

**SALAR FUND PLC**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2015**

## SALAR FUND PLC

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### FINANCIAL STATEMENTS

31 December 2015

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## SALAR FUND PLC

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### FUND INFORMATION

#### DIRECTORS

Yvonne Connolly\*  
Nicholas Curtis  
Teddy Otto\* Chairman

All Directors are non-executive  
\*Independent director

#### REGISTERED OFFICE

Custom House Plaza,  
Block 6,  
International Financial Services Centre,  
Dublin 1,  
Ireland.

#### INVESTMENT MANAGER AND DISTRIBUTOR

Ferox Capital LLP,  
66 St. James's Street,  
London SW1A 1NE,  
England.

#### ADMINISTRATOR

Citco Fund Services (Ireland) Limited,  
Custom House Plaza,  
Block 6,  
International Financial Services Centre,  
Dublin 1,  
Ireland.

#### CUSTODIAN

UBS (Luxembourg) S.A.,  
Dublin Branch,  
1 Georges Quay Plaza,  
Dublin 2,  
Ireland.

#### PRIME BROKER/SUB-CUSTODIAN

UBS AG,  
London Branch,  
1 Finsbury Avenue,  
London EC2M 2PP,  
United Kingdom.

## SALAR FUND PLC

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### FUND INFORMATION (Continued)

#### LEGAL ADVISORS

Dechert,  
3 George's Dock,  
International Financial Services Centre,  
Dublin 1,  
Ireland.

#### AUDITORS

Ernst & Young,  
Chartered Accountants,  
Ernst & Young Building,  
Harcourt Centre,  
Harcourt Street,  
Dublin 2,  
Ireland.

#### COMPANY SECRETARY

CCT Secretarial Limited,  
Block 6,  
Custom House Plaza,  
International Financial Services Centre,  
Dublin 1,  
Ireland.

## **SALAR FUND PLC**

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### **DIRECTORS' REPORT**

**For the year ended 31 December 2015**

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

#### **PRINCIPAL ACTIVITIES**

Salár Fund PLC (the "Fund") was incorporated in Ireland on 27 November 2007 as an investment company with variable capital with limited liability. The Fund is authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferable Securities ("UCITS") pursuant to the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (the "Regulations"). The principal activities of the Fund are to carry on the business of an investment fund with the investment objective to generate capital growth, whilst seeking to preserve capital, through a variety of risk/reward strategies generally in the convertible bond markets.

#### **REVIEW OF THE DEVELOPMENT OF THE BUSINESS AND FUTURE DEVELOPMENTS**

See pages 9-11 for Investment Manager's report.

#### **RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2015**

The Statement of Financial Position for the year ended 31 December 2015 and the Statement of Comprehensive Income at that date are set out on pages 14 and 15 respectively.

#### **RISK MANAGEMENT OBJECTIVES AND POLICIES**

Investment in the Fund carries with it a degree of risk, including but not limited to, the risks referred to in Note 10 of these financial statements and the Fund's Prospectus.

#### **ACCOUNTING RECORDS**

The measures taken by the Directors to secure compliance with the Fund's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records of the Company are maintained by Citco Fund Services (Ireland) Limited at Block 6, Custom House Plaza, International Financial Services Centre, Dublin 1, Ireland.

## **SALAR FUND PLC**

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### **DIRECTORS' REPORT (Continued)** **For the year ended 31 December 2015**

#### **INDEPENDENT AUDITORS**

The Independent Auditors, Ernst & Young, have indicated their willingness to remain in office in accordance with Sections 383 (2) of the Companies Act 2014.

#### **DIVIDENDS**

Dividends paid during the year ended 31 December 2015 are disclosed in Note 15 of these financial statements.

#### **DIRECTORS**

The Directors at the date of this report along with Directors who held office during the year are listed on page 2.

#### **SIGNIFICANT EVENTS DURING THE YEAR**

Significant events during the year are disclosed in Note 16 of these financial statements.

