

A large, abstract geometric graphic composed of overlapping translucent polygons in various shades of blue, ranging from light sky blue to deep navy blue, creating a sense of depth and movement.

# Man AHL Diversified (Cayman) Ltd.

(A Cayman Islands exempted  
company)

Report and Financial Statements for the year ended 30 June 2022

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**Board of Directors**

Jennifer Collins (appointed 1 April 2022)  
Ronan Daly (resigned 1 April 2022)  
Timothy Sweeting  
Jennifer Thomson

**Registered Office**

Maples Corporate Services Limited  
P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

**Investment Manager and Introducing Broker**

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

**Manager**

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**

Ernst & 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 Fund** (as to Cayman Islands Law)

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

**Company Secretary**

Maples Secretaries (Cayman) Limited  
P.O. Box 1093  
Boundary Hall, Cricket Square  
Grand Cayman KY1-1102  
Cayman Islands

The Directors hereby present their annual report and audited financial statements for the year ended 30 June 2022. 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.

#### **Market review**

While H2 2021 was characterised by rising equity and commodity markets, and oscillating yields, H1 2022 saw concerted weakness in traditional assets. The S&P registered its worst start to the year in over six decades, and the bond sell-off was even larger in risk-adjusted terms. Commodities continued to rise, which in turn caused CPI numbers to follow suit and close in on double-digits, itself a direct result of a natural resource squeeze from Russia's invasion of Ukraine. The 2s10s yield curve – an oft-reported portent of doom – inverted. Central banks started to raise rates across the globe, with the US Federal Reserve hiking by 75bps for the first time since 1994, and there was talk of higher increments to come.

#### **Performance review**

Man AHL Diversified (Cayman) Ltd (the "Fund") returned 11.62%<sup>1</sup> net of fees, with profits arising predominantly from fixed income and energy positions. Smaller losses were incurred in FX and equities trading.

Within the commodities complex, energy commodities were the standout performers. Natural gas prices sky-rocketed across regions as a result of a confluence of factors: low inventories, high demand from a growth-hungry post-COVID world, and supply disruption from Russia. The price of agricultural commodities was also squeezed from war in key crop exporter Ukraine. Trading in metals resulted in a small loss overall for the Fund. Copper was the most negative contributor as price rises seen throughout most of Q1 were rapidly reversed in Q2, as concerns emerged that central banks would not be able to raise rates in an attempt to vanquish inflation without impacting growth.

Fixed income yields rose sharply in Q1 2022 as raging inflationary forces globally forced the hand of policymakers. Short-term rates such as Euribor were top performers, and further out the curve, a short position in Italian 10-year bonds profited, as headline consumer price inflation in the Euro area hit an expectation-busting 8.1%. Canadian interest-rate-swap payer positions benefitted as the Bank of Canada cited inflationary forces being "more persistent than expected" as a reason for ending its quantitative easing programme and bringing forward its timeline for rising interest-rates. This news in Europe and Canada contrasted with Japan, where the central bank pledged to maintain yields at low levels and resulted in losses from the Fund's long Japanese government bond position.

Currency trading finished the period marginally in the red, with two offsetting themes apparent as the US dollar continued to rise against a basket of currencies. In developed markets short positions in the euro and Japanese yen against the US dollar continued to be profitable, fuelled by the resurgent carry trade. Long positions in commodity currencies such as the South African rand, on the other hand, lost out.

The end of 2021 also marked the end of risk assets' bull run, and in turn this reversal proved a difficult environment for the Fund. At the index level, losses were experienced in the Australian SPI 200 and Nikkei, while trading in H-Shares and the Korean Kospi proved profitable. At the sector level, losses were felt most in US healthcare and European banking names. Trading in the VIX volatility was notably difficult with high "vol of vol". Credit trading was flat as positioning changed from long to short, via short- and long-CDS positions respectively, as the period progressed.

#### **Future outlook**

Entering into H2 2022, the Fund's main risk exposures in declining order are: short bonds, long USD, short equities, long energies, short metals, and short credit. Hence an outlook of continued inflationary pressure with ongoing growth concerns would be of potential benefit to the Fund. Since the Fund's style is trend-following, it is designed to capture price trends and therefore it may adapt to changes in the economic environment, whatever that turns out to be.

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

Signed on behalf of the Board of Directors on 17 November 2022.

Jennifer Collins  
Director

Timothy Sweeting  
Director

<sup>1</sup> Performance data is shown net of fees with income reinvested, as at 30 June 2022, and does not take into account sales and redemption charges where such costs are applicable. Returns are calculated net of (up to) 2% management fees and 20% performance fees for the Man AHL Diversified (Cayman) USD share class. Other share classes may charge higher fees.

# Man AHL Diversified (Cayman) Ltd.

## Statement of assets and liabilities

As at 30 June 2022



	Notes	2022 US\$	2021 US\$
<b>Assets</b>			
Cash and cash equivalents - unrestricted	3	19,943,819	73,809,311
Cash and cash equivalents - restricted	3	16,854,160	16,683,426
Investments in securities, at fair value (Cost: US\$351,166,615 (2021: US\$278,309,579))	4	399,708,920	334,967,403
Derivatives, at fair value	4,5	216	157,255
Services management fees rebate receivable	8,9	54,161	50,899
Other assets		42,165	38,580
<b>Total assets</b>		<b>436,603,441</b>	<b>425,706,874</b>
<b>Liabilities</b>			
Redemptions payable		67,839	483,148
Collateral balances held	3	-	4,778,714
Derivatives, at fair value	4,5	1,834,913	1,270,620
Performance fees payable	8,9	2,595,245	1,612,248
Management fees payable	8,9	694,306	622,632
Introducing broker fees payable	8,9	305,254	354,188
Services management fees payable	8,9	95,273	91,917
Directors' fees payable	8,9	6,000	6,000
Accrued expenses and other liabilities	8	34,606	123,024
<b>Total liabilities</b>		<b>5,633,436</b>	<b>9,342,491</b>
<b>Net assets attributable to Redeemable Participating Shareholders</b>		<b>430,970,005</b>	<b>416,364,383</b>

Which are represented by:

30,082,771 (2021: 31,808,711) Class A USD Redeemable Participating Shares with a Net Asset Value per Redeemable Participating Share of US\$1.8950 (2021: US\$1.4094)

10 US\$57,009,586 US\$54,002,437

140,903,141 (2021: 144,059,576) Class B JPY Redeemable Participating Shares with a Net Asset Value per Redeemable Participating Share of JPY173.8000 (2021: JPY155.3599)

10 JPY24,488,965,987 JPY22,381,095,727

2,559,054 (2021: 2,681,327) Class C AUD Redeemable Participating Shares with a Net Asset Value per Redeemable Participating Share of AUD1.8810 (2021: AUD1.7056)

10 AUD4,813,632 AUD4,573,425

201,528,627 (2021: 153,555,658) Class E JPY Redeemable Participating Shares with a Net Asset Value per Redeemable Participating Share of JPY128.1300 (2021: JPY113.9600)

10 JPY25,821,862,978 JPY17,499,202,786

Approved and authorised for issue on behalf of the Board on 17 November 2022.

Jennifer Collins  
Director

Timothy Sweeting  
Director

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

# Man AHL Diversified (Cayman) Ltd.

Condensed schedule of investments

As at 30 June 2022



## Long Securities and Derivatives at Fair Value

Long Securities at Fair Value	Redemption frequency	Redemption notice period	2022 Quantity /Par Value	2022 Fair Value US\$	2022 % of Net Assets	2021 Quantity /Par Value	2021 Fair Value US\$	2021 % of Net Assets
<b>Government Bonds</b>								
<b>United States</b>								
United States Treasury Bill 0% 08/07/21			-	-	-	45,000,000	44,999,663	10.81%
United States Treasury Bill 0% 26/08/21			-	-	-	50,000,000	49,996,846	12.01%
United States Treasury Bill 0% 07/10/21			-	-	-	25,000,000	24,997,160	6.00%
United States Treasury Bill 0% 07/07/22			25,000,000	24,997,075	5.80%	-	-	-
United States Treasury Bill 0% 15/09/22			50,000,000	49,833,999	11.56%	-	-	-
United States Treasury Bill 0% 22/09/22			50,000,000	49,812,896	11.56%	-	-	-
United States Treasury Bill 0% 29/09/22			50,000,000	49,791,237	11.56%	-	-	-
<b>Total United States (Cost: US\$174,275,212 (2021: US\$119,978,267))</b>				<b>174,435,207</b>	<b>40.48%</b>		<b>119,993,669</b>	<b>28.82%</b>
<b>Total Government Bonds (Cost: US\$174,275,212 (2021: US\$119,978,267))</b>				<b>174,435,207</b>	<b>40.48%</b>		<b>119,993,669</b>	<b>28.82%</b>
<b>Managed Funds</b>								
<b>Bermuda</b>								
AHL Evolution Ltd*	Daily	1 Day	6,452	80,050,292	18.57%	8,274	72,910,511	17.51%
AHL Institutional Series 3 Ltd*	Daily	1 Day	688,278	145,223,421	33.70%	882,767	142,053,223	34.12%
<b>Total Bermuda (Cost: US\$176,891,403 (2021: US\$158,331,312))</b>				<b>225,273,713</b>	<b>52.27%</b>		<b>214,963,734</b>	<b>51.63%</b>
<b>Total Managed Funds (Cost: US\$176,891,403 (2021: US\$158,331,312))</b>				<b>225,273,713</b>	<b>52.27%</b>		<b>214,963,734</b>	<b>51.63%</b>
<b>Total Long Securities at Fair Value (Cost: US\$351,166,615 (2021: US\$278,309,579))</b>				<b>399,708,920</b>	<b>92.75%</b>		<b>334,957,403</b>	<b>80.45%</b>
<b>Long Derivatives at Fair Value</b>								
<b>Forward Currency Contracts</b>								
Various currencies				(210)	-		157,255	0.04%
<b>Total Forward Currency Contracts</b>				<b>(210)</b>	<b>-</b>		<b>157,255</b>	<b>0.04%</b>
<b>Total Long Derivatives at Fair Value</b>				<b>(210)</b>	<b>-</b>		<b>157,255</b>	<b>0.04%</b>
<b>Total Long Securities and Derivatives at Fair Value (Cost: US\$351,166,615 (2021: US\$278,309,579))</b>				<b>399,708,710</b>	<b>92.75%</b>		<b>335,114,658</b>	<b>80.49%</b>
<b>Short Derivatives at Fair Value</b>								
<b>Forward Currency Contracts</b>								
Various currencies				(1,834,487)	(0.43%)		(1,270,620)	(0.31%)
<b>Total Forward Currency Contracts</b>				<b>(1,834,487)</b>	<b>(0.43%)</b>		<b>(1,270,620)</b>	<b>(0.31%)</b>
<b>Total Short Derivatives at Fair Value</b>				<b>(1,834,487)</b>	<b>(0.43%)</b>		<b>(1,270,620)</b>	<b>(0.31%)</b>

\* The managed funds are affiliated to the Fund as they share the same Investment Manager. There are no management fees or performance fees charged by the Investment Manager to the managed funds.

The accompanying notes form an integral part of these financial statements.

Man AHL Diversified (Cayman) Ltd.  
Condensed schedule of investments (continued)  
As at 30 June 2022



Reconciliation of long and short derivatives (Note 4)\*\*

	Fair Value US\$ 2022	Fair Value US\$ 2021
<b>Derivative Assets at Fair Value</b>		
Total fair value of long derivative assets	-	157,255
Total fair value of short derivative assets	216	-
<b>Total Derivative Assets at Fair Value</b>	<b>216</b>	<b>157,255</b>
<b>Derivative Liabilities at Fair Value</b>		
Total fair value of long derivative liabilities	(210)	-
Total fair value of short derivative liabilities	(1,834,703)	(1,270,620)
<b>Total Derivative Liabilities at Fair Value</b>	<b>(1,834,913)</b>	<b>(1,270,620)</b>

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

The investment objective for investments exceeding 5% of the Fund's net assets as at 30 June 2022 is shown below:

Investments held	Investment objective
AHL Evolution Ltd	Maximising long-term total returns
AHL Institutional Series 3 Ltd	Maximising long-term total returns

