



# Man AHL Diversified (Cayman) Ltd. Table of Contents



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# Man AHL Diversified (Cayman) Ltd. Directory



#### **Board of Directors**

Ronan Daly Timothy Sweeting Jennifer Thomson

### Registered Office

Citco Trustees (Cayman) Limited 89 Nexus Way Camana Bay P.O. Box 31106 Grand Cayman KY1-1205 Cayman Islands

### Investment Manager and Introducing Broker

AHL Partners LLP Riverbank House 2 Swan Lane London EC4R 3AD United Kingdom

## Manager

Effective 1 March 2019: Man Asset Management (Cayman) Limited Fidelity Financial Centre, 2nd Floor West Bay Road P.O. Box 2427 Grand Cayman KY1-1105 Cayman Islands

### Administrator

BNY Mellon Fund Services (Ireland) Designated Activity Company One Dockland Central Guild Street IFSC Dublin 1 Ireland

### Auditor

Emst & Young Ltd. 62 Forum Lane Camana Bay P.O. Box 510 Grand Cayman KY1-1106 Cayman Islands

## Services Manager and Marketing Adviser

Man Investments AG Huobstrasse 3 CH-8808 Pfäffikon SZ Switzerland

#### Custodian

The Bank of New York Mellon (London Branch) One Canada Square London E14 2AL United Kingdom

## Principal Office Provider

BNY Mellon Fund Management (Cayman) Limited 72 Market Street Cassia Court Suite 2204 P.O. Box 31371 Grand Cayman KY1-1206 Cayman Islands

### Legal Advisers to the Company (as to Cayman Islands Law)

Maples and Calder P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands

## Company Secretary

CSS Corporation Ltd. 89 Nexus Way Camana Bay P.O. Box 31106 Grand Cayman KY1-1205 Cayman Islands

# Man AHL Diversified (Cayman) Ltd. Directors' Report



The Directors hereby present their annual report and audited financial statements for the year ended 30 June 2019. A summary of the results for the year under review is shown on page 7. A review of the business during the year which has been prepared by the Investment Manager is outlined below.

The Fund made a gain over the 12 months to 30 June 2019, with profits coming from fixed income commodities and credit, whilst stocks and currencies detracted from performance.

The 12-months to 30 June 2019 saw a wide range of market conditions which tested the Fund. In particular, MSCI World equities lost 13% in Q4 2018, the second worst post Financial Crisis, only to recover 12% in Q1 2019. Underlying the weakness in Q4 were mounting trade tensions between the US and China, an inverting US yield curve -- a well-recognised portent of doom - - and the omnipresent Brexit. What changed Q4's pessimism to optimism in Q1 2019 was a reversal in stance of the US Federal Reserve towards a more accommodative monetary policy, with the ECB following suit in March.

The potent combination of a weak end to 2018 with subsequent flight to safety, and accommodative monetary policy, drove yields to low levels across fixed income instruments with ever more developed markets trading sub-zero in 10-year yield. French government bonds fell into this category, and proved to be the top performing bond, with the Fund staying long over the period. The asset class as a whole was the top performer for the Fund.

Commodities trading was also profitable in aggregate, with natural gas on both sides of the pond contributing positively despite contrasting positioning. UK gas saw its price fall by more than 50% on unseasonably warm weather, in stark contrast to the US where a cold snap in the Midwest region saw temperatures as low as -50C. On the debit side, agricultural commodities proved an unfavourable hunting ground, notably sugar, where numerous stories such as the election of Jair Bolsonaro as the new President of Brazil upset trends.

Equity and credit trading was more muted, as gyrating market conditions drove changes in positioning. Credit finished marginally in the black, with US CDS positions narrowly edging out European ones. Equities, however, ended the period marginally in the red. In terms of indices, trading in the Australian SPI 200 proved more lucrative than trading in the Nikkei. In equity sectors, positive news from the technology sector, such as Apple's market capitalisation soaring through the \$1trn mark, helped make it the top contributor, but sectors such as capital goods and retail proved a more challenging environment for the Fund's algorithms.

Trading in currencies also contributed a small loss in aggregate. President Donald Trump's war of words with Mexico over its border wall saw an oscillating peso versus the US dollar and therefore difficult trading conditions. A short in the Turkish lira, on the other hand, benefitted as the lira fell by one third in August 2018 alone on a seemingly continuous stream of negative news from the country.

Details of the principal risks and investment or economic uncertainties that the Fund might face are outlined in Note 7 of the financial statements.

Jennifer Thomson Ronan Daly

Director Director

Signed on behalf of the Board of Directors on 7 November 2019.

Statement of assets and liabilities
As at 30 June 2019



	Notes	2019 US\$	2018 US\$
Assets			
Cash at bank	3	35,507,616	27,356,876
Balances with brokers	3	6,285,520	13,700,581
Investments in securities, at fair value (Cost: US\$307,628,452 (2018: US\$378,986,553))	4	352,857,292	371,619,077
Derivatives, at fair value	4,5	30,044	10,495
Services management fees rebate receivable	8,9	44,590	45,536
Other assets		12,774	16,505
Total assets		394,737,836	412,749,070
Liabilities			
Balances due to broker	3	4,720,851	-
Derivatives, at fair value	4,5	2,772,385	3,606,162
Subscriptions in advance		24,071	-
Redemptions payable		-	9,557
Management fees payable	8,9	563,412	582,885
Introducing broker fees payable	8,9	315,518	321,282
Services management fees payable	8,9	82,257	83,586
Directors fees payable	8,9	6,000	5,026
Accrued expenses and other liabilities	8	41,887	37,587
Total liabilities		8,526,381	4,646,085
Net assets attributable to Redeemable Participating Shareholders		386,211,455	408,102,985
Which are represented by:			
Which are represented by:  Equity			
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a New Asset Value per Share of US\$1.3725 (2018: US\$1.2257)	et 10	US\$53,705,709	US\$55,722,980
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a Ne Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a	10	US\$53,705,709	, , ,
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a New Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY126.6000 (2018: JPY116.3400)*		US\$53,705,709	US\$55,722,980 JPY25,726,388,332
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a Net Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY126.6000 (2018: JPY116.3400)* 3,056,932 (2018: 3,633,089) Class C AUD Redeemable Participating Shares with a Net Asset Value per Share of AUD1.4203 (2018: AUD1.2829)	10	US\$53,705,709	, , ,
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a Net Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY126.6000 (2018: JPY116.3400)* 3,056,932 (2018: 3,633,089) Class C AUD Redeemable Participating Shares with a Net	10 10	US\$53,705,709 JPY21,772,300,191 AUD4,342,062	JPY25,726,388,332
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a New Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY126.6000 (2018: JPY116.3400)* 3,056,932 (2018: 3,633,089) Class C AUD Redeemable Participating Shares with a Net Asset Value per Share of AUD1.4203 (2018: AUD1.2829) 147,814,452 (2018: 151,379,378) Class E JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY93.2540 (2018: JPY85.1736)	10 10 10 10	US\$53,705,709 JPY21,772,300,191 AUD4,342,062 JPY13,784,302,064	JPY25,726,388,332 AUD4,661,100 JPY12,893,534,847
Which are represented by:  Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a New Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY126.6000 (2018: JPY116.3400)* 3,056,932 (2018: 3,633,089) Class C AUD Redeemable Participating Shares with a Net Asset Value per Share of AUD1.4203 (2018: AUD1.2829) 147,814,452 (2018: 151,379,378) Class E JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY93.2540 (2018: JPY85.1736)  *Prior year Net Asset Value and Net Asset Value per Share has been amended for Class B J	10 10 10 10	US\$53,705,709 JPY21,772,300,191 AUD4,342,062 JPY13,784,302,064	JPY25,726,388,332 AUD4,661,100 JPY12,893,534,847
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Equity 39,128,266 (2018: 45,460,034) Class A USD Redeemable Participating Shares with a New Asset Value per Share of US\$1.3725 (2018: US\$1.2257) 171,977,095 (2018: 221,131,067) Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY126.6000 (2018: JPY116.3400)* 3,056,932 (2018: 3,633,089) Class C AUD Redeemable Participating Shares with a Net Asset Value per Share of AUD1.4203 (2018: AUD1.2829) 147,814,452 (2018: 151,379,378) Class E JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY93.2540 (2018: JPY85.1736) *Prior year Net Asset Value and Net Asset Value per Share has been amended for Class B J	10 10 10 10	US\$53,705,709 JPY21,772,300,191 AUD4,342,062 JPY13,784,302,064	JPY25,726,388,332 AUD4,661,100 JPY12,893,534,847