#### **EVENTS SINCE YEAR END**

Events since year end to the date of this report are disclosed in Note 18 of these financial statements.

#### **DIRECTORS' INTERESTS**

The Directors held no interests in the Fund during the year or at 31 December 2015.

#### **COMPANY SECRETARY'S INTERESTS**

The Company Secretary held no interests in the Fund during the year or at 31 December 2015.

#### **TRANSACTIONS INVOLVING DIRECTORS**

Full details of transactions involving the Directors can be found in Note 14 of these financial statements.

## SALAR FUND PLC

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### **DIRECTORS' REPORT (Continued)** **For the year ended 31 December 2015**

#### CORPORATE GOVERNANCE

The Directors voluntarily adopted the Corporate Governance Code (“the IF Code”) for Irish Domiciled Collective Investment Schemes as published by the Irish Funds (“the IF”) (formerly the Irish Funds Industry Association (“IFIA”)) as the Company’s corporate governance code. The Directors have fully adhered to and fulfilled the requirements under the code.

#### CONNECTED PARTIES

The UCITS Regulations require that any transaction carried out with the Fund by a promoter, manager, custodian, investment adviser and/or associate of these (“connected parties”) are carried out as if negotiated at arm’s length and are in the best interests of the shareholders. The Board of Directors of the Fund is satisfied that there are arrangements (evidenced by written procedures) in place to ensure that this requirement is applied to transactions with connected parties, and that transactions with connected parties during the period complied with the requirement.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the performance of the Fund for that year. In preparing those financial statements, the Directors are required to:

- ensure that financial statements comply with the Memorandum and Articles of Association and International Financial Reporting Standards, as published by the International Accounting Standards Board;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies Acts 2014. In this regard, the Directors appointed Citco Fund Services (Ireland) Limited for maintaining proper books of accounts. Accordingly, the books of accounts are kept at Block 6, Custom House Plaza, International Financial Services Centre, Dublin 1, Ireland.

They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SALAR FUND PLC**

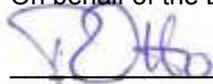
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**DIRECTORS' REPORT (Continued)**  
**For the year ended 31 December 2015**

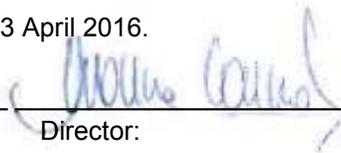
DIRECTORS' RESPONSIBILITIES STATEMENT (Continued)

The Directors have entrusted the assets of the Fund to the Custodian for safekeeping and in this regard the Directors have appointed UBS (Luxembourg) S.A., Dublin Branch as Custodian. The address at which this business is conducted is 1 Georges Quay Plaza, Dublin 2, Ireland.

On behalf of the Directors on 13 April 2016.



Director:



Director:

## SALAR FUND PLC

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### STATEMENT OF CUSTODIAN'S RESPONSIBILITIES

The Custodian is required under the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (the "Regulations") to ensure that, inter alia, it:

- satisfies itself that the sale, issue, repurchase, redemption, cancellation, and valuation of shares of the Fund are carried out in accordance with the Regulations and the Memorandum and Articles of Association;
- takes into its custody, or under its control, all assets of the Fund and holds them in safekeeping for the members in accordance with the Regulations and the Memorandum and Articles of Association; and
- enquires into the conduct of the Fund in the accounting period and reports thereon to the members, in a report, which shall contain matters prescribed by the Regulations.

### CUSTODIAN'S REPORT TO THE MEMBERS OF SALAR FUND PLC

We have inquired into the conduct of Salar Fund plc (the "Fund") for the year ended 31 December 2015 in our capacity as Custodian to the Fund.

