

Registre de Commerce et des Sociétés

**B151371** - L130102673

déposé le 25/06/2013

***LFP I SICAV - SIF S.A., Société Anonyme sous la forme d'une SICAV - Fonds d'Investissement Spécialisé.***

Siège social: L-1528 Luxembourg, 2, boulevard de la Foire.

R.C.S. Luxembourg B 151.371.

Le Bilan au 31 décembre 2012, tel qu'approuvé par l'assemblée générale des actionnaires en date du 20 juin 2013, a été déposé au registre de commerce et des sociétés de Luxembourg.

Pour mention aux fins de la publication au Mémorial, Recueil des Sociétés et Associations.

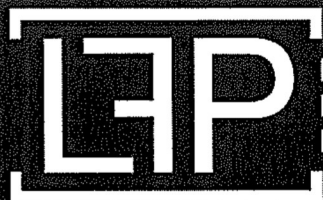
Signatures

*Un mandataire*

**LFP | SICAV - SIF S.A.**

**AUDITED ANNUAL REPORT**

**As at December 31, 2012**



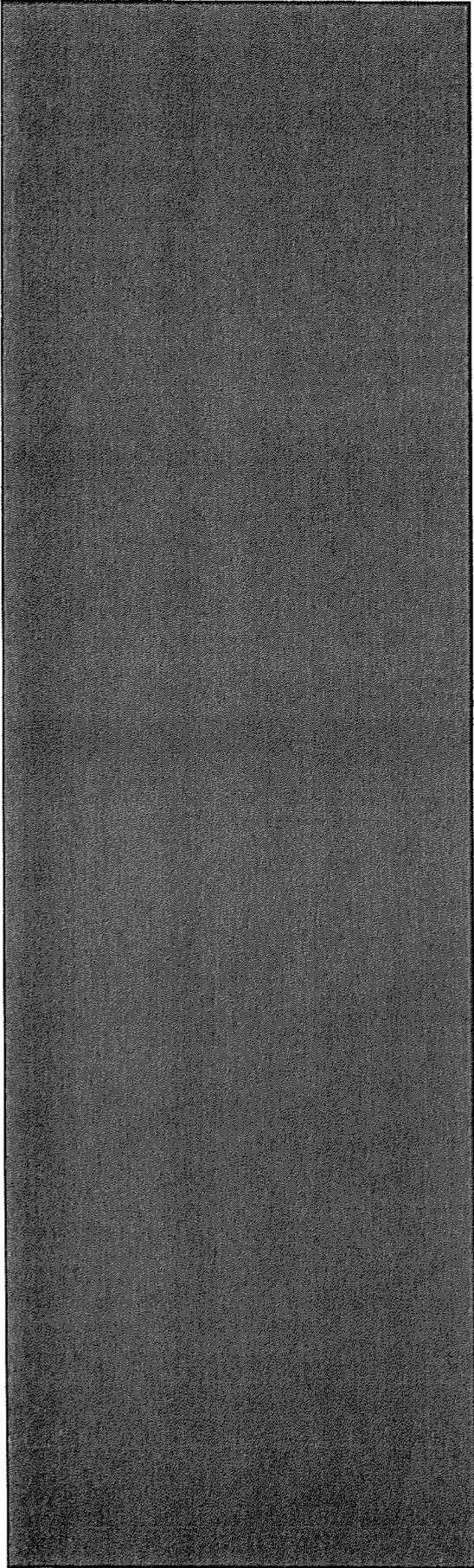
**LUXEMBOURG  
FUND  
PARTNERS**

R.C.S. B151.371

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No subscription can be received on the basis of this financial report. Subscriptions are only valid if made on the basis of the current prospectus supplemented by the latest annual report.



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## MANAGEMENT AND ADMINISTRATION

Fund's registered office:

*Until May 1, 2012*  
11, boulevard de la Foire  
L-1528 Luxembourg,  
Grand-Duchy of Luxembourg  
*From May 2, 2012 to present*  
2, boulevard de la Foire  
L-1528 Luxembourg,  
Grand-Duchy of Luxembourg

Board of directors of the Fund:

**Mr. Luc Leleux**  
Luxembourg Fund Partners S.A.  
12, rue Jean Engling  
Luxembourg  
Grand-Duchy of Luxembourg

**Mr. Julien Renaux**  
Luxembourg Fund Partners S.A.  
12, rue Jean Engling  
Luxembourg  
Grand-Duchy of Luxembourg

**Mr. Bert De Vos**  
25b Hoogstraat  
Bazel  
Belgium

Custodian and Paying Agent:

*Until March 14, 2012*  
**ING Luxembourg S.A.**  
52, route d'Esch  
L-1470 Luxembourg  
Grand-Duchy of Luxembourg  
*From March 15, 2012 to present*  
**ABN AMRO Bank (Luxembourg) S.A.**  
46, boulevard J.F. Kennedy  
L-1855 Luxembourg,  
Grand-Duchy of Luxembourg

Central Administration, Registrar and  
Transfer Agent and Domiciliation Agent:

**Apex Fund Services (Malta) Limited, Luxembourg Branch**  
*Until April 25, 2012*  
11, boulevard de la Foire  
L-1528 Luxembourg,  
Grand-Duchy of Luxembourg  
*From April 26, 2012 to present*  
2, boulevard de la Foire  
L-1528 Luxembourg,  
Grand-Duchy of Luxembourg

## MANAGEMENT AND ADMINISTRATION (CONTINUED)

Auditor:	<b>PricewaterhouseCoopers, Société coopérative</b> 400, Route d'Esch L-1471 Luxembourg, Grand-Duchy of Luxembourg
Legal Advisor:	<b>LexField – Avocats à la Cour</b> 12, rue Jean Engling L-1466 Luxembourg Grand Duchy of Luxembourg
Investment Managers:	
LFP I SICAV-SIF S.A. - BELSIZE TOTAL RETURN FUND:	<b>Belsize Asset Management GmbH</b> Clausstrasse 12A D-65812 Bad Soden Germany
LFP I SICAV-SIF S.A. - INFINITY GLOBAL RETURN FUND:	<b>Invest Consult BV</b> Haverdijk 62 NL-4841 AS Prinsebeek The Netherlands
Investment Advisors:	
LFP I SICAV-SIF S.A. - BLACKSTAR COMMODITIES FUND:	<b>Blackstar Capital Partners S.à r.l</b> 12-14, rue de Strasbourg L-2560 Luxembourg Grand-Duchy of Luxembourg
LFP I SICAV-SIF S.A. - CHESTERGOM GLOBAL RETURN FUND:	<b>Chestergom Finance S.à r.l</b> 24, avenue Monterey L-2163 Luxembourg Grand-Duchy of Luxembourg

## THE COMPANY

LFP I SICAV - SIF S.A. was set up in Luxembourg on February 12, 2010 pursuant to the law of February 13, 2007, as amended (the "2007 Law") and is incorporated as a public limited company (*société anonyme*) with variable share capital (*SICAV*) and structured with multiple Sub-Funds (the "Company").

The registered office of the Company is at 2, boulevard de la Foire, L-1528 Luxembourg, Grand-Duchy of Luxembourg. The Company is registered with the Luxembourg Trade and Companies' Register under number B 154 091. The Company's central administration is located in Luxembourg. The Company's Articles are published at the *Mémorial C, Recueil des Sociétés et Associations*.

As a SICAV, the share capital of the Company will, at all times, be equal to the value of the net assets of the Sub-Funds. It is represented by registered shares without certificate, all fully paid up, without par value. The minimum capital is laid down in the 2007 Law. The aggregated financial statements of the Company are expressed in euro (EUR) and are equal to the sum of the corresponding items in the financial statements of each sub-fund. Share capital variations are fully legal and there are no provisions requiring publication and entry in the Trade and Companies' Register as prescribed for increases and decreases in the share capital of public limited companies (*sociétés anonymes*).

The SICAV works as an umbrella investment fund which means that it is composed of Sub-Funds each of which represents a specific class of assets and liabilities.

At the date of the report, the following Sub-Funds are open for subscription (the "Sub-Funds", each individually the "Sub-Fund"):

LFP I SICAV - SIF S.A. - BELSIZE TOTAL RETURN FUND in EUR, launched on May 6, 2010.

LFP I SICAV - SIF S.A. - CHESTERGOM GLOBAL RETURN FUND in EUR, launched on November 21, 2011.

LFP I SICAV - SIF S.A. - INFINITY GLOBAL RETURN FUND in EUR, launched on May 6, 2010.

LFP I SICAV - SIF S.A. - BLACKSTAR COMMODITIES FUND in EUR, launched on February 29, 2012.