Condensed schedule of investments As at 30 June 2019



Long Securities and Derivatives at Fair Value

Long Securities at Fair Value Government bonds	Redemption Frequency	Redemption Notice Period	2019 Quantity/ Par Value	2019 Fair Value US\$	2019 % of Net Assets	2018 Quantity/ Par Value	2018 Fair Value US\$	% of Net
United States United States Treasury Bill 0%								
19/07/18 United States Treasury Bill 0%			-	-	-	60,000,000	59,951,416	14.69%
26/07/18 United States Treasury Bill 0%			-	-	-	70,000,000	69,919,629	17.13%
23/08/18			-	-	-	50,000,000	49,868,711	12.22%
United States Treasury Bill 0% 23/11/18			-	-	-	2,000,000	1,983,982	0.49%
United States Treasury Bill 0% 18/07/19			50,000,000	49,952,426	12.93%	-	-	-
United States Treasury Bill 0% 12/09/19			50,000,000	49,792,765	12.89%	-	-	-
United States Treasury Bill 0% 17/10/19			50,000,000	49,698,781	12 87%	_		
United States Treasury Bill 0%								
11/07/19			15,000,000	14,890,562	3.86%	- 	-	-
Total United States (Cost: US\$16 (2018: US\$180,792,858))	63,197,064			164,334,534	42.55%	. <u>-</u>	181,723,738	44.53%
Total Government bonds (Cost: US\$163,197,064 (2018: US\$180,7	792,858))			164,334,534	42.55%		181,723,738	44.53%
Managed Funds								
Bermuda AHL Evolution Ltd*	Daily	1 Day	10,430	66,083,341	17 110/	13,994	68,992,964	16.91%
AHL Institutional Series 3 Ltd*	Daily	1 Day	1,474,682	122,439,417		1,814,365	120,902,375	
Total Bermuda (Cost: US\$144,43 (2018: US\$198,193,695))	31,388			188,522,758	48.81%	·	189,895,339	46.54%
Total Managed Funds (Cost: US\$ (2018: US\$198,193,695))	\$144,431,388			188,522,758	48.81%	·	189,895,339	46.54%
Total Long Securities at Fair Valu US\$307,628,452 (2018: US\$378,6				352,857,292	91.36%	·	371,619,077	91.07%
Long Derivatives at Fair Value Forward Currency Contracts Various currencies				5,089	_		4,285	_
						. <u>-</u>		
Total Forward Currency Contract			•	5,089		· -	4,285	-
Total Long Derivatives at Fair Value	ue		•	5,089	-	. <u>-</u>	4,285	-
Total Long Securities and Derivat			·			<del>-</del>		
Value (Cost:US\$307,628,452 (20 <sup>-1</sup> US\$378,986,553))	18:			352,862,381			371,623,362	

<sup>\*</sup>The funds are affiliates of the Fund as they share the same Investment Manager.

Condensed schedule of investments (continued) As at 30 June 2019



Short Derivatives at Fair Value				
		2019		
	2019	% of	201	8 2018
	Fair Value	Net	Fair Valu	e % of Net
Short Derivatives at Fair Value	US\$	Assets	US	\$ Assets
Forward Currency Contracts				
Various currencies	(2,747,430)	(0.71%)	(3,599,952	2) (0.88%)
Total Forward Currency Contracts	(2,747,430)	(0.71%)	(3,599,952	2) (0.88%)
•	<del></del>	<u> </u>		, , , ,
Total Short Derivatives at Fair	(2,747,430)	(0.71%)	(3,599,952	2) (0.88%)
Reconciliation of long and short derivatives (Note 4)**			2019	2018
			Fair Value	Fair Value
			US\$	US\$
Derivative Assets at fair value				
Total fair value of long derivative assets			5,545	4,406
Total fair value of short derivative assets			24,499	6,089
Total Derivative Assets at fair value			30,044	10,495
Destruction Link Water and Colorado				
Derivative Liabilities at fair value			(455)	(10.1)
Total fair value of long derivative liabilities			(455)	(121)
Total fair value of short derivative liabilities			, , , , ,	(3,606,041)
Total Derivative Liabilities at fair value			(2,772,385) (	(3,606,162)

<sup>\*\*</sup> The amounts included in the condensed schedule of investments are shown net of assets and liabilities and are based on quantity long/short.

Statement of operations
For the year ended 30 June 2019



	Notes	2019	2018
Investment income	Notes	US\$	US\$
Interest income		4.344.985	2,183,153
Services management fees rebate	8,9	549.587	621,367
Total investment income		4,894,572	2,804,520
Total in 100 thorn in 100 tho	_	1,00 1,012	2,00 1,020
Expenses			
Interest expense		(11,830)	(279)
Management fees	8,9	(7,129,859)	(8,067,587)
Introducing broker fees	8,9	(3,945,272)	(4,456,692)
Services management fees	8,9	(1,028,249)	(1,153,686)
Custodian fees	8	(12,134)	(14,950)
Directors fees	8,9	(12,000)	(12,000)
Other expenses	8	(143,066)	(58,589)
Total expenses	_	(12,282,410)	(13,763,783)
Net investment loss	_	(7,387,838)	(10,959,263)
Net realised (loss)/gain and change in unrealised appreciation on investments in			
securities, derivatives and foreign currency			
Net realised (loss)/gain on investments in securities, derivatives and foreign currency  Net change in unrealised appreciation on investments in securities, derivatives and	5	(1,949,922)	27,827,627
foreign currency	5	53,443,117	123,768
Net realised (loss)/gain and change in unrealised appreciation on investments in	_		
securities, derivatives and foreign currency	_	51,493,195	27,951,395
Net increase in net assets resulting from operations	_	44,105,357	16,992,132

Statement of changes in net assets For the year ended 30 June 2019



		2019	2018
	Notes	US\$	US\$
Net assets attributable to Redeemable Participating Shareholders at the beginning of the year		408,102,985	498,972,649
Change in net assets resulting from operations			
Net investment loss		(7,387,838)	(10,959,263)
Net realised (loss)/gain on investments in securities, derivatives and foreign currency	5	(1,949,922)	27,827,627
Net change in unrealised appreciation on investments in securities, derivatives and foreign currency	5 _	53,443,117	123,768
Net increase in net assets resulting from operations	_	44,105,357	16,992,132
Change in net assets resulting from capital transactions			
Issuance of Class A USD Redeemable Participating Shares	10	141,303	2,470,940
Redemption of Class A USD Redeemable Participating Shares	10	(7,952,358)	(8,764,144)
Issuance of Class B JPY Redeemable Participating Shares	10	8,554,422	16,433,906
Redemption of Class B JPY Redeemable Participating Shares	10	(62,861,222)	(76,360,749)
Issuance of Class C AUD Redeemable Participating Shares	10	-	34,966
Redemption of Class C AUD Redeemable Participating Shares	10	(525,405)	(482,249)
Issuance of Class E JPY Redeemable Participating Shares	10	1,876,769	3,944,413
Redemption of Class E JPY Redeemable Participating Shares	10	(5,230,396)	(45,138,879)
Net decrease in net assets resulting from capital transactions	_	(65,996,887)	(107,861,796)
		(01 001 500)	(00,000,004)
Net decrease in net assets		(21,891,530)	(90,869,664)
Net assets attributable to Redeemable Participating Shareholders at the end of the year	_	386,211,455	408,102,985

Statement of cash flows For the year ended 30 June 2019



	2019 US\$	2018 US\$
Cash flows from operating activities		
Net increase in net assets resulting from operations	44,105,357	16,992,132
Adjustments to reconcile net increase in net assets resulting from operations to net cash		
provided by/(used in) operating activities:		
Purchase of investments in securities	(384,640,657)	(809,847,880)
Proceeds from disposal of investments in securities	455,338,310	684,665,729
Net realised loss/(gain) on investments in securities	660,448	(26,987,499)
Net change in unrealised appreciation on investments in securities	(52,596,316)	(1,026,369)
Net change in unrealised (appreciation)/depreciation on derivatives	(853,326)	892,156
Decrease in balances with brokers - collateral	7,408,385	4,032,082
Decrease in services management fees rebate receivable	946	18,540
Decrease in other assets	3,731	(1,794)
Decrease in balances due to brokers - collateral	4,720,851	-
Decrease in accrued expenses and other liabilities	(21,292)	(1,515,921)
Net cash provided by/(used in) operating activities	74,126,437	(132,778,824)
Cash flows from financing activities:		
Proceeds from issuance of Redeemable Participating Shares	10,596,565	22,884,225
Payments on redemption of Redeemable Participating Shares	(76,578,938)	(130,736,464)
· · · · · · · · · · · · · · · · · · ·		
Net cash used in financing activities	(65,982,373)	(107,852,239)
Net increase/(decrease) in cash and cash equivalents	8,144,064	(240,631,063)
Cash and cash equivalents at the beginning of the year	27,363,552	267,994,615
Cash and cash equivalents at the end of the year	35,507,616	27,363,552
Cash and cash equivalents consist of:		
Cash at bank	35,507,616	27,356,876
Balances with brokers - without collateral		6,676
	35,507,616	27,363,552
Supplemental disclosure of cash flow information		
Interest received	4,344,985	2,183,153
Interest paid	4,344,963	(279)
ilitelest palu	(11,030)	(279)

Notes to the financial statements For the year ended 30 June 2019



### General

Man AHL Diversified (Cayman) Ltd. (the "Fund") was incorporated on 12 March 2012 as an exempted company with limited liability under the Companies Law (as amended) of the Cayman Islands. The Fund is an open-ended mutual fund and is regulated under the Mutual Funds Law (as amended) of the Cayman Islands. The Fund commenced trading on 30 April 2012.