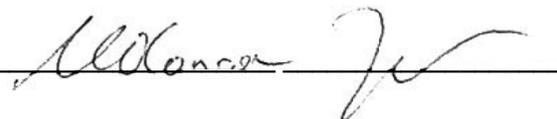
This report, including the opinion has been prepared for and solely for the members in the Fund as a body, in accordance with the Regulations and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

In our opinion, the Fund has been managed during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Fund by the Memorandum & Articles of Association and by the Regulations; and
- (ii) otherwise in accordance with the provisions of the Memorandum & Articles of Association and the Regulations.

UBS (Luxembourg) S.A. – Dublin Branch  
1 George's Quay Plaza  
George's Quay  
Dublin 2  
Ireland

Date: 13 April 2016



A handwritten signature in blue ink, appearing to read 'Aldona J.', is written over a horizontal line.

### INVESTMENT MANAGER'S REPORT

The Fund faced stiff headwinds over 2015; the most difficult aspect was the poor performance of equity markets. In this environment, Salar Fund added +3.28% over the year as convertibles proved to be the best performing major asset class, outstripping equities, government bonds, investment grade bonds and high yield bonds (ML G300 Convertible Index +1.25%, versus MSCI -4.3%, ML Govt Bond Index -2.6% and ML Global HY Index -4.2%). The Fund outperformed the convertible market in general (UBS Global Index +0.96%), demonstrating its ability to retain strong downside protection in the more challenging conditions whilst participating in the rising equity markets. It also managed to do this whilst exhibiting lower volatility – and whilst, according to our calculations, carrying less risk – than the Index. This can be seen as the Fund's volatility was (4% 260d) over the year– this was in marked contrast to the equity markets (MSCI 13% vol) and broad CB index (TR Global 7.2% vol).

The Fund's disciplined profit-taking and focus on keeping risks tightly controlled were fundamental to this return. We looked to harvest our profits in rising markets, rolling down the risk curve by selling positions that had delivered upside but then carried risk with positions that had less risk in our view and yet plenty of upside potential. Equally, in falling markets we replaced positions that had done their job, protecting against downside but which had lost equity sensitivity with those that had, in our view, defined downside risk but significant potential to deliver upside. In particular, our defensive strategy meant that we had substantially de-risked our Asian positions ahead of the correction in Q3 but had made significant profits in Q2. We kept our maturities short (c2.5 years) and hedged virtually all of our duration.

The Fund's geographic exposure was significantly different to the indices as we focused on the areas which we perceived had the best risk/reward. This meant that we had no Greek exposure and very little in the other weaker European economies, avoiding the worst of the drawdowns at the end of Q2. More significantly we had a substantial allocation to Japan which was a large contributor of our positive performance over the year as one of the better performing markets (Nikkei +9.1% in 2015). This was partly because we saw better value in convertibles there and partly because we can structure the trade to all but eliminate the credit risk.

Moreover, our focus on credit analysis was a factor in this gain; through our security selection process we avoided the fall in energy and the commodity space particularly in the US. For instance, we had consciously sidestepped the issues from US solar energy company SunEdison which fell 90% from its June peak in November as our credit analysts felt they were unlikely to be able to repay their bonds. We similarly avoided the collapse of the US oil sector (heavily represented in convertibles) through the quality of our credit calls.

Nevertheless, we did feel the effects of credit and valuation cheapening (“marks”) as credit spreads widened and convertible bond valuations cheapened; this cost the Fund in the second half of the year almost -1.2% (with nearly -50bps cheapening in December). However, we think most of these costs were convertible valuation factors rather than credit changes.

### INVESTMENT MANAGER'S REPORT (Continued)

#### Commentary

January kick-started the year with the Fund making +0.90% despite risks picking up in markets as equity markets fell (MSCI fell -1.63%); this was particularly focused on oil deflation and China.

Salar had a strong month in February adding +2.14%. Europe (responsible for c+80bp of this gain) and Japan (c+55bp) were the largest contributors, as both equity markets surged ahead. We continued to focus on limiting our downside risk by rolling down the risk curve actively selling trades that worked to replace them with attractive risk/reward opportunities.