The net asset value (the "Net Asset Value") per share of each Category in each Sub-Fund is determined on each business day ("Valuation Date").

The financial year of the Company begins on January 1, and ends on December 31. The final valuations used for the financial statements are dated December 31, 2012 for BELSIZE TOTAL RETURN FUND, INFINITY GLOBAL RETURN FUND, CHESTERGOM GLOBAL RETURN FUND and LFP I SICAV - SIF S.A. - BLACKSTAR COMMODITIES FUND.

The articles of incorporation and financial reports as well as the current prospectus are available and may be obtained free of charge at the registered office of the Company.

## REPORT OF THE BOARD OF DIRECTORS

### 2012 Economic Review:

In the year preceding 2012 most analysts were in agreement in saying that the year ahead was going to demonstrate that inflation would substantially reduce in the developed World and soften considerably in the emerging World; the US would demonstrate its ability to take measures to avoid facing recession, the Eurozone was going to drop even further due to the fiscal austerity needed to circumvent the effect of the sovereign-debt crisis, triggering the stagnation of the development of emerging countries and stop the increase of commodity prices, leaving Asia alone to enjoy sustained growth. Needless to mention that around the World some were betting on the 'death' of the EURO.

Most of these expectations were found to be confirmed throughout 2012 with on top of that a desired sliding of the value of the US dollar against most of the currencies but the EURO 'survived', and at what cost!

This past year confirmed the weak to no growth of developed countries and a noticeable slowdown of the developing countries. The need for manufactured products from the developed countries has dropped, impacting mainly China as a main area of production. That drop stabilized the price of commodities, especially true for the price of 'black' gold, oil, which, if sustained, could harm the financial situation of producing countries going forward.

Portugal, Ireland, Italy, Greece and Spain have engaged Europe and more especially the Eurozone in a second battle against the sovereign-debt crisis, at some point jeopardizing the EURO, its entire financial system and by having a negative impact on the GDP linked to austerity measures taken by several Governments.

Several European countries have seen unemployment rising, having a negative impact on traditional political parties and benefitting, sometimes considerably, to the emergence of nationalist leaders bringing to the forefront their aversion of European institutions and the common currency.

In 2012, Asia has started to suffer the uncertain US rebound and decline of European economies, while India has been the big loser of the developed World decline. Global growth dropped by 3% in 2012...

One of the sole benefits of this still 'alive and kicking' crisis is the reduction of oil price with some perceivable impact for all of us and most importantly the consciousness of European leaders that some easing of austerity is needed, especially that over the Atlantic the 'renaissance' of the US economy is concrete and forecast a great year ahead for the US.

### Forecasts for 2013:

When on earth are we going to heal the scars of the 2008-2009 crises? Will the change of leadership in China, the re-election of Obama in the US and the series of reforms in Europe change the landscape for 2013? No one really believes so and all are ready to continue on the trend set in 2012 with potentially a greater impact this time on China whom did not encounter the same effect as India did in 2012.

The IMF has downgraded its growth forecasts for 2013 and explained the dangers of an 'uneven recovery'; nevertheless forecasts for the ending of the year remain positive.

US & Japan have demonstrated their ability to outstandingly reduce their debt, measures taken also positively impacted deficits of their respective public sector, and that will continue in 2013.

The Eurozone must show the World it can get its way out of the crisis, fight efficiently the sovereign-debt issue once and for all and at the same time re-install confidence to its citizens.

The regaining of stability in the Eurozone is a must, not an option.

The risk in 2013 relies most of all in the emergence of 3 distinct groups: developing countries still out performing, the US muscling up and showing positive signs of recovery and Europe still trying to overcome its problems.

As the light might seem to appear at the end of the tunnel this year and some fundamentals being extremely encouraging for several companies of the developed and emerging World, we, at Luxembourg Fund Partners S.A. believe in a considerable rally on the equity markets during the year to benefit from the anticipated significant gains.



## Audit report

To the Shareholders of  
LFP I SICAV – SIF S.A.

We have audited the accompanying financial statements of LFP I SICAV – SIF S.A. (the "SICAV-SIF") and each of its sub-funds, which comprise the statement of net assets and the statement of investments and other net assets as at 31 December 2012 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### *Responsibility of the Board of Directors of the SICAV-SIF for the financial statements*

The Board of Directors of the SICAV-SIF is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV-SIF determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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PricewaterhouseCoopers, Société coopérative, 400 Route d'Esch, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F: +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of LFP I SICAV – SIF S.A. and of each of its sub-funds as of 31 December 2012, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

*Other matters*

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, June 20, 2013

A handwritten signature in black ink, consisting of several horizontal strokes and a vertical line crossing them.

John Ravoisin

## CONSOLIDATED STATEMENT OF NET ASSETS

As at December 31, 2012

<u>ASSETS</u>	Notes	EUR
Investment portfolio at market value	1.b	2,772,710.91
Cash at banks		1,016,195.13
Unrealised gain on Forward foreign exchange contracts	5	37,613.07
Deferred share creation fees		48,955.75
Receivables on investment sold		150,420.56
Other assets/receivables		623,121.53
Formation expenses, net	1.g	48,405.92
<b>Total assets</b>		<b>4,697,422.87</b>
<u>LIABILITIES</u>		
Unrealised loss on Forward foreign exchange contracts	5	264.65
Management fee payable	3	19,880.01
Audit fee payable		23,555.04
Subscription pending		15,000.00
Other payables/liabilities		16,166.27
<b>Total liabilities</b>		<b>74,865.97</b>
<b>TOTAL NET ASSETS</b>		<b>4,622,556.90</b>

The accompanying notes form an integral part of this annual report.



## CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2012

	Notes	EUR
<b><u>INCOME</u></b>		
Dividends, net		31,587.04
Interest on bonds		20,479.50
Interest on bank accounts		1,250.71
Other income		19,796.09
<b>Total income</b>		<b>73,113.34</b>
<b><u>EXPENSES</u></b>		
Management fees	3	104,948.23
Directors fees		47,707.68
Transaction fees		17,258.67
Administrative agent and transfer agent fees		100,467.73
Domiciliation agent fees		8,033.27
Custodian fees	4	3,008.48
Banking charges and other fees		23,139.20
Audit fees		24,212.15
Formation expenses		15,811.70
Subscription duty ("taxe d'abonnement")		454.26
Other expenses		25,089.74
<b>Total expenses</b>		<b>370,131.11</b>
<b>NET INVESTMENT LOSS</b>		<b>(297,017.77)</b>
<b><u>NET REALISED GAINS/(LOSSES)</u></b>		
- on investments		(487,529.28)
- on forward exchange contracts		(34,327.89)
- on commercial papers		3,233.78
- on bonds		(92,250.33)
- on options		(54,021.60)
- on other assets		(19,319.32)
- on foreign currency transactions		(1,770.69)
<b>NET REALISED GAINS/(LOSSES) FOR THE YEAR</b>		<b>(685,985.33)</b>
<b><u>CHANGE IN NET UNREALISED APPRECIATION/ DEPRECIATION FOR THE YEAR</u></b>		
- on investments		835,137.24
- on forward exchange contracts		37,348.42
- on partnership interests		47,060.70
- on foreign currency transactions		(47,991.56)
- on options		(2,767.65)
- on bonds		91,628.90
<b>RESULT OF OPERATIONS FOR THE YEAR</b>		<b>(22,587.05)</b>

The accompanying notes form an integral part of this annual report.

## CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)

For the year ended December 31, 2012

	Notes	EUR
Subscriptions		1,671,602.96
Redemptions		(909,533.82)
<b>TOTAL CHANGES IN NET ASSETS</b>		<b>739,482.09</b>
<b>TOTAL NET ASSETS at the beginning of the year</b>		<b>3,883,074.81</b>
<b>TOTAL NET ASSETS at the end of the year</b>		<b>4,622,556.90</b>

The accompanying notes form an integral part of this annual report.

BELSIZE TOTAL RETURN FUND





## INVESTMENT MANAGER REPORT

## MARKET OVERVIEW

2012 was another proverbial year. Maybe the older you get the easier it becomes to recognise these patterns. "Climbing a wall of worries" was the one that best fitted the development of equity markets last year.