The Fund has issued four share classes – Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares, Class C AUD Redeemable Participating Shares and Class E JPY Redeemable Participating Shares (the "Share Classes"). In 2016, the Fund launched Class D EUR Redeemable Participating Shares. No investors had subscribed into Class D EUR Redeemable Participating Shares as at 30 June 2019.

Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares and Class C AUD Redeemable Participating Shares have been listed on The International Stock Exchange (formerly known as the Channel Islands Securities Exchange) since 8 May 2012.

The Fund's objective is to achieve medium-term capital growth. The proceeds from the issue of the Redeemable Participating Shares will be applied to the AHL Diversified Programme through investment in various instruments and equity or debt securities, including but not limited to investment in regulated or unregulated collective investment schemes or other pooled vehicle(s) managed by AHL Partners LLP (the "Investment Manager") or its affiliates which form part of the AHL Diversified Programme. The AHL Diversified Programme is managed by AHL. AHL is an investment division of Man Group and it operates through various legal vehicles. AHL provides investors with highly liquid and efficient trading strategies which offer low correlation to more traditional investment disciplines. Man Group means Man Group plc and all or any of its subsidiaries and associates, as the context requires.

The Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority (the "FCA") in conduct of its regulated activities. The Investment Manager is also regulated by the US Securities and Exchange Commission (the "SEC") and the US Commodity Futures Trading Commission (the "CFTC") in the conduct of its regulated activities.

Effective 1 March 2019, Man Asset Management (Cayman) Limited (the "Manager") has been appointed as the Manager to the Fund. The Manager sub-delegates investment management services to the Investment Manager.

The most recent applicable offering memorandum of the Fund is dated 1 March 2017 (the "Offering Memorandum") and the most recent addenda are dated 3 January 2018, 25 May 2018 and 4 March 2019 (the "Addenda").

## 2. Significant accounting policies

The financial statements have been prepared in conformity with the United States Generally Accepted Accounting Principles ("US GAAP") and are presented in U.S. Dollars ("US\$").

Management has determined that the Fund is an investment company in conformity with US GAAP and follows the accounting and reporting guidance for investment companies in the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946").

## (a) Use of accounting judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, including certain valuation assumptions. Actual results could differ from such estimates.

## (b) Recent accounting pronouncements

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and measurement of Financial Assets and Financial Liabilities". ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. ASU 2016-01 is effective for annual reporting periods, and interim periods within those years beginning after 15 December 2017. ASU 2016-01 was adopted for the year ended 30 June 2019 and it had no significant impact on the financial statements.

In August 2016, the FASB issued Accounting Standard Update 2016-15, Statement of Cash Flows (Topic 230), a consensus of the FASB's Emerging Issues Task Force. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The amendments are effective for public business entities for fiscal years beginning after 15 December 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. This standard has been early adopted and it had no significant impact on the financial statements.

In August 2018, the FASB issued Accounting Standard Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement, which changes the fair value measurement disclosure requirements of ASC 820. For non-public entities such as the Fund, the amendments involve the elimination of certain disclosure requirements of ASC 820. These include transfers between Level 1 and Level 2 of the fair value hierarchy, the Fund's policy for the timing of transfers between levels, the valuation processes for Level 3 fair value measurements, and the changes in unrealised gains and losses for the period included in earnings for recurring Level 3 fair value measurements. The ASU is effective for all entities for fiscal years beginning after 15 December 2019, including interim periods therein. Early adoption is permitted. This standard update has been early adopted. The adoption of this accounting standard update has had no material effect on the financial statements.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 2. Significant accounting policies (continued)

### (c) Going concern

Management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern; therefore, the financial statements are prepared on a going concern basis.

### (d) Investment transactions and related investment income and expenses

Investments in managed investment funds ("managed funds"), both long and short, are carried at fair value, which is the last reported trade price for listed securities as of close of business at the year end date. Security transactions are recorded on a trade date basis. Realised gains and losses are computed using the first-in, first-out ("FIFO") method. Interest income, interest expense and operating expenses are recorded on an accrual basis.

### (e) Fair value financial instruments

#### Definition and hierarchy

Investments in securities are carried at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments measured and reported at fair value, other than those valued using the Net Asset Value ("NAV") practical expedient, are classified and disclosed in a fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuation that requires inputs that are both significant to the fair value measurement and unobservable.

#### Valuation

The Fund accounts for its investments in managed funds in accordance with relevant authoritative guidance, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Relevant authoritative guidance permits the Fund, as a practical expedient, to measure the fair value of its investments in managed funds on the basis of the NAV per share (or the equivalent) of such investments if the NAV per share of such investments is calculated in a manner consistent with the measurement principles of applicable authoritative guidance as of the Fund's statement of assets and liabilities date. The fair value of the Fund's investments in managed funds is based on the information provided by such managed funds' management, which reflects the Fund's share of the fair value of the net assets of such managed funds (i.e. the practical expedient is used).

Investments in managed funds are valued at fair value, as determined by each managed fund's independent administrator or investment manager. In determining fair value, the administrator utilises the valuations of the managed funds to determine the fair value of its managed fund interests. The managed funds in which the Fund is invested, value securities and other financial investments on a mark-to-market or fair value basis of accounting. The estimated fair values of certain of the investments of the managed funds may include private placements and other securities for which prices are not readily available.

These estimated fair values are determined by the administrator or investment manager of the respective managed funds and may not reflect amounts that could be realised upon immediate sale, or amounts that ultimately may be realised. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments and the difference could be material.

The investments in government bonds are valued at fair value.

Derivative instruments can be exchange-traded or privately negotiated over-the-counter ("OTC").

OTC derivatives are valued by the Fund using observable inputs, such as quotations received from the counterparty, dealers or brokers, vendors and pricing service, whenever available and considered reliable. In instances where models are used, the value of an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs.

These OTC derivatives that have less liquidity or for which inputs are unobservable are classified within Level 3. While the valuations of these less liquid OTC derivatives may utilise some Level 1 and/or Level 2 inputs, they also include other unobservable inputs which are considered significant to the fair value determination. At each measurement date, the Investment Manager updates the Level 1 and Level 2 inputs to reflect observable inputs, though the resulting gains and losses are reflected within Level 3 due to the significance of the unobservable inputs.

Forward currency contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreement or contracted quantity. The realised loss or changes in unrealised appreciation is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/year end date and is included in the statement of operations.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 2. Significant accounting policies (continued)

### (f) Realised and unrealised gains and losses

All realised gains and losses and changes in unrealised appreciation/(depreciation) on investments in securities, derivatives and foreign currency are included in net realised (loss)/gain and change in unrealised appreciation on investments in securities, derivatives and foreign currency in the statement of operations. Unrealised appreciation and depreciation comprise changes in the fair value of financial instruments for the year and from reversal of prior year's unrealised appreciation and depreciation for financial instruments which were realised in the financial year. Realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made in respect of derivative contracts (excluding payments or receipts on collateral margin account for such instruments). The cost of securities sold is accounted for on a FIFO basis. Transaction costs or incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability are included in the net realised (loss)/gain and change in unrealised appreciation on investments in securities, derivatives and foreign currency in the statement of operations.

### (g) Foreign currency

The Fund seeks to generate returns in US\$, Australian dollars and Japanese Yen, its capital-raising currencies. The liquidity of the Fund is managed on a day-to-day basis in US\$, Australian dollars and Japanese Yen, in order to handle the issue and redemption of the Fund's Redeemable Participating Shares. The Fund's performance is evaluated in US\$. Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "Functional Currency"). The financial statements are presented in the Functional Currency, US\$.

Transactions during the year denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of transactions. For foreign currency transactions and foreign currency investments held at the year end, the resulting gains or losses are included in the net realised (loss)/gain and change in unrealised appreciation on investments in securities, derivatives and foreign currency in the statement of operations. Foreign currency assets and liabilities held at the year end were translated at year end exchange rates.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included in the net change in unrealised appreciation on investments in securities, derivatives and foreign currency in the statement of operations.

#### (h) Cash at bank, balances with brokers and balances due to brokers

Cash at bank in the statement of assets and liabilities comprises cash on hand.

Balances with brokers and balances due to brokers include amounts transferred as collateral against open derivative contracts. Amounts receivable from short sales and collateral may be restricted in whole or in part until the related securities are purchased. To the extent that securities are purchased on margin, the margin debt may be secured on the related securities.

#### (i) Taxation

The Cayman Islands currently has no income, corporation or capital gains tax, no taxes by way of withholding and no estate duty, inheritance tax or gift tax. In addition, the Fund has applied for and received from the Governor-in-Cabinet of the Cayman Islands pursuant to The Tax Concessions Law (as amended) of the Cayman Islands, an undertaking, that, for a period of twenty years from the date of the undertaking, no law which is thereafter enacted in the Cayman Islands imposing any tax on profits, income, gains or appreciations shall apply to the Fund or its operations. In addition no tax on profits, income, gains or appreciation which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the Redeemable Participating Shares, debentures or other obligations of the Fund.