The Fund registered another positive month in March, adding +0.76% as it continued to gain from European and Japanese equity markets. The biggest gainer was Toppan Printing in Japan and Japan Airport Terminals was a spectacular performer as the stock gained +68% in a few weeks.

Asia's strong performance in April (Hang Seng rose +13%) was predominantly responsible for the Fund's +2.42% gain with c.1.5% of the performance generated in Asia. This Asian move was driven by a flurry of buying from mainland Chinese investors as China's decision in March to allow mutual funds to buy Hong Kong shares acted as a catalyst. We nevertheless kept risk tightly controlled and continued to actively recycle our profits into lower risk bonds.

May was a quieter month. Despite negative returns from equity markets, Salar Fund posted a gain of +0.31% as our overweight in Japan (Nikkei +5.34%) was the biggest contributor for the month's return.

In the context of growing European tension centred around Greece and a China stock market collapse in June, the Fund's exposure to some of these areas resulted in Salar's -1.53% performance. Asia was our biggest losing region; although as we had harvested our profits assiduously we were less exposed to the pull back.

China continued to dominate markets in July as there was a sharp East/West split with Asian markets punished and Western markets moving ahead. This was combined with the additional headwind of convertible cheapening which cost the portfolio 50-60bp on the month (most pronounced in Asia but equally Europe cheapened noticeably). This caused short term pain but provided long-term opportunities to exploit. Salar Fund dropped just -0.10% in this environment following our aggressive profit taking in Q2 resulting in our reduced exposure to the cheapening.

Market turmoil continued into August with China's market lurching down further whilst the EuroStoxx fell -9.2%, the S&P dropped -6.3% and the MSCI slumped -7%. Salar Fund demonstrated its lower risk profile with a -1.98% loss. The Fund's conservative positioning was crucial to this as its "distance to bond floor" (one measure of downside risk) was about a third of the major index going into this event and "delta" (equity exposure) was about 2/3rds.

September was another challenging month as equity markets were a sea of red; Salar Fund demonstrated its defensive qualities, dropping -1.70%.

### INVESTMENT MANAGER'S REPORT (Continued)

#### Commentary (Continued)

The bulls regained control of the equity market in October as sentiment turned dramatically; the Fund ended the month +2.66%. As one would expect from a defensive strategy, the rapidly rising markets saw the Fund's performance move from top to mid-range in relation to our peers but with 50% less volatility. Our biggest gainers were from the US with Tech names doing particularly well. Japan was also excellent with our significant delta in the region.

November saw a more mixed picture; against this background Salar Fund delivered +0.32%. We were helped by the strength of Japan and Europe. Whilst dispersion at the single stock level was a large contributor.

The Fund ended the year -0.82% in December as further convertible cheapening cost the Fund c-50bp leaving the year to date return +3.28%.

#### Outlook

Convertibles showed their value in the portfolio once again in 2015; their ability to find returns in difficult markets proved particularly valuable. Valuations look interesting for 2016, especially given the volatile start that equity markets have delivered so far and the increasing dispersion in market movements. We still believe convertibles are the most attractive way to access convexity in the recent volatile markets and continue to source trades offering excellent risk/reward profiles. Japan currently looks particularly attractively valued. Given the Japanese market's propensity to surprise, we'd expect the convexity to be most highly valued in this market.

New issuance has been disappointing over last year in general as it has not been able to keep up with flows into the asset class. We hope this will pick up in 2016 to refresh the market and provide exciting opportunities further to expected potential catalysts including the start of the Fed hiking cycle and the impending Solvency II regulations in Europe. However, it will probably need to see equity markets stabilise and rise for issuers to feel confident that they are achieving equity value through the issuance.

Looking into 2016 we believe it may well be the year of the convertible as far as insurance companies are concerned. Solvency II rules make convertible bonds one of the most attractive asset classes for them to own. Salar Fund would have an estimated SCR of 12% versus the SCR for OECD equities which is c39%. This has the power to transform our market with both demand and supply expanding.