The go ahead had been given by the ECB in 2011 already. The magic formula that was devised back then is called LTRO. If you often hear that central banks are the ultimate money printing machine, LTRO is like lending the machine to the banking sector. It is the ultimate banking sector profit generating machine. There was a short period, basically the 2<sup>nd</sup> quarter, one could think the patient was suffering from a withdrawal syndrome, but that was nothing more than a brief reality check. Several factors conspired to spoil the party in the short term: yet another multi-billion trading scandal at a major bank, the emergence of the Libor rigging scandal, the resurgence of the Spanish debt scare and more anecdotally, PIFH: post IPO Facebook hangover. OK it didn't help either that rating agencies downgraded tens of banks in one swoop move, but who cares about rating agencies any more? Bond markets don't for sure. Easy money was quickly top of the agenda again, with the FED TWISTing in and China's central bank first rate cut in the cycle. That was that then. Banks had access to finance, countries had access to finance, time to turn up the volume and party on!

There is just one little thing to worry investors, and frankly, no cure in sight. The yield curve is flat, real interest rates are negative wherever you look. Welcome to the era of FINANCIAL REPRESSION

## INTRODUCTION

The Belsize Total Return Fund aims to achieve significant capital appreciation over the long term, by investing selectively in European listed biotechnology and life sciences companies. Approximately 250 companies are listed in Europe in the biotechnology or related sectors.

## PORTFOLIO PERFORMANCE

In its first year as a pure European biotech fund, it was up 19%. Performance dispersion has been extreme though, as BioInvent and Agennix witnessed their late stage pipeline go up in smoke and their share price collapse 80% or more. On the positive side Mologen, Innate Pharma, 4SC and Genfit had positive performances ranging from +50% to +150%. One holding AMT Pharmaceuticals was taken private by its main shareholder, Forbion as the prospect for the first gene therapy faded following a very controversial negative opinion by EMA. We kept the private certificates. In an unprecedented move this decision was reversed soon after. Glybera will be launched in Europe in 2013 and a Nasdaq IPO is planned in 2014. This is a unique event that vindicates our belief that work and conviction can combine and produce exceptional outcomes in the field. The main holding, Epigenomics AG had a lacklustre 11 months as the waiting for the result of the FIT non inferiority study dragged on till early December. Only then did the share price double intraday and finished the year with a plus of 55%. It must be stressed that the fund performance is increasingly correlated to the performance of Epigenomics AG, which per year end made up almost 50% of total NAV and 75% of equity holdings. Liquid assets are earmarked for the planned rights issue, which will further increase Epigenomics weighting.

## INVESTMENT STRATEGY

The idea of an open fund investing in European listed Biotechnology companies is a challenging one. But this is exactly what the Belsize Fund is aiming at. Beyond the obvious difficulties, I believe there are reasons to be confident. The first one is also the most publicly talked about: the inescapable need for big pharma to bridge the patent cliff and find outside of their own downscaled labs their future drug candidates.

Since December 2011 for instance, Lipitor, the world's biggest selling drug with a peak turnover north of USD 12bn, has been facing generic competition in the US. There is a flip side to this story though, as big pharma are not only scouting the market in order to licence-in new compounds, they are also cutting down development costs in a unprecedented way, which means that deals are delayed to ever later stages.

Combined with the difficult financing environment in general, biotechnology companies have been finding themselves between a rock and a hard place for several years now. But this is reflected in the valuation and this is indeed the second reason to be confident. Valuations are depressed on a global basis, and non US biotechnology companies offer an additional discount as they lack any institutional attention.

Finally, the last and arguably the most important reason to be positive is that for all the above mentioned gloom, there are extraordinary news to be expected in the near future from companies you have never heard of as their pipelines reach an inflexion point. True, the completion of the Human Genome Project, 10 years ago, has not been the game changer many expected but rather a sobering moment and the stepping stone for yet a bigger challenge, the deciphering of the proteome.

These insights though, together with advances in bio informatics and technologies like the PCR made it possible that new targets could be identified and drug candidates virtually designed and optimised at lower costs. Take a look at Algeta. There will be more success stories like this one, I believe Epigenomics AG will be one.

## 2013 MARKET OUTLOOK

Considering the strategic meaning this particular holding has gained in the last 3 years, it has been decided that the fund has no longer any justification and shall be liquidated, the assets shall soon be transferred to its shareholder.



## BELSIZE TOTAL RETURN FUND STATEMENT OF NET ASSETS

As at December 31, 2012

<u>ASSETS</u>	Notes	EUR
Investment portfolio at market value	1.b	792,526.11
Cash at banks		273,436.62
Receivable on investment sold		75,890.91
Formation expenses, net	1.g	1,241.24
<b>Total assets</b>		<b><u>1,143,094.88</u></b>
<u>LIABILITIES</u>		
Management fee payable	3	5,015.84
Audit fee payable		5,635.04
Other payables/liabilities		2,863.04
<b>Total liabilities</b>		<b><u>13,513.92</u></b>
<b>TOTAL NET ASSETS</b>		<b><u>1,129,580.96</u></b>

The accompanying notes form an integral part of this annual report.

## BELSIZE TOTAL RETURN FUND STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2012

	Notes	EUR
<b><u>INCOME</u></b>		
Interest on bonds		1,105.91
Other Income		818.93
<b>Total Income</b>		<b>1,924.84</b>
<b><u>EXPENSES</u></b>		
Management fees	3	18,201.58
Directors fees		17,861.82
Administrative agent and transfer agent fees		25,775.43
Domiciliation agent fees		2,011.43
Custodian fees	4	870.84
Banking charges and other fees		3,312.15
Audit fees		7189.05
Formation expenses		3,084.52
Subscription duty ("taxe d'abonnement")		103.36
Other expenses		4,366.69
<b>Total expenses</b>		<b>82,776.87</b>
<b>NET INVESTMENT LOSS</b>		<b>(80,852.03)</b>
<b><u>NET REALISED GAINS/(LOSSES)</u></b>		
- on investments		(478,676.56)
- on bonds		(92,250.33)
- on options		326.22
- on other assets		12,448.95
- on foreign currency transactions		(149.64)
<b>NET REALISED GAINS/(LOSSES) FOR THE YEAR</b>		<b>(558,301.36)</b>
<b><u>CHANGE IN NET UNREALISED APPRECIATION/ DEPRECIATION FOR THE YEAR</u></b>		
- on investments		753,201.24
- on foreign currency transactions		(10,217.68)
- on options		(5,200.00)
- on bonds		85,348.90
<b>RESULT OF OPERATIONS FOR THE YEAR</b>		<b>183,979.07</b>
Subscriptions		-
Redemptions		-
<b>TOTAL CHANGES IN NET ASSETS</b>		<b>183,979.07</b>
<b>TOTAL NET ASSETS at the beginning of the year</b>		<b>945,601.89</b>
<b>TOTAL NET ASSETS at the end of the year</b>		<b>1,129,580.96</b>

The accompanying notes form an integral part of this annual report.

## BELSIZE TOTAL RETURN FUND STATISTICAL INFORMATION

<b>Total net assets</b>	(in EUR)
- As at December 31, 2012	1,129,580.96
- As at December 31, 2011	945,601.89
- As at December 31, 2010	2,455,981.61
 <b>Number of Class CAP Shares</b>	
- Outstanding at the beginning of the Year	20,000.00
- Issued	0.00
- Redeemed	0.00
- Outstanding at the end of the year	20,000.00
 <b>Net asset value per Class CAP share</b>	
- As at December 31, 2012	56.48
- As at December 31, 2011	47.28
- As at December 31, 2010	95.01

The accompanying notes form an integral part of this annual report.



## BELSIZE TOTAL RETURN FUND STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at December 31, 2012

Currency	Nominal/ quantity	Description	Market Value EUR	% of total net assets
<b>TRANSFERABLE SECURITIES</b>				
<b>ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
<b>Shares</b>				
USD	7,000	AEterna Zentaris Inc	12,624.09	1.12%
DKK	6,000	Neurosearch A/S	3,007.72	0.27%
EUR	79,000	4SC AG	158,000.00	13.99%
EUR	26,000	Agennix AG GR	9,100.00	0.81%
EUR	275,583	Epigenomics AG	578,724.29	51.23%
EUR	100,000	Pharming Group NV	2,500.00	0.22%
EUR	4,716	Tekka Group	-	0.00%
EUR	40,000	Uniquire BV - DR	20,800.00	1.84%
NOK	9,400	Hofseth Biocare Asa	4,446.48	0.39%
SEK	8,644	Bioinvent International AB	3,323.53	0.29%
<b>Total shares</b>			<b>792,526.11</b>	<b>70.16%</b>
<b>TOTAL TRANSFERABLE SECURITIES</b>			<b>792,526.11</b>	<b>70.16%</b>
<b>ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
<b>Cash at banks</b>			<b>273,436.62</b>	<b>24.21%</b>
<b>Other net assets / (liabilities)</b>			<b>63,618.23</b>	<b>5.63%</b>
<b>TOTAL</b>			<b>1,129,580.96</b>	<b>100.00%</b>

The accompanying notes form an integral part of this annual report.



