shall receive from the Company a transaction fee for each transaction conducted pursuant to the Custodian Agreement. In so far as the Company invests in other Aurum Jacana Funds or other Aurum Funds, no fees will be payable on the amount so invested, but the minimum will remain applicable.

### 6 Share Capital

	December 2008 US\$	December 2007 US\$
Authorised share capital of US\$0.01 par value per share		
1,000 Sponsor Shares	10	10
4,999,000 Participating Shares	49,990	49,990
	<b>50,000</b>	<b>50,000</b>

All of the Sponsor Shares have been issued to and are beneficially owned by the Investment Advisor. 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.

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 6 Share Capital (continued)

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 2008	119,453.83	Opening at 1 January 2007	133,768.06
Issued in year	1,140.41	Issued in year	4,859.49
Redeemed in year	(31,851.32)	Redeemed in year	(19,173.72)
Closing at 31 December 2008	88,742.92	Closing at 31 December 2007	119,453.83

#### Statement of Changes in Sponsor and Participating Shares

	Sponsor Shares US\$	Participating Shares US\$	Share Premium US\$	Return allocated to Participating Shareholders US\$	Total US\$
<b>Balance at 1 January 2008</b>	<b>10</b>	<b>1,195</b>	<b>12,432,703</b>	<b>6,426,023</b>	<b>18,859,931</b>
Change in net assets attributable to holders of participating shares				(3,919,080)	(3,919,080)
Subscriptions during the year		11	177,329		177,340
Redemptions during the year		(319)	(4,862,509)		(4,862,828)
<b>Balance at 31 December 2008</b>	<b>10</b>	<b>887</b>	<b>7,747,523</b>	<b>2,506,943</b>	<b>10,255,363</b>
<b>Balance at 1 January 2007</b>	<b>10</b>	<b>1,338</b>	<b>14,685,346</b>	<b>5,723,624</b>	<b>20,410,318</b>
Change in net assets attributable to holders of participating shares				702,399	702,399
Subscriptions during the year		49	768,362		768,411
Redemptions during the year		(192)	(3,021,005)		3,021,197
<b>Balance at 31 December 2007</b>	<b>10</b>	<b>1,195</b>	<b>12,432,703</b>	<b>6,426,023</b>	<b>18,859,931</b>

### 7 Bank Overdraft

The Company has a facility with Northern Trust (Guernsey) Limited and any outstanding bank overdraft is secured over the portfolio of the Company.



# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 8 Net Asset Value per Participating Share

The Net Asset Value per Participating Share is calculated by dividing the net assets less the par value of the Sponsor Shares included in the Statement of Financial Position by the number of Participating Shares in issue at the year end.

	December 2008	December 2007
Total Net Assets (US\$) Less Par Value of Sponsor Shares	10,255,353	18,859,921
Issued Participating Shares	88,742.92	119,453.83
Net Asset Value per participating share (US\$)	115.56	157.88

### 9 Related Parties

The Company, Administrators, Investment Advisor, Custodian and Directors are related parties by virtue of the material contracts in existence that are outlined in notes 3 to 5.

Mr S A Morris, Mr D R Cottingham, Mr C C Morris and Mr A De Fay are directors of the Investment Advisor. Mr S A Morris, Mr D R Cottingham, and Mr C C Morris are directors of Continental Sponsors Ltd, the sponsoring broker on the Bermuda Stock Exchange. Mr S A Morris, Mr D R Cottingham and Mr C C Morris are also directors of Global Fund Services Ltd, the Bermuda Administrator, and Aurum Fund Management Ltd. Mr A Sweiden is a Vice President of investments with Aurum Fund Management Ltd. Messrs S A Morris, D R Cottingham and A Sweiden directly and indirectly own shares in Aurum Fund Management Ltd.