Uncertainty in markets is extremely high. There are risks and there are opportunities in other asset classes but the speed of rotation between these has seemingly accelerated recently. It makes any asset allocation decision fraught with danger. Thus, the value of convexity to investors is immense today. The ability to source increasing participation in rising markets and yet have significant protection against falling markets should be attractive to most investors. As we look around the different asset classes, only convertibles seem to us to offer this convexity at a reasonable price. Indeed, at the time of writing, they offer it below its theoretical value.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALAR FUND PLC

We have audited the financial statements of Salar Fund plc (the "Fund") for the year ended 31 December 2015 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Net Assets attributable to holders of redeemable participating shares, Statement of Cash flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is Irish law, the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended), the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Fund's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### ***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report, Investment Manager's Report, Statement of Custodian's Responsibilities and Custodian's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*Continued /...*

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALAR FUND PLC

### ***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Fund as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014, the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended), and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015.

### ***Matters on which we are required to report by the Companies Act 2014***

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Fund were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

### ***Matters on which we are required to report by exception***

We have nothing to report in respect of sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



Aidan Tiernan  
for and on behalf of Ernst & Young  
Chartered Accountants and Statutory Audit Firm  
Dublin

15 April 2016

**SALAR FUND PLC**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2015**

	Notes	2015 US\$	2014 US\$
<b>Assets</b>			
Financial assets at fair value through profit or loss	3,4	1,132,402,452	845,104,430
Cash and cash equivalents		5,492,438	10,293,834
Due from brokers	7	117,484,853	76,673,752
Subscription proceeds due		4,851,294	10,732,542
Interest receivable		3,717,974	3,621,429
Dividends receivable		–	48,054
Other receivables and prepayments		5,000	63,064
<b>Total assets</b>		<b>1,263,954,011</b>	<b>946,537,105</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	3,4	13,968,228	10,747,235
Due to broker	7	23,642,406	5,389,062
Redemptions payable		4,782,889	585,386
Performance fee payable	6	1,884,542	2,053,288
Investment management fee payable	6	1,088,691	934,392
Accrued expenses and other payables		499,198	120,878
Administration fee payable	6	134,282	212,639
Equalisation payable		133,583	135,711
Custodian fee payable	6	66,362	60,738
Audit fee payable	6	53,231	68,252
Interest payable		46,710	214
Dividends payable		13,769	3,467
<b>Total liabilities (excluding net assets attributable to holders of redeemable participating shares)</b>		<b>46,313,891</b>	<b>20,311,262</b>
<b>Net assets attributable to holders of redeemable participating shares</b>		<b>1,217,640,120</b>	<b>926,225,843</b>

Approved by the Directors on 13 April 2016


  
 Director: \_\_\_\_\_ Director: \_\_\_\_\_

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

## SALAR FUND PLC

### STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2015

	Notes	2015 US\$	2014 US\$
<b>Income</b>			
Interest income		29,226,860	33,043,540
Dividend income		739,701	222,869
Dividend withholding tax		(36,979)	(35,927)
Other income		5,486	64,693
Net gain on securities, derivative instruments and foreign exchange		1,037,734	10,720,636
Net effect of share class hedging	10	<u>(64,024,792)</u>	<u>(80,733,465)</u>
<b>Total loss</b>		<u>(33,051,990)</u>	<u>(36,717,654)</u>
<b>Expenses</b>			
Investment management fee	6	11,648,815	11,917,012
Interest expense		3,251,673	2,071,748
Other operating expenses		2,791,512	1,763,547
Performance fees	6	2,499,321	2,379,835
Administration fees	6	1,359,348	1,369,860
Custodian fee	6	249,034	261,692
Dividends on securities sold short		<u>194,548</u>	<u>3,467</u>
<b>Total expenses</b>		<u>21,994,251</u>	<u>19,767,161</u>
<b>Finance costs</b>			
Distributions to shareholders		<u>(4,164,543)</u>	<u>(5,345,842)</u>
<b>Total finance costs</b>		<u>(4,164,543)</u>	<u>(5,345,842)</u>
<b>Net loss attributable to holders of redeemable participating shares</b>		<u>(59,210,784)</u>	<u>(61,830,657)</u>

There are no recognised gains or losses other than those dealt with in the Statement of Comprehensive Income. All amounts in respect of the year ended 31 December 2015 arose solely from continuing operations.