The proportionate share of the Fund in the individual investment position of AHL Evolution Ltd, by issuer, which exceeded (+/-) 5% of the Fund's NAV as at 30 June 2022 is shown below:

	Holdings	Fair Value US\$	% of Net Assets of the Fund
<b>Government of the United States</b>			
United States Treasury Bill 0% 07/07/22	990,000	989,884	0.23%
United States Treasury Bill 0% 14/07/22	990,000	989,612	0.23%
United States Treasury Bill 0% 28/07/22	990,000	989,312	0.23%
United States Treasury Bill 0% 04/08/22	990,000	988,902	0.23%
United States Treasury Bill 0% 11/08/22	990,000	988,522	0.23%
United States Treasury Bill 0% 18/08/22	1,980,000	1,976,506	0.46%
United States Treasury Bill 0% 25/08/22	990,000	987,817	0.23%
United States Treasury Bill 0% 08/09/22	1,980,000	1,974,084	0.46%
United States Treasury Bill 0% 15/09/22	990,000	986,713	0.23%
United States Treasury Bill 0% 22/09/22	990,000	986,295	0.23%
United States Treasury Bill 0% 29/09/22	990,000	985,867	0.23%
United States Treasury Bill 0% 06/10/22	1,980,000	1,970,714	0.46%
United States Treasury Bill 0% 13/10/22	990,000	984,720	0.23%
United States Treasury Bill 0% 20/10/22	990,000	984,026	0.23%
United States Treasury Bill 0% 27/10/22	1,980,000	1,967,538	0.46%
United States Treasury Bill 0% 03/11/22	1,980,000	1,966,532	0.46%
United States Treasury Bill 0% 10/11/22	1,980,000	1,965,402	0.46%
United States Treasury Bill 0% 17/11/22	1,980,000	1,964,373	0.46%
United States Treasury Bill 0% 25/11/22	1,980,000	1,963,645	0.46%
United States Treasury Bill 0% 08/12/22	1,980,000	1,960,281	0.45%
United States Treasury Bill 0% 15/12/22	1,980,000	1,959,499	0.45%
United States Treasury Bill 0% 26/01/23	1,980,000	1,952,601	0.45%
United States Treasury Bill 0% 23/02/23	1,980,000	1,949,011	0.45%
United States Treasury Bill 0% 23/03/23	990,000	973,038	0.23%
United States Treasury Bill 0% 20/04/23	990,000	969,433	0.22%
United States Treasury Inflation Indexed Bonds 0.13% 15/10/26	(450,310)	(446,199)	(0.10%)
United States Treasury Inflation Indexed Bonds 0.13% 15/04/27	(577,708)	(568,703)	(0.13%)
		<b>35,359,425</b>	<b>8.23%</b>

The accompanying notes form an integral part of these financial statements.

Man AHL Diversified (Cayman) Ltd.  
Condensed schedule of investments (continued)  
As at 30 June 2022



The proportionate share of the Fund in the individual investment position of AHL Institutional Series 3 Ltd, by issuer, which exceeded (+/-) 5% of the Fund's NAV as at 30 June 2022 is shown below:

	Holdings	Fair Value US\$	% of Net Assets of the Fund
<b>Government of the United States</b>			
United States Treasury Bill 0% 14/07/22	4,809,000	4,807,115	1.12%
United States Treasury Bill 0% 25/08/22	8,015,000	7,997,328	1.86%
United States Treasury Bill 0% 15/09/22	8,015,000	7,988,390	1.85%
United States Treasury Bill 0% 29/09/22	8,015,000	7,981,535	1.85%
United States Treasury Bill 0% 06/10/22	8,015,000	7,977,411	1.85%
United States Treasury Bill 0% 13/10/22	8,015,000	7,972,253	1.85%
United States Treasury Bill 0% 20/10/22	8,015,000	7,966,634	1.85%
United States Treasury Bill 0% 27/10/22	8,015,000	7,964,552	1.85%
United States Treasury Bill 0% 25/11/22	8,015,000	7,948,796	1.84%
United States Treasury Bill 0% 15/12/22	8,015,000	7,932,011	1.84%
		<b>76,536,025</b>	<b>17.76%</b>

The proportionate share of the Fund in the individual investment positions of AHL Evolution Ltd and AHL Institutional Series 3 Ltd, by issuer, did not exceed (+/-) 5% of the Fund's NAV as at 30 June 2021.

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



# Man AHL Diversified (Cayman) Ltd.

## Statement of operations

For the year ended 30 June 2022



	Notes	2022 US\$	2021 US\$
<b>Investment income</b>			
Interest income		306,829	189,983
Services management fees rebate	8,9	602,799	565,304
<b>Total investment income</b>		<u>909,628</u>	<u>755,287</u>
<b>Expenses</b>			
Performance fees	8,9	14,292,711	11,774,464
Management fees	8,9	7,358,116	7,211,676
Introducing broker fees	8,9	4,228,340	4,047,291
Services management fees	8,9	1,098,704	1,053,189
Directors' fees	8,9	12,000	12,000
Interest expense		8,162	2,208
Custodian fees	8	6,389	18,309
Other expenses	8	65,720	69,984
<b>Total expenses</b>		<u>27,070,142</u>	<u>24,189,121</u>
<b>Net investment loss</b>		<u>(26,160,514)</u>	<u>(23,433,834)</u>
<b>Net realised gain and change in unrealised (depreciation)/appreciation on investments in securities, derivatives and foreign currency</b>			
Net realised gain on investments in securities, derivatives and foreign currency	5	9,729,372	33,204,434
Net change in unrealised (depreciation)/appreciation on investments in securities, derivatives and foreign currency	5	<u>(8,886,688)</u>	<u>56,941,355</u>
<b>Net realised gain and change in unrealised (depreciation)/appreciation on investments in securities, derivatives and foreign currency</b>		<u>842,684</u>	<u>90,145,789</u>
<b>Net (decrease)/increase in net assets resulting from operations</b>		<u><u>(25,317,830)</u></u>	<u><u>66,711,955</u></u>

The accompanying notes form an integral part of these financial statements.