ASC 740-10, Accounting for Uncertainty in Income Taxes - an interpretation of ASC 740 clarifies the accounting for uncertainty in income taxes recognised in the Fund's financial statements in conformity with ASC 740 Income Taxes. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return.

Management evaluates such tax positions to determine whether, for all tax years still subject to assessment or challenge by the relevant taxation authorities, the tax positions are "more-likely-than-not" to be sustained on examination. This evaluation includes the position that further withholding taxes will not be levied on income already received by the Fund. Tax positions that meet the more-likely-than-not recognition threshold are initially recorded and subsequently measured at the largest amount of tax benefit that is more than 50 percent likely of being realised on ultimate settlement, using the facts, circumstances and information at the reporting date.

Management has analysed the Fund's tax positions, and has concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions for open tax years and the positions to be taken for the tax year ended 30 June 2019. The Fund recognises interest and penalties, if any, related to unrecognised tax benefits as income tax expense in the statement of operations. During the years ended 30 June 2019 and 30 June 2018, the Fund did not incur any interest or penalties.

### (j) Redemptions payable

In accordance with the authoritative guidance on Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity under US GAAP (ASC 480-10 Classification and measurement of redeemable securities) ("ASC 480-10"), financial instruments mandatorily redeemable at the option of the holder are classified as liabilities when a redemption request has been received and the redemption amount has been determined.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 2. Significant accounting policies (continued)

#### (i) Redemptions payable (continued)

Redemption notices received for which the amount and number of shares are not fixed remain in capital until the NAV used to determine the redemption and share amounts are determined. All of this amount, if any, relates to redemptions due to be paid on the first dealing day of July 2019, which under the terms of *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* are mandatory redeemable financial instruments and consequently a liability of the Fund and not part of equity. Redemptions payable as at 30 June 2019 is US\$Nil (2018: US\$9,557).

### (k) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Fund has a legally enforceable right to offset and the transactions are intended to be settled on a net basis or simultaneously. At the year end no financial instruments of the Fund are being presented net within the statement of assets and liabilities.

### (I) Allocation of income or expense

Income, expenses, and realised gain/(loss) and change in unrealised appreciation/(depreciation) on investments in securities, derivatives and foreign currency are allocated pro-rata to each Redeemable Participating Share class based on the respective NAV.

## (m) Subscriptions in advance

In response to the Central Bank of Ireland ("CBI") publishing the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers (the "Investor Money Regulations" or "IMR") in March 2015 (effective from 1 July 2016), the Investment Manager undertook, together with BNY Mellon Fund Services (Ireland) Designated Activity Company, a review of the way in which subscription, distribution and redemption monies are routed to and from funds managed by the Investment Manager. As a result of this review, subscription and redemption monies have been routed through a cash collection account in the name of the Fund. Pending issue of the shares and/or payment of subscription proceeds to an account in the name of the Fund, and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Fund in respect of amounts paid by or due to it.

## 3. Cash at bank, balances with brokers and balances due to brokers

At the year end amounts disclosed as cash at bank, bank overdraft, balances with brokers and balances due to brokers were held at The Bank of New York Mellon SA/NV and BNP Paribas (the "Banks") and Deutsche Bank, Citibank N.A. and The Bank of New York Mellon SA/NV (the "Brokers"). These include amounts transferred as collateral (which is subject to a security interest) against open derivatives, short positions or securities purchased on margin.

Amounts receivable from short sales and collateral may be restricted in whole or in part until the related securities are purchased. To the extent that the securities are purchased on margin, the margin debt may be secured on the related securities. The portion of balances with brokers represented by collateral pledged as at 30 June 2019 was US\$6,285,520 (2018: US\$13,693,905) and the portion of balances due to brokers represented by collateral received was US\$14 (2018: US\$Nil).

Included in cash at bank, bank overdraft, balances with brokers and balances due to brokers balances at 30 June 2019 is cash in foreign currencies with a fair value of (US\$4,720,837) (cost: (US\$4,720,837)) (2018: US\$21,160 (cost: US\$21,160)).

#### 4. Fair value measurements

Details of the Fund's investments at 30 June 2019 and 30 June 2018 are disclosed in the condensed schedule of investments.

The Investment Manager generally uses the capital balance or NAV reported by the managed fund's administrator or investment manager as the primary input to its valuation; however adjustments to the reported capital balance or NAV may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of such managed fund's investment portfolio or other assets and liabilities. As at 30 June 2019, no such adjustments were made.

Managed funds are generally open-ended funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by each managed fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e. the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual managed funds vary based on various factors and may include "gates", "holdbacks" and "side pockets" imposed by the investment manager of the managed fund, as well as redemption fees which may also apply. As at 30 June 2019, liquidity terms for the managed funds exceeding 5% of the Fund's net assets are set out in the condensed schedule of investments.

At 30 June 2019 and 30 June 2018, all of the Fund's investments in managed funds were valued using the NAV reported by the managed fund's management; as such, they have not been categorised in the fair value hierarchy.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 4. Fair value measurements (continued)

The Fund's assets and liabilities carried at fair value not using the practical expedient have been categorised based upon the fair value hierarchy based on valuation policy described in Note 2(e). The following is a summary of the Fund's financial instruments carried at fair value not using the practical expedient as of 30 June 2019 and 30 June 2018:

Investments and derivative assets, at fair value	As at 30 June 2019	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
164,334,534   - 164,334,534	Long securities and derivative assets, at fair value	300	334	004	
Total investment in government bonds					
Total long securities, at fair value	_		<del>-</del>	-	
Destivativas   - 30,044   - 30,	<u> </u>		_	-	
Total derivative assets, at fair value					
Total derivative assets, at fair value	Forward currency contracts	-		-	
Derivative liabilities, at fair value   Derivative liabilities, at fair value	Total derivatives	-	30,044		30,044
Derivative liabilities, at fair value	Total derivative assets, at fair value	-	30,044	-	30,044
Derivatives	Total long securities and derivative assets, at fair value	164,334,534	30,044	-	164,364,578
Comment   Comm	Derivative liabilities, at fair value				
Comment bonds					/
Total derivative liabilities, at fair value   - (2,772,385)   - (2,772,385)     (2,772,385)		<u>-</u>		-	
Investments measured at NAV   Investments at fair value   Level 1   Level 2   Level 3   350,114,951					
Level 1   Level 2   Level 3   Total	lotal derivative liabilities, at fair value	-	(2,772,385)	-	(2,772,385)
Level 1   Level 2   Level 3   Total US\$   US\$	Investments measured at NAV				188,522,758
Name	Investments at fair value			=	350,114,951
Investment in government bonds		Level 1	Level 2	Level 3	Total
Investment in government bonds   181,723,738   - 181,723,738   Total investment in government bonds   181,723,738   - 181,72		US\$	US\$	US\$	US\$
Sovernment bonds	Long securities and derivative assets, at fair value				
Total investment in government bonds         181,723,738         -         -         181,723,738           Total long securities, at fair value         181,723,738         -         -         181,723,738           Derivatives         -         10,495         -         10,495           Forward currency contracts         -         10,495         -         10,495           Total derivative assets, at fair value         -         10,495         -         10,495           Total long securities and derivative assets, at fair value         181,723,738         10,495         -         181,734,233           Derivative liabilities, at fair value         -         (3,606,162)					
Derivatives   Forward currency contracts   - 10,495			<u>-</u>	<u>-</u>	
Derivatives         -         10,495         -         10,495           Total derivatives         -         10,495         -         10,495           Total derivative assets, at fair value         -         10,495         -         10,495           Total long securities and derivative assets, at fair value         181,723,738         10,495         -         181,734,233           Derivative liabilities, at fair value         -         (3,606,162)         -         (3,606,162)           Total derivatives         -         (3,606,162)         -         (3,606,162)           Total derivative liabilities, at fair value         -         (3,606,162)         -         (3,606,162)           Investments measured at NAV         189,895,339	_				
Total derivatives	Total long securities, at fair value	181,723,738	-	-	181,723,738
Total derivatives         -         10,495         -         10,495           Total derivative assets, at fair value         -         10,495         -         10,495           Total long securities and derivative assets, at fair value         181,723,738         10,495         -         181,734,233           Derivative liabilities, at fair value         -         (3,606,162)         -         (3,606,162)           Total derivatives         -         (3,606,162)         -         (3,606,162)           Total derivative liabilities, at fair value         -         (3,606,162)         -         (3,606,162)           Investments measured at NAV         189,895,339			10.405		10 405
Total long securities and derivative assets, at fair value		-			
Total long securities and derivative assets, at fair value         181,723,738         10,495         - 181,734,233           Derivative liabilities, at fair value           Derivatives         - (3,606,162)         - (3,606,162)           Forward currency contracts         - (3,606,162)         - (3,606,162)           Total derivatives         - (3,606,162)         - (3,606,162)           Total derivative liabilities, at fair value         - (3,606,162)         - (3,606,162)           Investments measured at NAV         189,895,339	Total derivative assets, at fair value	-	10,495	-	10,495
Derivative liabilities, at fair value           Derivatives         - (3,606,162)         - (3,606,162)         - (3,606,162)           Total derivatives         - (3,606,162)         - (3,606,162)           Total derivative liabilities, at fair value         - (3,606,162)         - (3,606,162)           Investments measured at NAV         189,895,339	Total long securities and derivative assets, at fair value	181,723,738	10.495		181.734.233
Derivatives         - (3,606,162)         - (3,606,162)         - (3,606,162)           Total derivatives         - (3,606,162)         - (3,606,162)         - (3,606,162)           Total derivative liabilities, at fair value         - (3,606,162)         - (3,606,162)         - (3,606,162)           Investments measured at NAV         189,895,339	_		·		<u> </u>
Forward currency contracts					
Total derivatives         - (3,606,162)         - (3,606,162)           Total derivative liabilities, at fair value         - (3,606,162)         - (3,606,162)           Investments measured at NAV         189,895,339		_	(3 606 162)	_	(3 606 162)
Investments measured at NAV 189,895,339		-		-	
	Total derivative liabilities, at fair value	-	(3,606,162)	-	(3,606,162)
Investments at fair value 368,023,410	Investments measured at NAV				189,895,339
	Investments at fair value			_	368,023,410