INFINITY GLOBAL RETURN FUND



## INFINITY GLOBAL RETURN FUND STATEMENT OF NET ASSETS

As at December 31, 2012

<u>ASSETS</u>	Notes	EUR
Investment portfolio at market value	1.b	378,984.48
Cash at banks		202,101.21
Receivable on investment sold		74,529.65
Other assets/receivables		6,940.34
Formation expenses, net	1.g	6,869.08
<b>Total assets</b>		<b>669,424.76</b>
<u>LIABILITIES</u>		
Management fee payable	3	4,729.37
Audit fee payable		5,635.00
Other payables/liabilities		2,816.34
<b>Total liabilities</b>		<b>13,180.71</b>
<b>TOTAL NET ASSETS</b>		<b>656,244.05</b>

The accompanying notes form an integral part of this annual report.

## INFINITY GLOBAL RETURN FUND STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2012

	Notes	EUR
<b><u>INCOME</u></b>		
Dividends, net		1,687.49
Interest on bonds		19,373.59
Other Income		12.13
<b>Total income</b>		<b>21,073.21</b>
<b><u>EXPENSES</u></b>		
Management fees	3	17,809.97
Directors fees		19,845.86
Transaction fees		84.16
Administrative agent and transfer agent fees		28,075.45
Domiciliation agent fees		2,005.44
Custodian fees	4	629.78
Banking charges and other fees		2,355.16
Audit fees		511.37
Formation expenses		3,129.30
Subscription duty ("taxe d'abonnement")		76.65
Other expenses		4,355.28
Withholding tax		
<b>Total expenses</b>		<b>83,478.42</b>
<b>NET INVESTMENT LOSS</b>		<b>(62,405.21)</b>
<b><u>NET REALISED GAINS/(LOSSES)</u></b>		
- on investments		(9,037.22)
- on options		(54,347.82)
- on other assets		1.73
- on foreign currency transactions		(70.05)
<b>NET REALISED GAINS/(LOSSES) FOR THE YEAR</b>		<b>(63,453.36)</b>
<b><u>CHANGE IN NET UNREALISED APPRECIATION/ DEPRECIATION FOR THE YEAR</u></b>		
- on investments		8,151.00
- on foreign currency transactions		(5,619.18)
- on options		2,432.35
- on bonds		6,280.00
<b>RESULT OF OPERATIONS FOR THE YEAR</b>		<b>(114,614.40)</b>
Subscriptions		148,514.85
Redemptions		(93,995.34)
<b>TOTAL CHANGES IN NET ASSETS</b>		<b>(60,094.89)</b>
<b>TOTAL NET ASSETS at the beginning of the year</b>		<b>716,338.94</b>
<b>TOTAL NET ASSETS at the end of the year</b>		<b>656,244.05</b>

The accompanying notes form an integral part of this annual report.

## INFINITY GLOBAL RETURN FUND STATISTICAL INFORMATION

<b>Total net assets</b>	(in EUR)
- As at December 31, 2012	656,244.05
- As at December 31, 2011	716,338.94
- As at December 31, 2010	1,050,913.51
 <b>Number of Shares</b>	
- Outstanding at the beginning of the Year	10,972.71
- Issued	2,139.24
- Redeemed	-1,584.24
- Outstanding at the end of the year	11,527.71
 <b>Net asset value per share</b>	
- As at December 31, 2012	56.93
- As at December 31, 2011	65.28
- As at December 31, 2010	91.64

The accompanying notes form an integral part of this annual report.

# INFINITY GLOBAL RETURN FUND

## STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at December 31, 2012

Currency	Nominal/	Description	Market Value EUR	% of total
<b>TRANSFERABLE SECURITIES</b>				
<b>ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
<b>Securities</b>				
<b>Long</b>				
<b>Equity</b>				
USD	300	Barrick Gold Corp	7,958.62	1.21%
USD	3,000	Cerus Corporation CMN	7,183.45	1.09%
USD	2,200	Exide Technologies	5,701.29	0.87%
USD	3,700	Goldfield Corp	5,270.89	0.80%
USD	3,000	Mindspeed Technologies Inc.	10,638.78	1.62%
USD	100	Mosaic Co	4,291.13	0.65%
USD	700	Mylan Laboratorties Inc	14,560.13	2.22%
USD	1,000	Obagi Medical Products Inc	10,297.79	1.57%
USD	771	OI SA - ADR	2,342.74	0.36%
USD	75	OI SA - ADR - OIBR/C US	244.37	0.04%
USD	1,000	Pharmathene Inc	848.68	0.13%
USD	3,000	Polymetal Mining	2,091.15	0.32%
USD	2,300	Velti Plc	7,842.69	1.20%
USD	2,000	Vringo Inc	4,349.47	0.66%
CAD	399	Petrominerales Ltd	2,613.45	0.40%
EUR	1,359	AEGON NV	6,527.28	0.99%
EUR	175	Barco NV	9,537.50	1.45%
EUR	700	Gerresheimer AG	28,066.50	4.28%
EUR	600	ING Groep N.V.	4,236.60	0.65%
EUR	2,000	KBC Ancora Shs	25,900.00	3.95%
GBP	11,000	Asian Citrus Holdings Ltd	4,128.97	0.63%
<b>Bonds</b>				
EUR	100	Ing Groep NV 8.00% 08.Perp.	102,000.00	15.54%
EUR	100	SNS Bank NV 11.25% 27/11/19	67,740.00	10.32%
<b>Options</b>				
EUR	1,000	AGEAS18.56TL OPENN	5,730.00	0.87%
EUR	6,000	BAYER 62.9TL OPENN	8,400.00	1.28%
EUR	2,000	DBANK 26TL OPENN	1,820.00	0.28%
EUR	7,000	EBAY 44.3TL OPENN	4,970.00	0.76%
EUR	500	IBEX 7750TL OPENN	3,230.00	0.49%
EUR	600	IBM 172.9TL OPENN	13,788.00	2.10%
EUR	2,000	MOLY 7.6 TL OPENN	440.00	0.07%
EUR	1,000	NASDQ 2350TL OPENN	2,830.00	0.43%
EUR	500	PRICL 560 OPENN	3,405.00	0.52%
<b>Total securities</b>			<b>378,984.48</b>	<b>57.75%</b>
<b>TOTAL TRANSFERABLE SECURITIES</b>			<b>378,984.48</b>	<b>57.75%</b>
<b>ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
<b>Cash at banks</b>			<b>202,101.21</b>	<b>30.80%</b>
<b>Other net assets / (liabilities)</b>			<b>75,158.36</b>	<b>11.45%</b>
<b>TOTAL</b>			<b>656,244.05</b>	<b>100.00%</b>

The accompanying notes form an integral part of this annual report.

CHESTERGOM GLOBAL RETURN FUND





CHESTERGOM  
FINANCE

## INVESTMENT ADVISOR REPORT

### INTRODUCTION

The Chestergom Global Return Fund seeks long term capital appreciation.

It implements an actively managed asset allocation strategy among a broad range of products, markets and currencies on a worldwide basis, in developed countries as well as emerging countries, according to economic situations.

### MARKET OVERVIEW

Markets globally closed 2012, with respectable gains.

#### USA

The US cobbled together a "deal" on the fiscal cliff. Negotiations over further spending cuts, over the next couple of months, will reduce the budget deficit further. However, the next phase will have to deal with the much more contentious issue of additional spending cuts and the governments need to increase the debt ceiling. We expect a renewed fight, which will prove much tougher to resolve than the partial agreement which has been achieved in respect of the "fiscal cliff".

Towards the end of 2012, US businesses stopped spending, due to uncertainties relating to the Presidential elections and concerns over the fiscal cliff. That should reverse once agreement over spending cuts and the debt ceiling has been "resolved".

Residential housing, which has been a drag on the economy, should continue to improve and should make a meaningful contribution to GDP this year, with employment in the sector rising. A better housing market is a key factor for an improvement in the US economy. US residential home prices recorded their first price increase since 2006. As the housing sector and the economy improve, the banking sector should benefit. In particular, banks should ease their strict lending standards, increasing the number of mortgages issued, together with credit to businesses and consumers generally, which will be supportive of the US housing market, consumption,

### 2013 MARKET OUTLOOK

The investment universe for 2013 presents an even starker set of choices than in prior years. In an environment with nominal interest rates close to zero, negative real interest rates and a bleak economic outlook for now, investors are being forced to take bigger risks, merely to preserve the purchasing power of their capital. Ultra-loose monetary policies and quantitative easing have poured trillions of dollars of monetary stimulus in the system. Global central banks' efforts and record-low interest rates have failed to spur much credit growth and economic activity so far. But what if this changes? Markets need a few more positive data confirming that the US economy is growing and gaining momentum to put some of the vast store of money in cash and low-yielding fixed income assets back into equities

Given the significant level of cash held by companies, M&A activity should also pick up this year and corporate buybacks should increase. Both are market supportive. Better markets may also result in companies seeking to raise equity capital.