# Man AHL Diversified (Cayman) Ltd.

## Statement of changes in net assets

For the year ended 30 June 2022



	Notes	2022 US\$	2021 US\$
Net assets attributable to Redeemable Participating Shareholders at the beginning of the year		416,364,383	320,775,823
<b>Change in net assets resulting from operations</b>			
Net investment loss		(26,160,514)	(23,433,834)
Net realised gain on investments in securities, derivatives and foreign currency	5	9,729,372	33,204,434
Net change in unrealised (depreciation)/appreciation on investments in securities, derivatives and foreign currency	5	(8,886,688)	56,941,355
<b>Net decrease in net assets resulting from operations</b>		<u>(25,317,830)</u>	<u>66,711,955</u>
<b>Change in net assets resulting from capital transactions</b>			
Issuance of Class A USD Redeemable Participating Shares	10	-	3,971,712
Redemption of Class A USD Redeemable Participating Shares	10	(3,147,780)	(14,272,988)
Issuance of Class B JPY Redeemable Participating Shares*	10	3,718,309	18,371,896
Redemption of Class B JPY Redeemable Participating Shares	10	(7,986,202)	(49,083,072)
Redemption of Class C AUD Redeemable Participating Shares	10	(165,205)	(479,704)
Issuance of Class E JPY Redeemable Participating Shares	10	47,727,324	79,794,494
Redemption of Class E JPY Redeemable Participating Shares	10	(222,994)	(9,425,733)
<b>Net increase in net assets resulting from capital transactions</b>		<u>39,923,452</u>	<u>28,876,605</u>
Net change in net assets		14,605,622	95,588,560
<b>Net assets attributable to Redeemable Participating Shareholders at the end of the year</b>		<u><b>430,970,005</b></u>	<u><b>416,364,383</b></u>

\* Included within subscriptions for Class B JPY Redeemable Participating Shares are subscriptions of US\$12,467,683 which were simultaneously redeemed out of Man AHL ID Trust, a fund managed by the same Investment Manager on 29 June 2021.

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

# Man AHL Diversified (Cayman) Ltd.

## Statement of cash flows

For the year ended 30 June 2022



	2022 US\$	2021 US\$
<b>Cash flows from operating activities:</b>		
Net (decrease)/increase in net assets resulting from operations	(25,317,830)	66,711,955
<b>Adjustments to reconcile net (decrease)/increase in net assets resulting from operations to net cash (used in)/provided by operating activities:</b>		
Purchases of investments in securities	(413,254,862)	(329,475,860)
Proceeds from disposal of investments in securities	425,677,477	383,296,417
Net realised gain on investments in securities	(85,424,244)	(49,107,565)
Net change in unrealised depreciation/(appreciation) on investments in securities	8,260,112	(56,684,769)
Net change in unrealised depreciation/(appreciation) on derivatives	721,332	(320,700)
Net change in unrealised (appreciation)/depreciation on foreign currency	(94,756)	64,114
Increase in services management fees rebate receivable	(3,262)	(11,014)
Increase in other assets	(3,585)	(23,999)
(Decrease)/increase in collateral balances - due to brokers	(4,778,714)	4,774,223
Increase in performance fees payable	982,997	1,612,248
Increase in management fees payable	71,674	72,970
(Decrease)/increase in introducing broker fees payable	(48,934)	58,780
Increase in services management fees payable	3,356	14,226
Decrease in directors' fees payable	-	6,000
(Decrease)/increase in accrued expenses and other liabilities	(88,418)	61,081
<b>Net cash (used in)/provided by operating activities</b>	<b>(93,297,657)</b>	<b>21,048,107</b>
<b>Cash flows from financing activities:</b>		
Proceeds on issuance of Redeemable Participating Shares*	51,445,633	102,126,979
Payments on redemption of Redeemable Participating Shares	(11,937,490)	(73,040,564)
<b>Net cash provided by financing activities</b>	<b>39,508,143</b>	<b>29,086,415</b>
Effects of exchange rate changes on cash (including restricted cash)	94,756	(64,114)
Net (decrease)/increase in cash and cash equivalents (including restricted cash)	(53,789,514)	50,134,522
Cash and cash equivalents (including restricted cash) at the beginning of the year	90,492,737	40,422,329
<b>Cash and cash equivalents (including restricted cash) at the end of the year</b>	<b>36,797,979</b>	<b>90,492,737</b>
<b>Cash and cash equivalents (including restricted cash) consists of:</b>		
Cash and cash equivalents - unrestricted	19,943,819	73,809,311
Cash and cash equivalents - restricted	16,854,160	16,683,426
<b>Cash and cash equivalents (including restricted cash) at the end of the year</b>	<b>36,797,979</b>	<b>90,492,737</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	(8,162)	(2,208)

\* Includes a cash transfer of US\$12,467,683 from a fund managed by the same Investment Manager, on 29 June 2021. Refer to Note 9 for further details.

The accompanying notes form an integral part of these financial statements.

# Man AHL Diversified (Cayman) Ltd.

Notes to the financial statements  
For the year ended 30 June 2022



## 1. General

Man AHL Diversified (Cayman) Ltd. (the “Fund”) was incorporated on 12 March 2012 as an exempted company with limited liability under the Companies Act (as amended) of the Cayman Islands. The Fund is an open-ended mutual fund and is regulated under the Mutual Funds Act (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 2022.

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 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 the conduct of its regulated activities. The Investment Manager is also regulated by the U.S. Securities and Exchange Commission (the “SEC”) and the U.S. Commodity Futures Trading Commission (the “CFTC”) in the conduct of its regulated activities.

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, 4 March 2019, 10 March 2021, 1 January 2022 and 1 April 2022 (the “Addenda”).

## 2. Significant accounting policies

The financial statements have been prepared in conformity with 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

There were no recent accounting pronouncements applicable to this Fund in the current year.

### (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 a period of at least 12 months beyond the date these financial statements are available to be issued. 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 at 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.

### (e) Fair value of 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.

## 2. Significant accounting policies (continued)

### (e) Fair value of financial instruments (continued)

#### Definition and hierarchy (continued)

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.

Where an investment's characteristics change during the year and investments no longer meet the criteria of a given level, they are transferred into a more appropriate level at the end of the relevant financial reporting year.