Notes to the financial statements (continued) For the year ended 30 June 2019



## 4. Fair value measurements (continued)

For the year ended 30 June 2019, the total net realised loss and change in unrealised appreciation from the Fund's investment in AHL Evolution Ltd amounted to US\$17,422,628 (2018: US\$10,889,358) and AHL Institutional Series 3 Ltd amounted to US\$34,305,477 (2018: US\$16,332,192). These amounts are recognised in net realised loss and net change in unrealised appreciation on investments in securities, derivatives and foreign currency in the statement of operations.

None of the financial instruments were used as collateral during the years ended 30 June 2019 and 30 June 2018.

There were no transfers between Levels 1 and 2 during the year ended 30 June 2019 and 30 June 2018.

The Fund did not hold any Level 3 investments during the years ended 30 June 2019 and 30 June 2018.

The Fund gains exposure to the AHL Diversified Programme through its investment in AHL Institutional Series 3 Ltd and AHL Evolution Ltd which are incorporated and domiciled in Bermuda and carry on business as open-ended investment companies with the objective of maximising long term total returns to its investors. Its portfolio includes equities, futures, options, forward contracts, swaps and other financial derivatives traded on and off the exchange. Markets include both developed and emerging markets.

AHL Institutional Series 3 Ltd and AHL Evolution Ltd do not charge management fees or performance fees. Holders of their Redeemable Participating Shares may redeem upon one business day's written notice to the Administrator. As at 30 June 2019, the Fund's investment in AHL Institutional Series 3 Ltd and AHL Evolution Ltd represents 31.70% and 17.11% (2018: 29.63% and 16.91%) respectively of the Fund's NAV.

## 5. Derivatives

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Fund. The derivative contracts that the Fund is party to are forward currency contracts. As at 30 June 2019 and 30 June 2018, the derivative contracts were included in the Fund's statement of assets and liabilities at fair value.

The Fund records its derivative activities on a mark-to-market basis. Fair values are determined in accordance with the valuation principles set out in Note 2(e).

For all OTC contracts, the Fund enters into master netting agreements with its counterparties, which may allow in certain circumstances netting of assets and liabilities. Assets and liabilities are offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. As at 30 June 2019 and 30 June 2018, no assets or liabilities are offset in the statement of assets and liabilities.

As at 30 June 2019 and 30 June 2018, all derivatives were OTC contracts. As at 30 June 2019 and 30 June 2018, master netting arrangements relate to forward currency contracts held by the Fund.

The Fund has not designated any derivative instruments as hedging instruments under ACS 815, *Derivatives and Hedging*. The condensed schedule of investments details information regarding derivative types and their fair value at 30 June 2019 and 30 June 2018.

As at 30 June 2019 and 30 June 2018, open derivative instruments are included in the statement of assets and liabilities under the following headings:

	30 June 2019	30 June 2018
Derivatives at fair value	US\$	US\$
<u>Assets</u>		
Forward currency contracts	30,044	10,495
Total derivatives	30,044	10,495
<u>Liabilities</u>		
Forward currency contracts	(2,772,385)	(3,606,162)
Total derivatives	(2,772,385)	(3,606,162)

Derivative financial instruments are generally based on notional amounts which are not recorded in the financial statements. These notional amounts represent the theoretical principal value on which the cash flows of the derivative transactions are based. Unrealised appreciation or depreciation, rather than notional amounts of the derivatives are included in the statement of assets and liabilities.

As at 30 June 2019 and 30 June 2018, the notional value of derivative instrument activity which is representative of the derivative trading during the year was as follows:

	Notional value As at 30 June 2019		Notional value As at 30 June 2018	
Primary underlying risk	Long US\$	Short US\$	Long US\$	Short US\$
Foreign exchange risk				
Forward currency contracts	6,108,102	346,596,824	1,148,970	358,781,977

Forward currency contracts are disclosed by the payable and receivable legs entered into by the Fund.

For non-exchange traded derivatives, under standard derivatives agreements, the Fund may be required to post collateral on derivatives if the Fund is in a net liability position with the counterparty exceeding certain amounts.

Notes to the financial statements (continued) For the year ended 30 June 2019



Amount of gain/(loss) recognised in

## 5. Derivatives (continued)

The effect of transactions in derivative instruments in the statement of operations during the years ended 30 June 2019 and 30 June 2018 was as follows:

Amount of gain/(loss) recognised	
	nt of operations
	2018
US\$	US\$
(4, 000, 004)	000 040
(1,360,281)	936,843
(660,448)	26,987,498
70,807	(96,714)
(1,949,922)	27,827,627
853,326	(892,156)
52,596,316	1,026,369
(6,525)	(10,445)
53,443,117	123,768
	the statemer 2019 US\$  (1,360,281)  (660,448)  70,807  (1,949,922)  853,326  52,596,316  (6,525)

The primary difference in the risk associated with OTC contracts and exchange-traded contracts is credit risk. The Fund has credit risk from OTC contracts when two conditions are present (i) the OTC contracts have unrealised gains, net of any collateral and (ii) the counterparty of the contract defaults. The credit risk related to exchange-traded contracts is minimal because the exchange ensures that their contracts are always honoured. As at 30 June 2019, all forward currency contracts were OTC contracts.

#### - Forward currency contracts

The Fund enters into various forward currency contracts in the normal course of pursuing its investment objectives. The Fund may use forward currency contracts to gain exposure to, or hedge against, changes in the fair value of foreign currencies. Forward currency contracts obligate the Fund to either buy or sell an asset at a specified future date and price. Risks associated with forward currency contracts are the inability of counterparties to perform as specified in their contracts and movements in fair value.

The Fund's OTC derivative master netting agreements contain provisions ("credit-risk related contingent features") that require the Fund to maintain a certain level of net assets. If the Fund's net assets were to fall below the levels set in the master netting agreements, the Fund would be in violation of those provisions and the counterparties to the OTC derivative contracts could request immediate payment or demand immediate and ongoing full overnight collateralisation on OTC derivative contracts in net liability positions. The aggregate fair value of all OTC derivative contracts with credit-risk-related contingent features that are in a liability position as of 30 June 2019 is approximately US\$2,772,385 (2018: US\$3,606,162) for which the Fund has posted cash collateral of approximately US\$6,285,506 (2018: US\$Nil) in the normal course of business. If the credit risk-related contingent features underlying these instruments had been triggered as of 30 June 2019 and the Fund had to settle these instruments immediately, the Fund would not have been required to make an additional payment to the counterparties in light of the levels of collateral already in place with such counterparties.

## 6. Offsetting financial assets and financial liabilities

As at 30 June 2019 and 30 June 2018, no financial instruments of the Fund are being presented net within the statement of assets and liabilities.