We expect the Fed to maintain dovish stance and continue to provide support for risky assets. The Bank of Japan looks poised to ease policy more aggressively and will announce a major program of fiscal stimulus measures, which could pull the Japanese economy out of the recession.

We believe the global mini-cycle is still in place due to the favorable forces of continued disinflation and expansionary monetary policy. The ECB could send a supportive signal and the new men at the helm of both the Bank of England and the Bank of Japan will keep monetary conditions extremely accommodative. Finally, we believe that the market is premature in expecting the Fed to exit Quantitative Easing at the end of this year.

Ongoing policy reflation and a gradual recovery in global



smaller businesses and, as a result, US GDP.

The US will also increasingly benefit from a rise in domestic energy production, a truly transformational event in coming years. The competitive advantage of lower US energy costs will enable energy intensive industries to thrive and will act as a further stimulus for the US economy.

#### Europe

Europe faced material problems last year. However, analysts have failed to appreciate the actions taken by the ECB. The ECB saved the EZ last year and Mr. Draghi has indicated that the ECB will do everything it needs to, to defend the Euro. There is evidence that the austerity measures forced through last year are having the desired effect, with a number of EZ economies becoming more self-sustained. Current account deficits have declined materially, to the extent that a number of peripheral EZ countries are reporting surpluses.

This year, the EZ might relax its austerity policy, as Mrs. Merkel faces a general election in September and will want to avoid a crisis in the EZ. Indeed, she may "approve" or at least not oppose some growth policy measures. In addition, EZ policy makers are beginning to acknowledge the negative impact of austerity measures (spending cuts, combined with tax increases),

Spain, Portugal, Italy and France might fail to meet their fiscal targets this year. The EU (and Germany) will be more tolerant about countries that miss their targets. However, Portugal and Spain will have to restructure their debts.

The ECB's OMT program has been a major deterrent to those who wished to short peripheral EZ bonds.

We think that France might remain a major threat to the EZ. French unemployment continues to rise while the government faces difficult decisions including taxation, government spending, labor reforms, etc. with debt to GDP around 90% and unlikely 3.0% budget deficit target this year. Consumption is declining which is clearly negative for a country whose GDP is materially dependent on consumption. The other main drivers of the French economy, defense and car industry look weak as well. To date, French bond yields have nevertheless not widened

growth will generally favor a pro-risk investment strategy in 2013. Our overall strategy remains long equities and credit against cash and bonds. 2013 might be the great year of rotation from bonds to equities...

#### Equities

We continue to be positive on equity markets in particular in the US, UK and Germany. The peripheral countries of the EZ could also outperform.

Whilst, the recent strength of Japanese markets (currency hedged) should continue into Q1 and possibly H1 this year, we believe that Japanese markets could well face headwinds as the year progresses.

Of the BRIC's, we favor China and will avoid India, Russia and Brazil.

In terms of sectors, our current views are as follows:

- US/UK financials should outperform, as markets improve;
- US businesses should increase capex expenditure, which suggests that the US IT/Tech sector might improve;
- Lower energy cost is also a favorable factor for US manufacturers and raw material processors, together with the petrochemical and fertilizer businesses based in the country;
- The US residential housing market should continue to improve, with the building material sector benefiting, in particular as mortgage lending improves, with lending standards being relaxed;
- German manufacturers continue to gain market share in EM's, with exports to the US also improving.
- An improvement of the US and UK economies should help the property sector in both countries.

#### Bonds

Bonds have been a tremendous outperformer for many years, though that period of outperformance might be over. The major Central Banks low interest rates may nevertheless shelter potential weakness.

We might look to short US, UK, German and Japanese bonds this year, in particular. French longer term bonds also look vulnerable, given the serious economic problems facing the country. Whilst the German economy will rebound, as will the US and the UK,

materially.

#### Japan

Japan remains one of the most problematical economies and is likely to remain so for years to come. Furthermore, a continuing decline and, indeed, aging will limit the country's growth prospects. A number of analysts are particularly bullish on Japan. Whilst the short term rationale may be persuasive, such sentiment might prove to be relatively short lived.

#### China

With a new regime in place and eager to achieve success, the Chinese economy should improve this year, which will be reflected in their equity markets. Having been lower for most of last year, Chinese markets have rallied by over 15% over the last month or so, closing some 3.0%+ higher for 2012.

Political risks associated with territorial disputes in the South China Seas should not be ignored. In addition, there are some signs that the proliferation of "wealth management products", sold to Chinese investors seeking higher yields could prove a major problem. In addition, the non-bank financial market, which is lightly regulated at present, poses serious risks. Chinese markets are driven more by political and policy issues. In addition, inflation is at its lows and will rise in coming months.

#### Inflation

A number of analysts forecast that inflation will rise this year. We are not so sure in the short term as food, energy and commodity prices generally remain subdued. Indeed, unless there are further weather related problems food prices should decline from last year's highs. With little pressure to increase wages and salaries, given the high unemployment levels prevailing at present, a rise in inflation, especially in DM, is unlikely. Nevertheless inflationary pressures in medium term, in particular in EM's are not impossible and could require EM central banks to increase interest rates.

#### Interest rates

With the FED continuing with loose zero interest rate policy, allegedly until 2015 and the ECB likely to cut interest rates by 25 bps in H1, quite possibly in Q1, as EZ inflation declines to 2.0%, indeed below 2.0%, and with Japan embarking on monetary easing, the threat of higher interest rates in DM's remains negligible. However, certain

Germany increasingly will have to share some of the burden facing the other EZ peripheral countries, in particular following the September general elections, suggesting that German yields might rise. Improving equity markets are also bond negative.

#### Commodities

Gold might continue to struggle, as investors are still liquidating positions to shift exposure into equities. Although we tactically reduced our allocation to gold in December, we still like gold as a hedge against future inflation once global growth returns to trend. So we wait for a better entry point to review upward again our current allocation

Tactically, we are considering buying oil again: after a strong start to the New Year, crude oil prices fell under sharp selling pressure.

#### Currencies

The Euro has risen from its recent lows and many experts claim that it will strengthen to US\$1.45. Potential problems, especially in France, remain a serious issue and Spain continues to dither, in spite of worsening economic conditions. Further credit downgrades for both countries are likely. As a result, we would expect the Euro to decline rather than to rise.

Based on current and expected policies, the Yen looks like a continuing currency short in 2013, especially against the US\$. Investors are likely to use the Yen as a funding currency. A weaker Yen is the most likely outcome and will create material tensions in Asia, with a number of countries trying to devalue their currencies to compete.

Essentially, we believe that 2013 will be the year for US\$ outperformance against virtually every currency.

#### Risks

They include:

- \* The new Japanese government is pressing the BoJ to increase its inflation target to 2.0%, whilst it will increase fiscal stimulus. The Central Bank will buy more Japanese bonds, quite probably of longer maturities, which could temper the rise in yields. However, with a massive budget deficit, which will increase due the proposed fiscal stimulus, yields on longer dated bonds should

EM's are likely to have to increase interest rates in response to higher

## INVESTMENT STRATEGY & PORTFOLIO PERFORMANCE

The policy is defined as quite a flexible and pragmatic approach with a medium term view. It consists of selecting a few strong investment themes to try and enable the best performance whatever the market conditions are. It combines a diversified mix of asset classes listed on a Stock Exchange, with low or negative correlations, which might move in opposite ways and are complementary.

Portfolio construction is based on an asset allocation model and includes a limited number of instruments with regular rebalancing.

The management has currently a policy to:

- Preserve capital before attempting to make substantial or speculative gains
- Identify financial products and instruments with low or acceptable risk/return
- Be present on some sectors with a good visibility and future potential.

Chestergom Global Return is actively managed with the goal of generating added value as opposed to a tracker fund whose performance follows a benchmark index.

Chestergom Global Return has an absolute performance objective and therefore does not have a single benchmark indicator. Nevertheless, given the management objective, the benchmark indicator to which the fund's performance can be compared is the EONIA (Euro Overnight Index Average) compounded added to the Euro zone inflation rate.

rise. Japanese investors (in particular financial institutions) have been major purchasers of Japanese bonds in the past - will they continue in the future?