#### 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 at 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 services, 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 gain or loss or change in unrealised appreciation/(depreciation) 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.

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

All realised gains and losses and changes in unrealised appreciation/(depreciation) on investments in securities, derivatives and foreign currency are included in net realised gain and change in unrealised depreciation 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 net realised gain and change in unrealised depreciation on investments in securities, derivatives and foreign currency in the statement of operations.

## 2. Significant accounting policies (continued)

### (g) Functional and reporting 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 functional and reporting/presentation currency is the US\$.

### (h) Foreign currency

Transactions during the year denominated in foreign currencies have been remeasured to US\$ 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 gain and change in unrealised depreciation on investments in securities, derivatives and foreign currency in the statement of operations. Foreign currency assets and liabilities held at the year end were remeasured to US\$ 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 depreciation on investments in securities, derivatives and foreign currency in the statement of operations.

### (i) Cash and cash equivalents - unrestricted

Cash and cash equivalents - unrestricted in the statement of assets and liabilities comprises cash on hand, demand deposits, short-term deposits in banks, short-term highly liquid investments and cash equivalents that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. Cash and cash equivalents includes unrestricted cash balances held with the bank and the brokers.

### (j) Cash and cash equivalents – restricted

Cash and cash equivalents – restricted includes 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.

### (k) 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 Act (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. 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 2022 and 30 June 2021, the Fund did not incur any interest or penalties.

### (l) Interest income and expense

Interest income and expense are recognised using the effective interest method.

### (m) Expenses

All expenses are recognised on an accruals basis.

### (n) 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*"), mandatorily redeemable financial instruments are classified as liabilities. Financial instruments are deemed to be mandatorily redeemable when a redemption request has been received and the redemption amount has been determined.

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 2022, which under the terms of *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* are mandatorily redeemable financial instruments and consequently a liability of the Fund and not part of equity. Redemptions payable as at 30 June 2022 is US\$67,839 (2021: US\$483,148).

## 2. Significant accounting policies (continued)

### (o) 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.

### (p) 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 their respective NAV. In the case that there are share classes designated in a currency other than the Functional Currency, the Investment Manager may use efficient portfolio management techniques to mitigate risks arising from exchange rate fluctuation. Any cost, related liabilities and/or benefits of such share class specific investment will be for the account of that share class only. Management and performance fees are charged on a share by share basis and will be charged only to the affected class of Redeemable Participating Shares in line with the fee rate specified in Note 8.

## 3. Cash and cash equivalents – unrestricted and cash and cash equivalents – restricted

At the year end amounts disclosed as cash and cash equivalents – unrestricted and cash and cash equivalents – restricted were held at The Bank of New York Mellon SA/NV and BNP Paribas (the “Banks”) and The Bank of New York Mellon SA/NV (the “Broker”). Cash and cash equivalents - restricted represents the margin and collateral account balances with the broker. 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.

Included in cash and cash equivalents – unrestricted at 30 June 2022 is cash in foreign currencies with a fair value of US\$73,953 (Cost: US\$74,113) (2021: US\$4,778,714 (Cost: US\$4,778,714)).

## 4. Fair value measurements

Details of the Fund’s investments at 30 June 2022 and 30 June 2021 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 2022, 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 2022 and 30 June 2021, 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 2022 and 30 June 2021, 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.



# Man AHL Diversified (Cayman) Ltd.

Notes to the financial statements (continued)

For the year ended 30 June 2022



## 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 at 30 June 2022 and 30 June 2021:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 30 June 2022</b>				
Long securities and derivative assets, at fair value				
<u>Investments in government bonds</u>				
Government bonds	174,435,207	-	-	174,435,207
<b>Total investments in government bonds</b>	<b>174,435,207</b>	<b>-</b>	<b>-</b>	<b>174,435,207</b>
<b>Total long securities, at fair value</b>	<b>174,435,207</b>	<b>-</b>	<b>-</b>	<b>174,435,207</b>
<u>Derivatives</u>				
Forward currency contracts	-	216	-	216
<b>Total derivatives</b>	<b>-</b>	<b>216</b>	<b>-</b>	<b>216</b>
<b>Total long securities and derivative assets, at fair value</b>	<b>174,435,207</b>	<b>216</b>	<b>-</b>	<b>174,435,423</b>
Derivative liabilities, at fair value				
<u>Derivatives</u>				
Forward currency contracts	-	(1,834,913)	-	(1,834,913)
<b>Total derivatives</b>	<b>-</b>	<b>(1,834,913)</b>	<b>-</b>	<b>(1,834,913)</b>
<b>Total derivative liabilities, at fair value</b>	<b>-</b>	<b>(1,834,913)</b>	<b>-</b>	<b>(1,834,913)</b>
Investments measured at NAV				225,273,713
<b>Investments at fair value</b>				<b>397,874,223</b>
<b>As at 30 June 2021</b>				
Long securities and derivative assets, at fair value				
<u>Investments in government bonds</u>				
Government bonds	119,993,669	-	-	119,993,669
<b>Total investments in government bonds</b>	<b>119,993,669</b>	<b>-</b>	<b>-</b>	<b>119,993,669</b>
<b>Total long securities, at fair value</b>	<b>119,993,669</b>	<b>-</b>	<b>-</b>	<b>119,993,669</b>
<u>Derivatives</u>				
Forward currency contracts	-	157,255	-	157,255
<b>Total derivatives</b>	<b>-</b>	<b>157,255</b>	<b>-</b>	<b>157,255</b>
<b>Total long securities and derivative assets, at fair value</b>	<b>119,993,669</b>	<b>157,255</b>	<b>-</b>	<b>120,150,924</b>
Derivative liabilities, at fair value				
<u>Derivatives</u>				
Forward currency contracts	-	(1,270,620)	-	(1,270,620)
<b>Total derivatives</b>	<b>-</b>	<b>(1,270,620)</b>	<b>-</b>	<b>(1,270,620)</b>
<b>Total derivative liabilities, at fair value</b>	<b>-</b>	<b>(1,270,620)</b>	<b>-</b>	<b>(1,270,620)</b>
Investments measured at NAV				214,973,734
<b>Investments at fair value</b>				<b>333,854,038</b>



#### 4. Fair value measurements (continued)

For the year ended 30 June 2022, the total net realised gain and change in unrealised (depreciation)/appreciation from the Fund's investment in AHL Evolution Ltd amounted to US\$27,894,048 (2021: US\$20,930,395) and AHL Institutional Series 3 Ltd amounted to US\$49,270,085 (2021: US\$84,861,940). These amounts are recognised in net realised gain and net change in unrealised (depreciation)/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 2022 and 30 June 2021.