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement in the event of default as defined under such agreements.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 6. Offsetting financial assets and financial liabilities (continued)

The following table summarises the net financial assets per counterparty as at 30 June 2019:

	(i)	(	ii)	(iii)=(i)+(ii)
		Impact of master net	ting arrangement not	
		in the statement of	assets and liabilities	
		Gross assets not of	fset in the statement	
		of assets a	nd liabilities	
	Gross amounts of assets in the	Financial		
	statement of assets and liabilities	instruments	Cash collateral held	Net amount
Counterparty	US\$	US\$	US\$	US\$
The Bank of New York Mellon SA/NV	30,044	(30,044)	-	-
Total	30,044	(30,044)	-	-

Derivative Liabilities and collateral pled	ged by counterparty			
	(i)	(ii)		(iii)=(i)+(ii)
		Impact of master nettin	g arrangement not	
	_	in the statement of as	sets and liabilities	
		Gross liabilities not offs	et in the statement	
		of assets and	liabilities	
	Gross amounts of liabilities in the	Financial	Cash collateral	
	statement of assets and liabilities	instruments	pledged	Net amount
Counterparty	US\$	US\$	US\$	US\$
The Bank of New York Mellon SA/NV	2,772,385	(30,044)	(2,742,341)	-
Total	2,772,385	(30,044)	(2,742,341)	-

The following table summarises the net financial assets per counterparty as at 30 June 2018:

Derivative Assets and Collateral held by	(0.		In.	(III) (II) (III)
	(1)	(	ii)	(iii)=(i)+(ii)
		Impact of master net	ting arrangement not	
		in the statement of	assets and liabilities_	
		Gross assets not off	fset in the statement	
		of assets a	nd liabilities	
	Gross amounts of assets in the	Financial		
	statement of assets and liabilities	instruments	Cash collateral held	Net amount
Counterparty	US\$	US\$	US\$	US\$
The Bank of New York Mellon SA/NV	10,495	(10,495)	-	-
Total	10,495	(10,495)	-	-

The following table summarises the net financial liabilities per counterparty as at 30 June 2018:

Derivative Liabilities and collateral pled	ged by counterparty			
	(i)	(ii)		(iii)=(i)+(ii)
		Impact of master netting	g arrangement not	
		in the statement of assets and liabilities		
		Gross liabilities not offs	et in the statement	
		of assets and liabilities		
	Gross amounts of liabilities in the	Financial	Cash collateral	
	statement of assets and liabilities	instruments	pledged	Net amount
Counterparty	US\$	US\$	US\$	US\$
The Bank of New York Mellon SA/NV	3,606,162	(10,495)	(3,595,667)	-
Total	3,606,162	(10,495)	(3,595,667)	-

As at 30 June 2019, the amount of collateral cash pledged is US\$6,285,520 (2018: US\$13,693,905) and the amount of cash collateral held is US\$14 (2018: US\$Nil).

Notes to the financial statements (continued) For the year ended 30 June 2019



### 7. Financial instruments and associated risk

The Fund's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed to are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk, volatility risk and currency risk. The Investment Manager manages these risks on an aggregate basis along with the risks associated with the Fund's investing activities as part of its overall risk management policies.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

Since 1 March 2019, the Manager has employed a risk management process in respect of the Fund by which it attempts to accurately measure, monitor and manage the various risks associated with the use of financial instruments by the Fund, including controls on their use and processes for assessing compliance with these controls. The Manager may delegate certain risk management functions to the Investment Manager.

The following summary is not intended to be a comprehensive summary of all the risks and the shareholders should refer to the Offering Memorandum for a more detailed discussion of the risks inherent in investing in the Fund.

## Overall risk management

## AHL Diversified Programme

AHL manages the AHL Diversified Programme which employs sophisticated computerised processes to identify trends in markets around the world. Trading signals are generated and executed via a finely tuned trading and implementation infrastructure. This process is quantitative and primarily directional in nature and is underpinned by rigorous risk control, ongoing research, diversification and the constant quest for efficiency.

The cornerstone of the investment philosophy is that the financial markets exhibit persistent trends and other inefficiencies. Trends are a manifestation of serial correlation in financial markets – the phenomenon whereby past price movements influence future price behaviour. Although they vary in their intensity, duration and frequency, price trends are universally recurrent across all sectors and markets. Trends are an attractive focus for active trading styles applied across a diverse range of global markets.

Trading takes place around-the-clock and real time price information is used to respond to price moves across a diverse range of global markets. The AHL Diversified Programme invests in a diversified portfolio of instruments which may include, but is not limited to futures, options, forward contracts, CFDs, swaps and other financial derivatives both on and off exchange. These markets may be accessed directly or indirectly and include, without limitation, stocks, debt, bonds, currencies, short-term interest rates, energies, metals, credit and agriculturals.

As well as emphasising sector and markets diversification, the AHL Diversified Programme has been constructed to achieve diversification by allocating to multiple trading systems. Most of these systems work by sampling prices in real time and measuring price momentum and breakouts, aiming to capture price trends and close out positions when there is a high probability of a different trend developing. Signals are generated across different time frames, ranging from a few days to several months. In aggregate, the systems currently run around 2,000 price samples each day spread across the 350 or so markets traded. The AHL Diversified Programme also includes other technical systems, as well as quantitative models based on a variety of fundamental inputs, such as interest rate and equity valuation data.

In line with the principle of diversification, the approach to portfolio construction and asset allocation is premised on the importance of deploying investment capital across the full range of sectors and markets. Particular attention is paid to correlation of markets and sectors, expected returns, market access costs and market liquidity. Portfolios are regularly reviewed and, when necessary, adjusted to reflect changes in these factors. A systematic process for adjusting market risk exposure in real time to reflect changes in the volatility of individual markets is also in place.

Through AHL's ongoing investment in research and technology, the number and diversity of markets and strategies traded directly or indirectly by the AHL Diversified Programme may change over the life of the investment, but always subject to any restrictions set out in the Offering Memorandum. It should also be noted that the AHL Diversified Programme traded by the Fund may differ from the AHL Diversified Programme traded by other investment products managed by entities within the Man Group. These differences generally include, among other things, differences in the types of financial instruments, markets and asset classes traded which arise out of legal structuring, applicable law and other restrictions and/or considerations with respect to such investment products.

#### Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates or security prices.

If the markets should move against one or more positions in certain of the financial instruments the Fund holds, the Fund could incur losses greater than the amounts reflected in the statement of assets and liabilities. The Fund's exposure to market risk may be due to many factors, including movements in interest rates, foreign exchange rates, indices, market volatility, and commodity and security values underlying these instruments. The Investment Manager measures and controls the Fund's market risk through the use of various risk management techniques and various analytical monitoring techniques.

There are many risk measures used by the Investment Manager, however one generally understood measure is annualised volatility. Annualised volatility is a measure of risk that is calculated as the standard deviation of the returns on the NAV per Redeemable Participating Share from the beginning of the year to the end of the year.

As it is based on the NAV per Redeemable Participating Share, annualised volatility incorporates all performance characteristics of the Fund including the impact of interest rate movements and currency exchange differences from inception. Although the direct investments of the Fund may change, the investment strategies employed by its underlying investments will not significantly change, meaning that the risk and return characteristics that the Fund is exposed to are broadly consistent.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 7. Financial instruments and associated risk (continued)

#### Market risk (continued)

Annualised volatility has limitations as it assumes a normal distribution of periodic returns, which may not be fully representative of hedge fund behaviour. The annualised volatility will also be a more accurate measure where more data points exist. Annualised volatility is based upon historical data. There is no guarantee of trading performance and past performance is no indication of future performance or results.

As at 30 June 2019, the annualised volatility for the Fund for Class A USD was 15.14% (2018: 14.03%), for Class B JPY was 15.13% (2018: 14.01%), for Class C AUD was 15.19% (2018: 14.02%), and for Class E JPY was 15.14% (2018: 14.01%).

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk through its investment strategy, which is deliberately designed to generate returns through trading strategies focused on exploiting price differentials in rates. The sensitivity of these exposures is modelled through the overall volatility analysis provided in the market risk section.

The Fund's exposure to interest rate risk is on cash at bank, bank overdraft, balances with brokers, balances due to brokers and government bonds held at 30 June 2019 and 30 June 2018.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk through its investment in non-US\$ denominated investments and the non-US\$ denominated share classes of the Fund are exposed to currency risk through their investments in US\$ denominated investments. The Investment Manager has an active procedure to monitor foreign exchange exposures and manages this risk through entering into offsetting forward currency contracts.

Some monetary assets and liabilities are denominated in foreign currencies. They represent the Fund's pre-hedged exposure and do not take account of the significantly reduced sensitivity to foreign currency risk that results from currency hedging techniques used.

The Fund is also indirectly exposed to foreign exchange risk through the underlying strategies of the managed funds held, where foreign exchange risk trading forms part of the mandated investment strategy.

### Other price risk

Other price risk is the risk that the price of a financial instrument will fluctuate due to changes in market conditions influencing, directly or indirectly, the value of the instrument.

The Fund is exposed to other price risk from its investments. Due to the nature of the trading strategies followed by these investments, no direct relationship between any market factors and the expected prices of the investments can be reliably established.

Other price risk is managed through the overall risk management processes described above.

### Credit/counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund.

The Fund's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of 30 June 2019 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets in the statement of assets and liabilities.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. Credit risk is mitigated for the AHL Diversified Programme through the diversity of counterparties and regular monitoring of concentration risk.

The Fund has agreements with certain counterparties with which it trades derivative instruments that contain credit risk related contingent features that could be triggered subject to certain circumstances. Such circumstances include agreed upon NAV and performance based thresholds. The Fund may be subject to early termination by its counterparties on its derivative contracts if such thresholds are triggered. At 30 June 2019, the aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position with counterparties amounted to US\$2,772,385 (2018: US\$3,606,162).