- The rising tensions over territorial disputes in the South China Seas continue to be source of worries.
- Chinese banks have sold a significant amount of "wealth management products" to local investors. A number of these products have already default. What is the consequential threat to the authorities? This is a serious problem, as over US\$1tr of such products have been sold to investors.
- The Chinese, mainly unregulated, non-bank sector also represents serious risk.
- Investors have ignored the growing political tensions in the Middle East. The Iran/Israel conflict remains unresolved. In addition, the deteriorating economic situation in a number of North African and Middle Eastern countries is being ignored.
- The possibility of serious social disorder/civil strife in EZ countries remains a potential problem.
- France remains a material threat to the EZ and which might prove particularly difficult to resolve. In addition how will Spain recover from its current difficulties?
- Greece will need a further restructuring of its debt, a possible restructuring of Spanish and Portuguese debt has not been discounted by markets.
- Politics in the US could derail an agreement in respect of proposed spending cuts and the need to raise the debt ceiling.
- Importantly, investors are positive and expect double digit returns this year - generally a negative indicator.

We do not expect these political uncertainties to abate anytime soon but they are likely to stay a source of volatility.

## CHESTERGOM GLOBAL RETURN FUND STATEMENT OF NET ASSETS

As at December 31, 2012

<u>ASSETS</u>	Notes	EUR
Investment portfolio at market value	1.b	1,554,139.62
Cash at banks		151,477.66
Unrealised gain on Forward foreign exchange contracts	5	37,613.07
Other assets/receivables	1.g	4,388.17
Formation expenses, net		22,056.75
<b>Total assets</b>		<b><u>1,769,675.27</u></b>
 <u>LIABILITIES</u>		
Management fee payable	3	6,838.54
Audit fee payable		5,635.00
Other payables/liabilities		5,850.44
<b>Total liabilities</b>		<b><u>18,323.98</u></b>
 <b>TOTAL NET ASSETS</b>		 <b><u>1,751,351.29</u></b>

The accompanying notes form an integral part of this annual report.

## CHESTERGOM GLOBAL RETURN FUND STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2012

	Notes	EUR
<b><u>INCOME</u></b>		
Dividends, net		29,899.55
Interest on bank accounts		1,243.81
Other Income		308.34
<b>Total income</b>		<b>31,451.70</b>
<b><u>EXPENSES</u></b>		
Management fees	3	55,899.44
Transaction fees		15,086.33
Administrative agent and transfer agent fees		24,540.15
Domiciliation agent fees		2,016.40
Custodian fees	4	1,252.06
Banking charges and other fees		16,479.80
Audit fees		5261.73
Formation expenses		5,736.73
Subscription duty ("taxe d'abonnement")		223.36
Other expenses		3,911.44
Withholding tax		
<b>Total expenses</b>		<b>130,407.44</b>
<b>NET INVESTMENT LOSS</b>		<b>(98,955.74)</b>
<b><u>NET REALISED GAINS/(LOSSES)</u></b>		
- on investments		184.50
- on forward exchange contracts		(49,881.11)
- on other assets		(31,770.00)
- on foreign currency transactions		(7,501.30)
<b>NET REALISED GAINS/(LOSSES) FOR THE YEAR</b>		<b>(88,967.91)</b>
<b><u>CHANGE IN NET UNREALISED APPRECIATION/ DEPRECIATION FOR THE YEAR</u></b>		
- on investments		77,018.78
- on forward exchange contracts		37,613.07
- on foreign currency transactions		(18,317.17)
<b>RESULT OF OPERATIONS FOR THE YEAR</b>		<b>(91,608.97)</b>
Subscriptions		437,364.76
Redemptions		(815,538.48)
<b>TOTAL CHANGES IN NET ASSETS</b>		<b>(469,782.69)</b>
<b>TOTAL NET ASSETS at the beginning of the year</b>		<b>2,221,133.98</b>
<b>TOTAL NET ASSETS at the end of the year</b>		<b>1,751,351.29</b>

The accompanying notes form an integral part of this annual report.

## CHESTERGOM GLOBAL RETURN FUND STATISTICAL INFORMATION

<b>Total net assets</b>	(in EUR)
- As at December 31, 2012	1,751,351.29
- As at December 31, 2011	2,221,133.98
- As at December 31, 2010	-
 <b>Number of Shares</b>	
- Outstanding at the beginning of the Year	22,376.72
- Issued	4,456.99
- Redeemed	-8,440.15
- Outstanding at the end of the year	18,393.56
 <b>Net asset value per share</b>	
- As at December 31, 2012	95.22
- As at December 31, 2011	99.26
- As at December 31, 2010	-

The accompanying notes form an integral part of this annual report.

# **CHESTERGOM GLOBAL RETURN FUND** **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**

As at December 31, 2012

Currency	Nominal/ quantity	Description	Market Value EUR	% of total net assets
<b>TRANSFERABLE SECURITIES</b>				
<b>ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
<b>Securities</b>				
<b>Open-ended investment funds</b>				
GBP	59,215	Coral Student Portfolio - GBP	101,930.98	5.82%
GBP	40,000	Hicl Infrastructure Company Ltd Ord 0.01p	61,042.39	3.49%
SEK	225	Brummer & Partners Nektar FD	59,457.79	3.39%
EUR	600	JPM INV-INC OPPOR-AEUR-A HEDGE	79,602.00	4.55%
EUR	558	MW Gavekal China Fixed Income - A- DIS EUR	59,916.29	3.42%
EUR	150	PICTET-GLOBAL EMERG DEBT-HPEUR	35,073.00	2.00%
EUR	300	SPARINVEST-HIGH YLD VA BDS-R	50,649.00	2.89%
EUR	300	TIKEHAU SUBORDONNEES FIN-C	34,173.00	1.95%
EUR	300	TIKEHAU TK RENDEMENT 2016-C	33,909.00	1.94%
EUR	300	TREETOP CONVERTIBLE-INTL-D	64,683.00	3.69%
<b>Exchange traded fund</b>				
EUR	4,000	LYXOR ETF FTSE EPRA/NAREIT AsiaXJP	39,310.80	2.24%
EUR	10,000	LYXOR ETF LEVERAGED DJ EURO STOXX	133,050.00	7.60%
EUR	1,000	OBJECTIF OBLIG EMER 2018-C	105,860.00	6.04%
<b>Equity</b>				
EUR	6,000	ISHARES FTSE EPRA NAREIT US PROPTY YLD	101,130.00	5.77%
EUR	600	ISHARES MARKET IBOXX EUR H/Y	66,123.00	3.78%
EUR	8,000	ISHARES MSCI WORLD	170,720.00	9.75%
EUR	500	LYXOR ETF EU CORP PARTS	65,715.00	3.75%
USD	500	Ishares Barclays Tilts Bond Fund	45,999.11	2.63%
USD	900	ISHARES JP MORGAN EM BOND FD	83,739.48	4.78%
USD	2,300	ISHARES MSCI EMERGING MARKETS	77,294.09	4.41%
USD	1,700	Vanguard REIT ETF	84,761.69	4.84%
<b>Total securities</b>			<b>1,554,139.62</b>	<b>88.74%</b>
<b>TOTAL TRANSFERABLE SECURITIES</b>			<b>1,554,139.62</b>	<b>88.74%</b>
<b>ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING</b>				
<b>Cash at banks</b>			<b>151,477.66</b>	<b>8.65%</b>
<b>Other net assets / (liabilities)</b>			<b>45,734.01</b>	<b>2.61%</b>
<b>TOTAL</b>			<b>1,751,351.29</b>	<b>100.00%</b>

The accompanying notes form an integral part of this annual report.

BLACKSTAR COMMODITIES FUND







## INVESTMENT ADVISOR REPORT

### INVESTMENT STRATEGY

The Blackstar Commodities Fund is a Non-Directional Fund that specializes in the financing of commodities transactions on a very secure and structured basis. We do not speculate on the price of the underlying commodity (e.g.: purchasing with an expectation of profiting from an increase in the price).

Rather than speculating on price, we identify transactions that can be financed on a secure basis and where we can take either title to the commodity or security over it. We then work at putting a very secure and transparent process in place around these transactions to ensure that the risks we face are mitigated and the margin on each trade is secured. Once each trade is complete, we then replicate.

### PORTFOLIO PERFORMANCE

As a new fund launched in 2012, we were some teething problems, particularly in relation to the hedging of FX exposures on the portfolio, but all in all we were satisfied with how the underlying trading strategy performed.