Aurum Jacana Fund Management Limited is jointly owned and controlled by Aurum Fund Management Ltd. and Jacana Fund Management Ltd. The directors of the Company and Aurum Jacana Fund Management Limited may serve as directors of a number of other investment companies. Aurum Jacana Fund Management Limited owns the Sponsor Shares of the Company.

Persons connected to the Directors, as defined under Irish Stock Exchange listing requirements, directly and indirectly own all the Sponsor Shares of the Company. At 31 December 2008 Directors and Persons so connected did not directly or indirectly hold Participating Shares in the Company.

During the year the company had dealings with other Aurum funds, other Aurum Jacana Funds and Jacana Funds, the dealings may be identified as follows:

	2008 US\$	2007 US\$
Subscription to shares of such other funds	0	750,000
Redemption of shares of such other funds	0	750,000
Purchase of investments from such other funds	5,391,325	0

At the end of the year there were no amounts due to or from such other funds (2007: US\$Nil).

All transactions between all parties were at arm's length prices.

### 10 Financial Instruments and Risk Exposure

The Company, in the normal course of business, enters into investment transactions in financial instruments through investments in other funds. Financial instruments include investments, cash, interest receivable, dividends receivable, subscriptions receivable, bank overdrafts, accrued expenses and redemptions payable. The value of these financial instruments in the financial statements approximates their fair value.

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 10 Financial Instruments and Risk Exposure (continued)

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. 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, details of these percentages at the Statement of Financial Position date are outlined in the Portfolio Statement on page 5.

The holding of such instruments gives exposure to market risk, currency risk, credit risk, price 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 Company invests in US dollar quoted funds. The risk management policy includes initial and subsequent due diligence reviews of all underlying investments but it will be appreciated that the Company does not normally have access to the detailed underlying investments of entities included in the portfolio. The Company does not use sensitivity analysis to measure market risk as this analysis is not deemed to be meaningful due to the nature of the underlying investments. However, if the price of the underlying funds in the portfolio rose by 1% the net asset value of the portfolio before reduction of borrowings would also rise by 1%.

Details of the Company's Investment Portfolio as at the Statement of Financial Position date is disclosed in the Portfolio Statement on Page 5 that highlights the percentage exposure to each asset type.

#### *Price Risk*

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 Operations, all changes in market conditions may directly affect net income.

Investments in underlying funds are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates. In addition, these entities or their administrators may not provide values at all or in a timely manner and, to the extent that values are not available, those investments will be valued by the Directors using valuation techniques considered to be appropriate to those investments. The Directors believe that the valuations used are reasonable.

Price risk is mitigated by the board of directors constructing a diversified portfolio of investments traded on various markets. The diversity of investments is shown in the Portfolio Statement on page 5.

#### *Currency Risk*

The Company invests in collective investment schemes which are denominated in US dollars.

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

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 10 Financial Instruments and Risk Exposure (Continued)

#### Credit 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 of the markets which may be traded by the Company or any investment 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, and the exposure to credit risk is reflected in the carrying amounts in the Portfolio Statement on page 5. 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.

	2008 US\$	2007 US\$
Investments	4,783,660	17,738,189
Cash and cash equivalents	5,509,530	1,184,029
Other assets	162	2,230

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 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 the Company uses. The Custodian is a wholly owned subsidiary of Northern Trust Company, as at December 2008 Northern Trust Company had a Long Term Rating from Standard and Poor's of AA- denoting a very strong capacity to repay interest and principal.

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

#### Liquidity Risk

Liquidity risk is the risk that difficulties may be encountered in meeting obligations associated with financial liabilities.

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 at the Statement of Financial Position date.

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.

The Company considers that, as at the Statement of Financial Position date, all of the investments shown in the Portfolio Statement on page 5 would have been realisable within 90 days of that date either through redemption or sale, other than funds which have been partially sidepocketed or gated amounting to US\$nil of the net asset value.

# Jacana Diversified Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### Liquidity Risk (continued)

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.

### 11 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.