The Fund did not hold any Level 3 investments during the years ended 30 June 2022 and 30 June 2021.

#### 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 2022 and 30 June 2021, 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.

As at 30 June 2022 and 30 June 2021, all derivatives were OTC contracts. As at 30 June 2022 and 30 June 2021, master netting arrangements relate to forward currency contracts held by the Fund.

The Fund has not designated any derivative instruments as hedging instruments under ASC 815, *Derivatives and Hedging*. The condensed schedule of investments details information regarding derivative types and their fair value at 30 June 2022 and 30 June 2021.

As at 30 June 2022 and 30 June 2021, open derivative instruments are included in the statement of assets and liabilities under the following headings:

	2022 US\$	2021 US\$
<b>Derivatives at fair value</b>		
<b>Assets</b>		
Forward currency contracts	216	157,255
<b>Total derivatives</b>	<b>216</b>	<b>157,255</b>
<b>Liabilities</b>		
Forward currency contracts	(1,834,913)	(1,270,620)
<b>Total derivatives</b>	<b>(1,834,913)</b>	<b>(1,270,620)</b>

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.

The quarterly average notional value of derivative instrument activity which is representative of the derivative trading during the years ended 30 June 2022 and 30 June 2021 was as follows:

	Notional value 30 June 2022		Notional value As at 30 June 2021	
<b>Prime Underlying Risk</b>	Long US\$	Short US\$	Long US\$	Short US\$
<b>Foreign exchange risk</b>				
Forward currency contracts	8,575,601	368,770,682	17,596,141	372,713,165

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.

## 5. Derivatives (continued)

The effect of transactions in derivative instruments in the statement of operations for the years ended 30 June 2022 and 30 June 2021 was as follows:

		Amount of gain/(loss) recognised in the statement of operations	
		2022	2021
Derivative Type	Location of gain/(loss) in the statement of operations	US\$	US\$
<b>Net realised gain on investments in securities, derivatives and foreign currency</b>			
Forward currency contracts	Net realised gain on investments in securities, derivatives and foreign currency	(75,633,746)	(16,128,025)
<i>Other non-derivative items included in net realised gain on investments in securities, derivatives and foreign</i>			
Investments in securities	Net realised gain on investments in securities, derivatives and foreign currency	85,424,244	49,107,565
Foreign currency	Net realised gain on investments in securities, derivatives and foreign currency	(61,126)	224,894
<b>Net realised gain on investments in securities, derivatives and foreign currency</b>		<b>9,729,372</b>	<b>33,204,434</b>
<b>Net change in unrealised (depreciation)/appreciation on investments in securities, derivatives and foreign</b>			
Net change in unrealised (depreciation)/appreciation on investments in securities,			
Forward currency contracts	derivatives and foreign currency	(721,332)	320,700
<i>Other non-derivative items included in net change in unrealised (depreciation)/appreciation on investments in</i>			
<i>securities, derivatives and foreign currency</i>			
Net change in unrealised (depreciation)/appreciation on investments in securities,			
Investments in securities	derivatives and foreign currency	(8,260,112)	56,684,769
Net change in unrealised (depreciation)/appreciation on investments in securities,			
Foreign currency	derivatives and foreign currency	94,756	(64,114)
<b>Net change in unrealised (depreciation)/appreciation on investments in securities, derivatives and foreign</b>		<b>(8,886,688)</b>	<b>56,941,355</b>
<b>currency</b>			

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 2022 and 30 June 2021, 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 realised or unrealised gain or loss 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.

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 level 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 at 30 June 2022 is approximately US\$1,834,912 (2021: US\$1,270,620) for which the Fund has posted cash collateral of approximately US\$16,854,160 (2021: US\$16,683,426) in the normal course of business. If the credit risk-related contingent features underlying these instruments had been triggered as at 30 June 2022 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

Financial assets and liabilities are offset and the net amounts 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.

As at 30 June 2022, 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.

# Man AHL Diversified (Cayman) Ltd.

Notes to the financial statements (continued)

For the year ended 30 June 2022



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

The following table summarises the net financial assets per counterparty as at 30 June 2022:

<u>Derivative Assets and Collateral held by counterparty</u>				
	(i)	(ii)		(iii)=(i)+(ii)
		Impact of master netting arrangement not offset in the statement of assets and liabilities		
		Gross assets not offset in the statement of assets and liabilities		
	Gross amounts of assets in the statement of assets and liabilities US\$	Financial instruments US\$	Cash collateral held US\$	Net amount US\$
<u>Counterparty</u>				
The Bank of New York Mellon SA/NV	216	(216)	-	-
<b>Total</b>	<b>216</b>	<b>(216)</b>	<b>-</b>	<b>-</b>

The following table summarises the net financial liabilities per counterparty as at 30 June 2022:

<u>Derivative Liabilities and Collateral pledged by counterparty</u>				
	(i)	(ii)		(iii)=(i)+(ii)
		Impact of master netting arrangement not offset in the statement of assets and liabilities		
		Gross liabilities not offset in the statement of assets and liabilities		
	Gross amounts of liabilities in the statement of assets and liabilities US\$	Financial instruments US\$	Cash collateral pledged US\$	Net amount US\$
<u>Counterparty</u>				
The Bank of New York Mellon SA/NV	1,834,913	(216)	(1,834,697)	-
<b>Total</b>	<b>1,834,913</b>	<b>(216)</b>	<b>(1,834,697)</b>	<b>-</b>

The following table summarises the net financial assets per counterparty as at 30 June 2021:

<u>Derivative Assets and Collateral held by counterparty</u>				
	(i)	(ii)		(iii)=(i)+(ii)
		Impact of master netting arrangement not offset in the statement of assets and liabilities		
		Gross liabilities not offset in the statement of assets and liabilities		
	Gross amounts of assets in the statement of assets and liabilities US\$	Financial instruments US\$	Cash collateral held US\$	Net amount US\$
<u>Counterparty</u>				
The Bank of New York Mellon SA/NV	157,255	(157,255)	-	-
<b>Total</b>	<b>157,255</b>	<b>(157,255)</b>	<b>-</b>	<b>-</b>

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

The following table summarises the net financial liabilities per counterparty as at 30 June 2021:

<u>Derivative Liabilities and Collateral pledged by counterparty</u>				
	(i)	(ii)		(iii)=(i)+(ii)
		Impact of master netting arrangement not offset in the statement of assets and liabilities		
		Gross liabilities not offset in the statement of assets and liabilities		
	Gross amounts of liabilities in the statement of assets and liabilities US\$	Financial instruments US\$	Cash collateral pledged US\$	Net amount US\$
Counterparty				
The Bank of New York Mellon SA/NV	1,270,620	(157,255)	1,113,365	-
Total	1,270,620	(157,255)	1,113,365	-

As at 30 June 2022, the amount of collateral cash pledged is US\$16,854,160 (2021: US\$16,683,426) and the amount of cash collateral held is US\$Nil (2021: US\$4,778,714).

## 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 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.

The Manager employs 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.

### Overall risk management

#### AHL Diversified Programme

The Investment Manager 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, equity swaps, 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 agricultural.

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.

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

### Overall risk management (continued)

#### AHL Diversified Programme (continued)

Through the Investment Manager'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.

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 2022, the annualised volatility of the Fund for Class A USD was 15.22% (2021: 14.59%), for Class B JPY was 15.22% (2021: 14.60%), for Class C AUD was 15.28% (2021: 14.61%) and for Class E JPY was 15.22% (2021: 14.59%).

#### 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 and cash equivalents – unrestricted, cash and cash equivalents –restricted and government bonds held at 30 June 2022 and 30 June 2021.

#### 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 investments 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 financial 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.

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

### 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 at 30 June 2022 and 30 June 2021 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.

As at 30 June 2022 and 30 June 2021, the Fund holds government bonds in the United States. Refer to the condensed schedule of investments for further details.

The significant exposures are to the Banks and the Brokers.

The tables below analyse the Fund's exposure of cash and cash equivalents - unrestricted, cash and cash equivalents – restricted and derivatives at fair value by rating agency category at 30 June 2022 and 30 June 2021:

Counterparty	Moody's Rating	2022 US\$	2022 %
BNP Paribas	Aa3	4	-
The Bank of New York Mellon SA/NV	A1	36,798,191	100.00%
		<b>36,798,195</b>	<b>100.00%</b>

  

Counterparty	Moody's Rating	2021 US\$	2021 %
BNP Paribas	Aa3	70,716,299	78.01%
The Bank of New York Mellon SA/NV	A1	19,933,693	21.99%
		<b>90,649,992</b>	<b>100.00%</b>

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.



# Man AHL Diversified (Cayman) Ltd.

## Notes to the financial statements (continued)

For the year ended 30 June 2022



### 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 NAV 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 NAV 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).

Management and performance fees are payable to the Manager.

#### 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 NAV 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 fees

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

#### Company secretary fees

The Fund pays Maples Secretaries (Cayman) Limited an annual fee of US\$3,900 for secretarial services. The Fund also pays Maples Corporate Services Limited an annual fee of US\$1,300 for registered office services. The Company Secretary is reimbursed for all disbursements and reasonable expenses incurred in the performance of its duties, and such disbursements are invoiced separately and payable annually. The costs of any such company secretary fees, disbursements or expenses shall be applied pro-rata to each class and series of Redeemable Participating Shares. Company secretary fees are included within other expenses in the statement of operations.

#### Custodian fees

The Fund pays the fees of The Bank of New York Mellon SA/NV (the "Custodian") as Custodian. The fees will not exceed normal commercial rates together with value added tax, if any, applicable to such fees. The Fund 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.

#### Other expenses

Included within other expenses in the statement of operations are operating fees and expenses applicable to the Fund which are not separately disclosed above.

### 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 as trustee of the Master Multi-Product Purpose Trust.

AHL Partners LLP - the Investment Manager and Introducing Broker of the Fund, Man Investments AG - the Services Manager and Marketing Adviser of the Fund, Man Asset Management (Cayman) Limited - the Manager of the Fund and Man Group Operations Limited are indirect wholly-owned subsidiaries of Man Group plc and all subsidiaries of Man Group plc are related parties.

Man Group Operations Limited pays for certain operating fees and expenses centrally on behalf of the Fund, which are then periodically recharged back to the Fund. Outstanding recharges payable as at 30 June 2022 amount to US\$10,763 (2021: US\$Nil) and have been included within accrued expenses and other liabilities.

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 rebate 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\$54,161 (2021: US\$50,899) and income of US\$602,799 (2021: US\$565,304) is included in statement of assets and liabilities and statement of operations respectively.

## 9. Related party transactions (continued)

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 those 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 in which the Fund has invested in as set out in Note 4.

Please refer to Note 4 for details of the realised gain/(loss) and change in unrealised appreciate/(depreciation) on transactions between the Fund and the related managed funds during the year, which are included in the statement of operations. There were purchases of US\$148,907,375 (2021: US\$130,245,715) and sales of US\$215,771,529 (2021: US\$184,069,844) during the year which are included in the statement of cash flows.

As at 30 June 2022 and 30 June 2021, none of the Fund's Redeemable Participating Shares are owned by entities or individuals affiliated to Man Group plc.