Our investment strategy has, to this point, centered around one counterparty and the financing of their gold purchasing in the US. They purchase gold concentrate (ore of approx. 20% purity) in the US which then needs to be transported and refined, and are able to make a stable margin per trade in doing this, whilst hedging out the price risk that they are faced with.

The fund has been able to facilitate and increase in our partner's purchasing power by participating in these transactions for a set charge per trade. Therefore, as our margin per trade is predefined, the returns on the fund have up until this point been a function of the "velocity of our circulation", or in other words how often we are able to trade.

As the year wore on, there were a number of temporary factors that conspired against the velocity of circulation of this trade, such as some small supply issues, Hurricane Sandy which shut down transportation system in the US

### 2012 MARKET OUTLOOK

The outlook for the Global economy in general could be described as uncertain at best and this could continue to dampen commodity demand and prices throughout 2013. However, due to the importance of commodities for world trade, a strong base of demand will remain. Furthermore, as stated above there is a shortage of financiers of commodities transactions, which is unlikely to change in the near future. Therefore we expect strong potential deal flow to remain.

Structured Commodities transactions, such as those that we are involved in, have an extremely low level of default due to their collateralised nature and the secure structures in place. For these reasons, the outlook remains very positive for the industry that we are in.

### INVESTMENT STRATEGY

In 2013 the Board of Directors will implement a different strategy to better mitigate the risk inherent to direct investment into commodities, or commodities related transaction and have a better diversification of the risks associated with this type of transaction. Indeed, investment in commodities is going to be achieved via indirect investments, investment funds with a proven track record are favored by the Board of Directors.

With this in mind we are actively seeking and conducting due diligence on new partners and relationships and will continue to do so. Precious metals will continue to be a focus of ours, whilst base-metals, non-ferrous metals and soft commodities also hold an interest, particularly due to the attractive margins and despite the added transportation complications due to their bulk. However, we do remain open to any commodity that we can finance using a transparent, risk controlled structure where we are able to strip out price risk.

for a time and along with the normal Christmas slowdown. However, the overall performance of the strategy proved to be successful and satisfactory in 2012.

## MARKET OVERVIEW

Despite a general slow-down in the commodities market in general in 2012, precipitated largely by moderating economic growth in China, the market for commodities financing transactions has remained very buoyant. A large reason for this has been the retrenchment, in the last few years, of major banks from this sector. Basle III regulations have meant that capital requirements for banks have become a lot stricter, meaning that there is far less appetite for exposure to commodity assets.

This has meant that there has been the large same volume of transactions chasing a shrinking pool of financiers. In turn, this has created a large gap in the market for the likes of the Blackstar Commodities Fund to step into the breach and finance suitable commodities transactions.

We are seeing good deal flow across our desks and are currently only constrained by our assets under management.



## BLACKSTAR COMMODITIES FUND STATEMENT OF NET ASSETS

As at December 31, 2012

		EUR
<b><u>ASSETS</u></b>	<b>Notes</b>	
Investment portfolio at market value	1.b	47,060.70
Cash at banks		389,179.64
Deferred share creation fees		48,955.75
Other assets/receivables		611,793.02
Formation expenses, net	1.g	18,238.85
<b>Total assets</b>		<b><u>1,115,227.96</u></b>
 <b><u>LIABILITIES</u></b>		
Unrealised loss on Forward foreign exchange contracts	5	264.65
Management fee payable	3	3,296.26
Audit fee payable		6,650.00
Subscription pending		15,000.00
Other payables/liabilities		4,636.45
<b>Total liabilities</b>		<b><u>29,847.36</u></b>
 <b>TOTAL NET ASSETS</b>		<b><u>1,085,380.60</u></b>

The accompanying notes form an integral part of this annual report.

## BLACKSTAR COMMODITIES FUND STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the period from February 28, 2012 to December 31, 2012

	Notes	EUR
<b><u>INCOME</u></b>		
Interest on bank accounts		6.90
Other Income		18,656.69
<b>Total income</b>		<b>18,663.59</b>
<b><u>EXPENSES</u></b>		
Management fees	3	13,037.24
Directors fees		10,000.00
Transaction fees		2,088.18
Administrative agent and transfer agent fees		22,076.70
Domiciliation agent fees		2,000.00
Custodian fees	4	255.80
Banking charges and other fees		992.09
Audit fees		6650.00
Formation expenses		3,861.15
Subscription duty ("taxe d'abonnement")		50.89
Other expenses		12,456.33
Withholding tax		
<b>Total expenses</b>		<b>73,468.38</b>
<b>NET INVESTMENT LOSS</b>		<b>(54,804.79)</b>
<b><u>NET REALISED GAINS/(LOSSES)</u></b>		
- on forward exchange contracts		15,553.22
- on commercial papers		3,233.78
- on foreign currency transactions		5,950.30
<b>NET REALISED GAINS/(LOSSES) FOR THE PERIOD</b>		<b>24,737.30</b>
<b><u>CHANGE IN NET UNREALISED APPRECIATION/ DEPRECIATION FOR THE PERIOD</u></b>		
- on investments		(3,233.78)
- on forward exchange contracts		(264.65)
- on partnership interests		47,060.70
- on foreign currency transactions		(13,837.53)
<b>RESULT OF OPERATIONS FOR THE PERIOD</b>		<b>(342.75)</b>
Subscriptions		1,085,723.35
Redemptions		-
<b>TOTAL CHANGES IN NET ASSETS</b>		<b>1,085,380.60</b>
<b>TOTAL NET ASSETS at the beginning of the period</b>		<b>-</b>
<b>TOTAL NET ASSETS at the end of the period</b>		<b>1,085,380.60</b>

The accompanying notes form an integral part of this annual report.

## BLACKSTAR COMMODITIES FUND STATISTICAL INFORMATION

<b>Total net assets</b>	(in EUR)
- As at December 31, 2012	1,085,380.60
- As at December 31, 2011	-
- As at December 31, 2010	-
 <b>Number of Class B Shares</b>	
- Outstanding at the beginning of the Year	0.00
- Issued	5,408.40
- Redeemed	0.00
- Outstanding at the end of the year	5,408.40
 <b>Net asset value per Class B share</b>	(in EUR)
- As at December 31, 2012	100.11
- As at December 31, 2011	-
- As at December 31, 2010	-
 <b>Number of Class D Shares</b>	
- Outstanding at the beginning of the Year	0.00
- Issued	6,785.28
- Redeemed	0.00
- Outstanding at the end of the year	6,785.28
 <b>Net asset value per Class D share</b>	(in USD)
- As at December 31, 2012	105.80
- As at December 31, 2011	-
- As at December 31, 2010	-

The accompanying notes form an integral part of this annual report.

# **BLACKSTAR COMMODITIES FUND** **STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**

As at December 31, 2012

Currency	Description	Market Value EUR	% of total net assets
<b>OTHER TRANSFERABLE SECURITIES</b>			
Partnership Interest			
USD	World Accord Ltd	47,060.70	4.34%
	Total partnership interest	<u>47,060.70</u>	<u>4.34%</u>
<b>TOTAL OTHER TRANSFERABLE SECURITIES</b>		<u>47,060.70</u>	<u>4.34%</u>
Cash at banks		389,179.64	35.86%
Other net assets / (liabilities)		<u>649,140.26</u>	<u>59.81%</u>
<b>TOTAL</b>		<u><b>1,085,380.60</b></u>	<u><b>100.00%</b></u>

The accompanying notes form an integral part of this annual report.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF GENERAL ACCOUNTING PRINCIPLES

#### a) Presentation of the financial statements

The financial statements of the Company are established in accordance with the Luxembourg legal and regulatory requirements concerning Specialised Investment Funds.

#### b) Valuation of securities

1. The valuation of any security listed or traded on an official stock exchange or any other regulated market operating regularly, recognized and open to the public is based on the last quotation known in Luxembourg on the Valuation Date and, if this security is traded on several markets, on the basis of the market considered to be the main market for trading this security. If the last known price is not representative, the valuation is based on the probable realization value estimated by the Board of Directors with prudence and in good faith.
2. Securities not listed or traded on a stock exchange or any other regulated market, operating regularly, recognized and open to the public are assessed on the basis of the probable realization value estimated with prudence and in good faith by the Board of Directors.
3. Securities expressed in a currency other than the currency of the concerned Sub-Fund are converted on the basis of the rates of exchange ruling on the relevant bank business day in Luxembourg.

#### c) Acquisition cost of securities in the portfolio

Securities are initially recognized at cost, which is the amount paid for the acquisition of the securities. The acquisition cost of the securities held by each Sub-Fund that are denominated in a currency other than that of the Sub-Fund is converted to the Sub-Fund's currency at the exchange rates prevailing on the date of purchase.