The significant exposures are to the Banks and the Brokers.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 7. Financial instruments and associated risk (continued)

### Credit/counterparty risk (continued)

The tables below analyse the Fund's exposure of cash at bank, balances with brokers, balances due from brokers and derivatives at fair value by rating agency category at 30 June 2019 and 30 June 2018:

		2019	2019
Counterparty	Moody's Rating	US\$	%_
Citibank N.A.	Aa3	6,826	0.02%
Deutsche Bank	A3	(14)	-
BNP Paribas	Aa3	17,356,079	41.50%
The Bank of New York Mellon SA/NV	A1	24,460,275	58.48%
		41,823,166	100.00%
		2018	2018
Counterparty	Moody's Rating	US\$	%
Citibank N.A.	A1	6,676	0.02%
Deutsche Bank	Baa2	(14)	-
BNP Paribas	Aa3	16,942,735	41.25%
The Bank of New York Mellon SA/NV	A1	24,118,555	58.73%
		41,067,952	100.00%

In addition, netting agreements and collateral arrangements (including International Swaps and Derivatives Association Inc. ("ISDA") Master Agreements for OTC derivatives) are routinely put in place when appropriate to allow the counterparty risk mitigating benefits of close-out netting and payment netting (as applicable).

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with liabilities. Redeemable Participating Shareholder redemption requests are the main liquidity risk for the Fund.

The Fund's Redeemable Participating Shares are redeemable as outlined in Note 10. The exposure to liquidity risk through Redeemable Participating Shareholder redemption requests is managed by specifically setting the redemption notice period to accommodate the expected liquidity of the underlying investments as agreed by the Investment Manager.

Generally, the Fund takes on minimal liquidity risk as it invests in managed funds with a redemption notice period equal to or less than that of the Fund. This ensures that liquidity can always be maintained.

#### Derivative financial instruments

The Fund is subject to both market and credit risk in trading derivative financial instruments. Market risk is the potential for changes in value due to changes in market interest rates, foreign exchange rates, indices and changes in the value of the underlying financial instruments. Credit risk is the possibility that a loss may occur if the counterparty fails to perform according to the terms of the contract. Substantially all derivative contracts are transacted on a margin basis. Such transactions may expose the Fund to significant off-balance sheet risk in the event margin deposits and collateral investments are not sufficient to cover losses incurred.

The Investment Manager manages the risk associated with these transactions by maintaining margin deposits and collateral investments with its brokers in compliance with individual exchange regulations and internal guidelines. The Investment Manager also takes an active role in managing and controlling the Fund's market and counterparty risks and monitoring trading activities and margin levels daily, and, as necessary, deposits additional collateral or reduces positions.

Derivative financial instruments are generally based on notional amounts which are not recorded in the financial statements. These notional amounts represent the theoretical principal value on which the cash flows of the derivative transactions are based. Unrealised appreciation or depreciation, rather than notional amounts, or the exchange-traded derivatives are included in the statement of assets and liabilities.

## 8. Fees and expenses

## Management and Performance fees

A management fee is calculated and charged in respect of the Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares and Class C AUD Redeemable Participating Shares at each valuation day and paid monthly at a rate of up to 2.00% per annum of the Net Asset Value of the Redeemable Participating Shares. In respect of Class E JPY Redeemable Participating Shares, a management fee is calculated and charged as at each valuation day and paid monthly at a rate of up to 1.35% per annum of the Net Asset Value of the Redeemable Participating Shares.

A performance fee is calculated and charged in respect of all the Redeemable Participating Share classes at each valuation day and paid monthly at a rate of up to 20.00% of any net new appreciation per Redeemable Participating Share (prior to the calculation and deduction of the performance fee).

Up to 28 February 2019, the above fees were payable to Man Investments AG. Effective 1 March 2019, these are now payable to the Manager.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 8 Fees and expenses (continued)

### Services management fees

In consideration for the services provided by the Services Manager, the Fund pays the Services Manager a services management fee calculated and charged as at each valuation day at the rate of 0.25% per annum of the Net Asset Value of all the Redeemable Participating Share classes subject to a minimum of US\$50,000 for each Redeemable Participating Share class. The fee shall be accrued on each valuation day and payable monthly in arrears.

The Services Manager will rebate to the Fund the amount of the services management fees paid by AHL Institutional Series 3 Ltd and AHL Evolution Ltd that is attributable to the Fund's holding in AHL Institutional Series 3 Ltd and AHL Evolution Ltd. The rebated amount shall be payable monthly in US\$ by the Services Manager to the Fund.

The Services Manager pays fees to BNY Mellon Fund Services (Ireland) Designated Activity Company (the "Administrator") for all administration services provided out of the services management fee.

### Introducing broker fee

In respect of all the Share classes, an introducing broker fee at a rate of up to 1.00% per annum of the Net Asset Value of the each Share class is calculated and charged as at each valuation day and paid monthly.

## Company secretary fees

In consideration for the secretarial services provided by CSS Corporation Ltd. (the "Company Secretary"), the Fund pays an annual retainer fee at the Company Secretary's customary rates for such services, which is not expected to exceed US\$5,500 per annum. The Company Secretary will be reimbursed for all disbursements and reasonable expenses incurred in the performance of its duties, and such disbursements will be invoiced separately and payable annually. The costs of any such Company Secretary fees, disbursements or expenses shall be applied pro-rata to each Class of Redeemable Participating Shares. Company secretary fees are included with other expenses in the statement of operations.

#### Custodian fees

The Fund pays the fees of The Bank of New York Mellon (London Branch) as Custodian (the "Custodian"). The fees will not exceed normal commercial rates together with value added tax, if any, applicable to such fees. The Company will also reimburse the Custodian out of the assets of the Fund for out-of-pocket expenses incurred by the Custodian respectively and for fees (which will not exceed commercial rates) and reasonable out-of-pocket expenses of any sub-custodian appointed by the Custodian.

### Directors' fees

The Fund pays the fees of the Directors. Each Director's fee is US\$4,000 per annum. In addition, the Directors receive reimbursement for travel and other out-of-pocket expenses relating to attendance at meetings and other matters, including any expenses relating to the performance of due diligence for the benefit of the Fund. Directors' fees are included within other expenses in the statement of operations.

#### Other expenses

Included within other expenses in the statement of operations are operating fees and expenses as detailed in the Offering Memorandum.

## 9. Related party transactions

Master Multi-Product Holdings Ltd, a Bermuda incorporated company, is a related party through its 100% holding of the management shares (the "Management Shares") in the Fund. Master Multi-Product Holdings Ltd is itself owned by Conyers Trust Company (Bermuda) Limited (formerly Codan Trust Company Limited) as trustee of the Master Multi-Product Purpose Trust.

AHL Partners LLP is a related party as it is the Investment Manager and Introducing Broker of the Fund.

Man Investments AG is a related party as it is the Services Manager and Marketing Adviser of the Fund.

Effective 1 March 2019, Man Asset Management (Cayman) Limited is a related party as the Manager of the Fund.

AHL Partners LLP, Man Investments AG and Man Asset Management (Cayman) Limited are indirect wholly-owned subsidiaries of Man Group plc and all subsidiaries of Man Group plc are related parties.

Under the rebate agreement signed between the Services Manager and the Fund, the Services Manager will rebate a proportionate amount of the service management fee it earns from the related managed funds to the Fund. The rebated amount is calculated and payable monthly in US\$ by the Services Manager to the Fund at a rate of 0.15% of the value of the Fund's holdings in AHL Institutional Series 3 Ltd and AHL Evolution Ltd. The rebate asset of US\$44,590 (30 June 2018: US\$45,536) and income of US\$549,587 (30 June 2018: US\$621,367) is included in statement of assets and liabilities and statement of operations respectively.

Each of the Directors is or may become involved in other financial investment and professional activities which may cause conflicts of interest with the management of the Fund. These activities include management or administration of other companies (including those with investment objectives similar to that of the Fund or structures that may be related to Man Group plc sponsored investment funds) serving as directors, advisers and/or agents of other companies, including companies or legal structures in which the Fund may invest and/or which may invest into the Fund.

Man Group plc companies are also involved, in varying capacities, in the management of the managed funds the Fund has invested in, as set out in Note 4.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 9. Related party transactions (continued)

The following transactions took place between the Fund and its related parties:

For the year ended 30 June 2019		Total	Fees payable/(receivable)
		Fees	at 30 June 2019
Related party	Type of fee	US\$	US\$_
Man Investments AG	Management fees*	4,835,855	-
Man Asset Management (Cayman) Limited	Management fees*	2,294,004	563,412
Man Investments AG	Introducing broker fees	3,945,272	315,518
Man Investments AG	Services management fees	1,028,249	82,257
Man Investments AG	Services management fees rebate	(549,587)	(44,590)
Directors	Directors' fees	12,000	6,000
For the year ended 30 June 2018		Total	Fees payable/(receivable)
		Fees	at 30 June 2018
Related party	Type of fee	US\$	US\$
Man Investments AG	Management fees	8,067,587	582,885
Man Investments AG	Introducing broker fees	4,456,692	321,282
Man Investments AG	Services management fees	1,153,686	83,586
Man Investments AG	Services management fees rebate	(621,367)	(45,536)
Directors	Directors' fees	12,000	5,026

<sup>\*</sup> For the period from 1 July 2018 to 28 February 2019 management fees were paid to Man Investment AG. Effective from 1 March 2019 to management fees are paid to Man Asset Management (Cayman) Limited.