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

For the year ended 30 June 2022		Total fees/(income) US\$	Fees payable/(receivable) at 30 June 2022 US\$
Related party	Type of fee		
Man Investments AG	Services management fees	1,098,704	95,273
Man Investments AG	Services management fees rebate	(602,799)	(54,161)
Man Asset Management (Cayman) Limited	Management fees	7,358,116	694,306
Man Asset Management (Cayman) Limited	Performance fees	14,292,711	2,595,245
Man Investments AG	Introducing broker fees	4,228,340	305,254
Directors	Directors' fees	12,000	6,000
Man Group Operations Limited	Recharges payable	-	10,763

For the year ended 30 June 2021		Total fees/(income) US\$	Fees payable/(receivable) at 30 June 2021 US\$
Related party	Type of fee		
Man Investments AG	Services management fees	1,053,189	91,917
Man Investments AG	Services management fees rebate	(565,304)	(50,899)
Man Asset Management (Cayman) Limited	Management fees	7,211,676	622,632
Man Asset Management (Cayman) Limited	Performance fees	11,774,464	1,612,248
Man Investments AG	Introducing broker fees	4,047,291	354,188
Directors	Directors' fees	12,000	6,000

## 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 2022, 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.



## 10. Share capital (continued)

### Redeemable Participating Shares of the Fund (continued)

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.

Share transactions in the Redeemable Participating Shares for the years ended 30 June 2022 and 30 June 2021 were as follows:

	Class A USD No. of Shares	Class B JPY No. of Shares	Class C AUD No. of Shares	Class E JPY No. of Shares
<b>30 June 2022</b>				
Balance at the beginning of the year	31,808,711	144,059,576	2,681,327	153,555,658
Issue of Redeemable Participating Shares for the year	-	2,632,408	-	48,207,969
Redemption of Redeemable Participating Shares for the year	(1,725,940)	(5,788,843)	(122,273)	(235,000)
Balance at the end of the year	30,082,771	140,903,141	2,559,054	201,528,627
<b>30 June 2021</b>				
Balance at the beginning of the year	38,270,953	166,329,730	3,056,932	74,731,056
Issue of Redeemable Participating Shares for the year	2,603,887	13,672,260	-	87,879,482
Redemption of Redeemable Participating Shares for the year	(9,066,129)	(35,942,414)	(375,605)	(9,054,880)
Balance at the end of the year	31,808,711	144,059,576	2,681,327	153,555,658

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 may include:

- investing the capital in investments meeting the description, risk exposure and expected return indicated by the Fund's investment objective;
- 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 2022:

	Class A USD	Class B JPY	Class C AUD	Class E JPY
<b>Per share operating performance:</b>				
Net asset value per share at the beginning of the year	1.6977	155.3599	1.7056	113.9600
<b>Change in net asset value per share resulting from operations:</b>				
Net investment loss	(0.1119)	(10.3805)	(0.1309)	(7.4537)
Net realised gain and change in unrealised depreciation on investments in securities, derivatives and foreign currency	0.3092	28.8206	0.3063	21.6237
<b>Net increase in net asset value per share resulting from operations</b>	<b>0.1973</b>	<b>18.4401</b>	<b>0.1754</b>	<b>14.1700</b>
<b>Net asset value per share at the end of the year</b>	<b>1.8950</b>	<b>173.8000</b>	<b>1.8810</b>	<b>128.1300</b>
<b>Total return:</b>				
Total return before performance fees	14.91%	15.21%	13.22%	16.38%
Performance fees	(3.29%)	(3.34%)	(2.94%)	(3.95%)
Total return after performance fees	11.62%	11.87%	10.28%	12.43%
<b>Ratios to average net assets (i):</b>				
Net investment loss before performance fees	(3.12%)	(3.15%)	(4.58%)	(2.35%)
Performance fees	(3.29%)	(3.34%)	(2.94%)	(3.95%)
Net investment loss after performance fees	(6.41%)	(6.49%)	(7.52%)	(6.30%)
Total expenses before performance fees	(3.27%)	(3.32%)	(4.55%)	(2.67%)
Performance fees	(3.29%)	(3.34%)	(2.94%)	(3.95%)
Total expenses after performance fees	(6.56%)	(6.66%)	(7.49%)	(6.62%)
Non-trade expenses (ii)	(5.55%)	(5.65%)	(6.48%)	(5.60%)

The financial highlights disclosed below are for the year ended 30 June 2021:

	Class A USD	Class B JPY	Class C AUD	Class E JPY
<b>Per share operating performance:</b>				
Net asset value per share at the beginning of the year	1.4094	128.8330	1.4385	94.2103
<b>Change in net asset value per share resulting from operations:</b>				
Net investment loss	(0.0953)	(7.8621)	(0.1042)	(6.2003)
Net realised gain and change in unrealised appreciation/(depreciation) on investments in securities, derivatives and foreign currency	0.3836	34.3890	0.3713	25.9500
<b>Net increase in net asset value per share resulting from operations</b>	<b>0.2883</b>	<b>26.5269</b>	<b>0.2671</b>	<b>19.7497</b>
<b>Net asset value per share at the end of the year</b>	<b>1.6977</b>	<b>155.3599</b>	<b>1.7056</b>	<b>113.9600</b>
<b>Total return:</b>				
Total return before performance fees	23.59%	23.10%	21.06%	24.46%
Performance fees	(3.13%)	(2.51%)	(2.49%)	(3.50%)
Total return after performance fees	20.46%	20.59%	18.57%	20.96%
<b>Ratios to average net assets (i):</b>				
Net investment loss before performance fees	(3.09%)	(3.08%)	(4.21%)	(2.44%)
Performance fees	(3.13%)	(2.51%)	(2.49%)	(3.50%)
Net investment loss after performance fees	(6.22%)	(5.59%)	(6.70%)	(5.94%)
Total expenses before performance fees	(3.27%)	(3.27%)	(4.47%)	(2.63%)
Performance fees	(3.13%)	(2.51%)	(2.49%)	(3.50%)
Total expenses after performance fees	(6.40%)	(5.78%)	(6.96%)	(6.13%)
Non-trade expenses (ii)	(5.40%)	(4.78%)	(5.96%)	(5.13%)

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

## 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, management expects the risk of loss to be remote.

## 13. Subsequent events

Subsequent to 30 June 2022, Redeemable Participating Shareholders subscribed for Redeemable Participating Shares having an aggregate net asset value of US\$7,988,100 and redeemed Redeemable Participating Shares having an aggregate net asset value of US\$48,432,751.

In connection with the preparation of the financial statements as at 30 June 2022, management has evaluated the impact of all subsequent events on the Fund through 17 November 2022, 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.

## Report of Independent Auditors

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

### Opinion

We have audited the 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 2022, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund at 30 June 2022, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Ernst & Young Ltd.*

17 November 2022