#### d) Net realised gain/(loss) on sales securities

The realised gain or loss made on sales of securities is determined on the basis of the average acquisition cost of the securities sold and is recognized in the statement of operations and charges in net assets.

#### e) Forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward foreign exchange rates for the remaining period to run with maturity at the date of the valuation. The unrealized gain or loss on forward foreign exchange contracts are recorded under the caption "unrealized profit/(loss) on forward exchange contracts" and the profit or loss realized on forward exchange contracts are recorded in the statement of Operations and changes in net assets.

#### f) Investment income

Dividend income is recognized on an ex-dividend basis and recorded net of withholding taxes. Interest is calculated on a *pro rata temporis* basis, net of withholding tax.

#### g) Formation expenses

Formation expenses are amortized on a straight line basis over a maximum of 5-year period.

## h) Conversion of foreign currencies

Bank balances, other net assets and the valuation of the securities in portfolio expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the report. Income and charges expressed in currencies other than the currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Exchange gains and losses are recorded in the statement of operations and changes in net assets.

## i) Consolidated financial statements

The consolidated financial statements of the Company are expressed in EUR and are equal to the sum of the corresponding items in the financial statements of the Sub-Funds.

The consolidation rate prevailing at the date of the report is the following:

Foreign exchange rates per 1 EUR	BELSIZE TOTAL RETURN FUND as at December 31, 2012	INFINITY GLOBAL RETURN FUND as at December 31, 2012	CHESTERGOM GLOBAL RETURN FUND as at December 31, 2012	BLACKSTAR COMMODITIES FUND as at December 31, 2012
USD	0.7577	0.7577	0.7577	0.7577
GBP	1.2307	1.2307	1.2307	-
CHF	0.8283	-	0.8283	-
SEK	0.1165	-	0.1165	-
NOK	0.1363	-	0.1363	-
DKK	0.1340	-	-	-
CAD	-	0.7616	0.7616	-
SGD	-	-	0.6202	-
JPY	-	-	0.0087	-
HKD	-	-	-	0.0978

j) Futures and Options are valued by reference to the previous day settlement or closing price on the present market. The market prices used are the futures exchanges settlement or closing prices.

## NOTE 2 - SUBSCRIPTION DUTY ("TAXE D'ABONNEMENT")

The Company is governed by Luxembourg law.

Pursuant to the legislation and regulations in force for SIF UCIs, the SICAV is subject to an annual subscription duty ("*taxe d'abonnement*") of 0.01% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

Pursuant to Article 68(2) of the amended Law of February 13, 2007 the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

## NOTE 3 – MANAGEMENT FEE AND PERFORMANCE FEE

The Company may entrust, at its own expense, management of its Sub-Funds to one or more investment managers (the "Investment Managers"). In remuneration of its services, each investment manager is entitled to receive a management fee payable quarterly and calculated on the Sub-Fund's Net Asset Value during the relevant quarter to the following rate.

LFP I SICAV - SIF S.A. - BELSIZE TOTAL RETURN FUND	1.25% p.a.
LFP I SICAV - SIF S.A. - INFINITY GLOBAL RETURN FUND	1.50% p.a.
LFP I SICAV - SIF S.A. - CHESTERGOM GLOBAL RETURN FUND	1.50% p.a.
LFP I SICAV - SIF S.A. - BLACKSTAR COMMODITIES FUND	2.00% p.a.



In addition, the Investment Managers are entitled to receive a performance fee accrued in each Net Asset Value and paid out quarterly if there is a performance.

- For the Sub-Fund LFP I SICAV - SIF S.A. - BELSIZE TOTAL RETURN FUND, the performance fee consists in 10% of the total net return of the Sub-Fund exceeding the high watermark over the total Sub-Fund's historical net asset values per share. Performance fee will be accrued weekly and paid out quarterly (if there is performance).
- For the Sub-Fund LFP I SICAV - SIF S.A. - INFINITY GLOBAL RETURN FUND, the Performance Fee consists of 25% of the Performance with a 10% hurdle rate and includes a high watermark over the total Sub-Fund's historical net asset values per Share.
- For the Sub-Fund LFP I SICAV - SIF S.A. - CHESTERGOM GLOBAL RETURN FUND, the performance fee consists of 10% of the positive difference between the performance of the Chestergom Global Return Fund (i.e. since inception or when performance fee was last earned by the investment manager) and the performance of the benchmark index (Euribor 3 month). This performance fee is calculated monthly, and paid quarterly.  
The performance commission must be understood as the positive difference between the quarterly performance of the Chestergom Global Return Fund (i.e. over the accounting quarter) and the quarterly performance of the Chestergom Global Return Fund based on the yield of the Euribor 3 month. Each net asset value is calculated using the "high water mark with hurdle rate" technique.
- For the Sub-Fund LFP I SICAV - SIF S.A. - BLACKSTAR COMMODITIES FUND, the performance fee consists in 50% of the total net return of the net asset value of the Class A, B, C, D Shares above a hurdle rate of 15%. Performance fee will be accrued monthly and paid out annually (if there is performance).

#### NOTE 4 – CUSTODIAN FEES

The depositary bank is remunerated in accordance with the agreement between ABN AMRO Bank (Luxembourg) S.A. acting as the custodian and the Company.

#### NOTE 5 – FORWARD EXCHANGE CONTRACTS

As at December 31, 2012 the unrealised gain on forward foreign exchange contracts for LFP I SICAV - SIF S.A. - CHESTERGOM GLOBAL RETURN FUND was as follow:

Transaction	Maturity Date	Currency	Amount	Unrealised (loss) EUR
Bought	January 15, 2013	EUR	624,893.77	
Sold	January 15, 2013	GBP	500,000.00	9,547.02
Bought	January 15, 2013	EUR	786,969.05	
Sold	January 15, 2013	USD	1,000,000.00	29,221.08
Bought	January 15, 2013	GBP	250,000.00	
Sold	January 15, 2013	EUR	307,900.73	(227.36)
Bought	January 15, 2013	USD	350,000.00	
Sold	January 15, 2013	EUR	266,139.46	(927.67)
Total unrealised gain on forward foreign exchange contracts				<u>37,613.07</u>

As at December 31, 2012 the unrealised loss on forward foreign exchange contracts for LFP I SICAV - SIF S.A. - BLACKSTAR COMMODITIES FUND was as follow:

Transaction	Maturity Date	Currency	Amount	Unrealised (loss) EUR
Bought	January 1, 2013	EUR	92,914.34	
Sold	January 1, 2013	USD	123,000.00	(264.65)
Total unrealised loss on forward foreign exchange contracts				<u>(264.65)</u>

#### NOTE 6 – SUBSEQUENT EVENTS

At the date of the preparation of this annual report, additional funds were created in the Company and are active.

The list is as follows:

- LFP I SICAV - SIF S.A. - HUDSON RIVER RUSSIA GROWTH FUND;
- LFP I SICAV - SIF S.A. - SAXUM RESSOURCES COMMODITY FUND.

At the date of the preparation of this annual report, additional funds were created in the Company but are still not active.

The list is as follows:

- LFP I SICAV - SIF S.A. – 21.C INVESTMENT FUND;
- LFP I SICAV - SIF S.A. – THE EQUITY POWER FUND;
- LFP I SICAV - SIF S.A. – STUDENT ACCOMODATION FUND;
- LFP I SICAV - SIF S.A. – COLUMNA COMMODITIES FUND;
- LFP I SICAV - SIF S.A. – M.S. GLOBAL RETURN FUND;
- LFP I SICAV - SIF S.A. – PHOBOS ABSOLUTE RETURN FUND;
- LFP I SICAV - SIF S.A. – CONTINENTAL EUROPEAN REAL ESTATE EQUITY FUND;
- LFP I SICAV - SIF S.A. – NOUS ABSOLUTE RETURN FUND;
- LFP I SICAV - SIF S.A. – SONNENBERG INVESTMENT FUND;
- LFP I SICAV - SIF S.A. – MARSHALL HUTTON REAL ESTATE EQUITY FUND;
- LFP I SICAV - SIF S.A. – AVENTOR FUND;
- LFP I SICAV - SIF S.A. – NCC MULTI-ASSET LOW RISK FUND;
- LFP I SICAV - SIF S.A. – NCC MULTI-ASSET HIGH YIELD FUND.

At the date of the preparation of this annual report, the following fund entered into liquidation.

- LFP I SICAV - SIF S.A. – BELSIZE TOTAL RETURN FUND