## 10. Share capital

The Fund has an authorised share capital of US\$50,000 divided into 1,000 Management Shares of par value US\$1.00 each which carry 100% of the voting rights, regardless of whether they are called, and 490,000,000 Redeemable Participating Shares of par value US\$0.0001 each; AUD50,000 divided into 500,000,000 Redeemable Participating Shares of par value AUD0.0001 each, JPY5,000,000 divided into 500,000,000 Redeemable Participating Shares of par value JPY0.01 each and EUR50,000 divided into 500,000,000 Redeemable Participating Shares of par value EUR0.0001 each (collectively "Redeemable Participating Shares").

### Management Shares of the Fund

The Management Shares are held by Master Multi-Product Holdings Ltd which is wholly-owned by Conyers Trust Company (Bermuda) Limited as trustee of the Master Multi-Product Purpose Trust, a special purpose trust formed under the laws of Bermuda pursuant to a Deed of Trust made by Conyers Trust Company (Bermuda) Limited (therein named Codan Trust Company Limited) dated 14 December 2005. As at 30 June 2019, these shares were fully issued and no amounts were paid or payable to the Fund.

## Redeemable Participating Shares of the Fund

Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares and Class C AUD Redeemable Participating Shares were offered for sale by the Fund on 9 April 2012 at US\$1 per Share, JPY100 per Share and AUD1 per Share and thereafter have been offered at the prevailing net asset value on each business day, and any other such days as the Directors shall determine, upon receipt of an application no later than 21:00 (Japan standard time) on the business day before the relevant subscription day.

Class E JPY Redeemable Participating Shares were made available at the invitation of the Directors and were subscribed for on 23 February 2016 at JPY100 per Share and thereafter have been offered at the prevailing net asset value on each business day, and any other such days as the Directors shall determine, upon receipt of an application no later than 21:00 (Japan standard time) on the business day before the relevant subscription day.

Redeemable Participating Shares Shareholders may, upon written notice no later than 21:00 (Japan standard time) one business day before the relevant redemption day on which the redemption is required to be effected, normally redeem their Redeemable Participating Shares on any business day at a redemption price calculated by reference to the NAV per Redeemable Participating Share on the valuation day immediately preceding the redemption day on which the redemption is to be effected.

The rights of each Redeemable Participating Shareholder are limited to the assets attributable to the relevant Class of Redeemable Participating Shares. The obligations of the Fund in respect of each Class of Redeemable Participating Shares will only be payable from the respective value or assets which are attributable to each such Class of Redeemable Participating Shares. In the event that the assets attributable to the relevant Class of Redeemable Participating Shares are insufficient to meet the obligations of the Fund to pay monies to Redeemable Participating Shareholders of such Class of Redeemable Participating Shares, such Redeemable Participating Shareholders will be limited to proceeding against the relevant Class of Redeemable Participating Shares relating to their investments only and shall not be entitled to exercise any rights or have further recourse to the assets attributable to any other Class of Redeemable Participating Shares or any other assets of the Fund.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 10. Share capital (continued)

Share transactions in the Redeemable Participating Shares for the years ended 30 June 2019 and 30 June 2018 were as follows:

30 June 2019	Class A USD No. of Shares	Class B JPY No. of Shares	Class C AUD No. of Shares	Class E JPY No. of Shares
Balance at the beginning of the year	45,460,034	221,131,067	3,633,089	151,379,378
Issue of Redeemable Participating Shares for the year	106,258	8,283,985	-	2,474,190
Redemption of Redeemable Participating Shares for the year	(6,438,026)	(57,437,957)	(576, 157)	(6,039,116)
Balance at the end of the year	39,128,266	171,977,095	3,056,932	147,814,452
30 June 2018	Class A USD No. of Shares	Class B JPY No. of Shares	Class C AUD No. of Shares	Class E JPY
Balance at the beginning of the year	50,346,460	276,124,743	4,095,870	205,387,998
Issue of Redeemable Participating Shares for the year	2,044,714	15,146,930	33,214	4,990,000
Redemption of Redeemable Participating Shares for the year	(6,931,140)	(70,140,606)	(495,995)	(58,998,620)
Balance at the end of the year	45,460,034	221,131,067	3,633,089	151,379,378

In the event of a winding-up or dissolution of the Fund or upon the distribution of capital, the holders of the Redeemable Participating Shares shall be entitled, following a payment to the holders of Management Shares of the par value thereof, to the return of the assets of the Fund held in respect of that class and, thereafter, to share pro rata in the assets, if any, of the Fund which are not held in respect of any class of shares.

#### Capital management

The Fund's objectives for managing capital are:

- investing the capital in investments meeting the description, risk exposure and expected return indicated in the Offering Memorandum;
- achieving consistent returns while safeguarding capital by investing in diversified portfolios, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques;
- · maintaining sufficient liquidity to meet the expenses of the Fund and to meet redemption requests as they arise; and
- maintaining sufficient size to make the operation of the Fund cost-efficient.

Refer to Note 7 'Financial instruments and associated risk', for the policies and processes applied by the Fund in managing its capital.

## 11. Financial highlights

The financial highlights disclosed below are for the year ended 30 June 2019 and 30 June 2018:

Per share operating performance:	Class A USD	Class B JPY*	Class C AUD	Class E JPY
Net asset value per share at the beginning of the year	1.2257	116.3400	1.2829	85.1736
Change in net asset value per share resulting from operations:  Net investment loss  Net realised (loss)/gain and change in unrealised appreciation on investments in	(0.0256)	(2.3776)	(0.0437)	(1.2205)
securities, derivatives and foreign currency	0.1724	12.6376	0.1811	9.3009
Net increase in net asset value per share resulting from operations	0.1468	10.2600	0.1374	8.0804
Net asset value per share at the end of the year	1.3725	126.6000	1.4203	93.2540
Total return (i): Total return	11.98%	8.82%	10.71%	9.49%
Ratios to average net assets (ii): Net investment loss	(2.06%)	(2.04%)	(3.38%)	(1.43%)
Total expenses	(3.28%)	(3.28%)	(4.62%)	(2.65%)
Non-trade expenses (iii)	(2.29%)	(2.28%)	(3.62%)	(1.65%)

<sup>\*</sup>Prior year Net Asset Value per Share has been amended for Class B JPY in line with what has been released to investors.

Notes to the financial statements (continued) For the year ended 30 June 2019



## 11. Financial highlights (continued)

The financial highlights disclosed below are for the year ended 30 June 2018:

Per share operating performance:	Class A USD	Class B JPY	Class C AUD	Class E JPY
Net asset value per share at the beginning of the year	1.1860	115.0569	1.2561	83.6128
Change in net asset value per share resulting from operations: Net investment loss	(0.0329)	(3.1628)	(0.0473)	(1.7376)
Net realised gain/(loss) and change in unrealised appreciation on investments in securities, derivatives and foreign currency  Net increase in net asset value per share resulting from operations	0.0726	4.4459 1.2831	0.0741 0.0268	3.2984 1.5608
Net asset value per share at the end of the year	1.2257	116.3400	1.2829	85.1736
Total return (i): Total return	3.35%	1.12%	2.13%	1.87%
Ratios to average net assets (ii): Net investment loss	(2.64%)	(2.64%)	(3.60%)	(1.99%)
Total expenses	(3.26%)	(3.26%)	(4.23%)	(2.61%)
Non-trade expenses (iii)	(2.26%)	(2.26%)	(3.23%)	(1.61%)

The total return as computed is not annualised.

## 12. Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

## 13. Comparative information

Certain prior year figures in the financial statements have been reclassified to conform with the current year presentation.

## 14. Subsequent events

Subsequent to 30 June 2019, Redeemable Participating Shareholders subscribed for Redeemable Participating Shares having an aggregate net asset value of US\$9,570,749 and redeemed Redeemable Participating Shares having an aggregate net asset value of US\$25,859,481.

In connection with the preparation of the financial statements as of 30 June 2019, management has evaluated the impact of all subsequent events on the Fund through 7 November 2019, the date the financial statements were available to be issued, and has determined that there were no additional subsequent events requiring recognition or disclosure in the financial statements.

ii. The financial highlights are calculated for the shares taken as a whole. An individual investor's financial highlights may vary from the above based on the timing of capital transactions and individual management fee arrangements.

iii. The ratio details the total expenses less trading costs (including interest costs and transaction and brokerage costs) incurred by the Fund in the course of normal trading, to the average net assets described above.



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## Report of Independent Auditors

The Board of Directors
Man AHL Diversified (Cayman) Ltd.

We have audited the accompanying financial statements of Man AHL Diversified (Cayman) Ltd. (the "Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of 30 June 2019 and 30 June 2018, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

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

## **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Man AHL Diversified (Cayman) Ltd. at 30 June 2019 and 30 June 2018, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young Ltd.

7 November 2019