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

**SALAR FUND PLC**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

**For the year ended 31 December 2015**

	<b>2015 US\$</b>	<b>2014 US\$</b>
Net loss attributable to holders of redeemable participating shares	(59,210,784)	(61,830,657)
<b>Issue of redeemable participating shares</b>		
Class A1 US\$ Shares (Accumulation)	1,840,979	17,656,655
Class A2 US\$ Shares (Accumulation)	–	559,903
Class B US\$ Shares (Accumulation)	–	2,807,941
US\$ Management Shares (Accumulation)	–	5,760,584
Class C1 US\$ Shares (Distribution - income)	882,307	1,097,245
Class C1 US\$ Shares (Distribution - non-income)	1,587	1,386,326
Class E1 US\$ Shares (Accumulation)	44,722,689	15,865,956
Class E1 US\$ Shares (Distribution - income)	71,089,610	–
Class E2 US\$ Shares (Accumulation)	3,856,840	4,566,137
Class E3 US\$ Shares (Accumulation)	6,710,740	7,320,027
Class I US\$ Shares (Accumulation)	2,825,144	–
Euro Management Shares (Accumulation)	5,531,200	–
Class A1 Euro Shares (Accumulation)	343,063	10,574,253
Class C1 Euro Shares (Distribution - income)	2,446,401	2,767,347
Class E1 Euro Shares (Accumulation)	124,166,682	145,721,243
Class E2 Euro Shares (Accumulation)	77,946,747	82,787,554
Class E3 Euro Shares (Accumulation)	101,595,506	80,350,131
Class I Euro Shares (Accumulation)	65,158,798	–
Class A1 Sterling Shares (Accumulation)	156,444	2,114,778
Class A2 Sterling Shares (Accumulation)	772,171	473,945
Sterling Management Shares (Accumulation)	230,513	2,902,677
Class C1 Sterling Shares (Distribution - income)	40,548,417	54,359,442
Class C1 Sterling Shares (Distribution - non-income)	2,378,346	1,935,927
Class C2 Sterling Shares (Distribution - income)	196,166	130,054
Class C2 Sterling Shares (Distribution - non-income)	14,816	6
Class E1 Sterling Shares (Accumulation)	20,407,301	15,785,674
Class E1 Sterling Shares (Distribution - income)	24,129,956	53,094,063
Class E3 Sterling Shares (Accumulation)	–	319,937
Class I Sterling Shares (Accumulation)	153,500,339	–
<b>Total proceeds from issue of shares during the year</b>	<b><u>751,452,762</u></b>	<b><u>510,337,805</u></b>

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

**SALAR FUND PLC**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES (Continued)**  
**For the year ended 31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Redemption of redeemable participating shares</b>		
Class A1 US\$ Shares (Accumulation)	(24,642,118)	(11,760,931)
US\$ Management Shares (Accumulation)	(5,000,000)	–
Class A1 US\$ Non-Voting Shares (Accumulation)	–	(126)
Class A2 US\$ Shares (Accumulation)	–	(297,066)
Class B US\$ Shares (Accumulation)	–	(5,321,287)
Class C1 US\$ Shares (Distribution - income)	(2,124,766)	(1,216,076)
Class C1 US\$ Shares (Distribution - non-income)	(5,131,117)	(3,059,341)
Class C2 US\$ Shares (Distribution - income)	(88,776)	(86,223)
Class E1 US\$ Shares (Accumulation)	(24,170,353)	(32,053,386)
Class E1 USD Shares (Distribution - Income)	(31,212)	–
Class E2 US\$ Shares (Accumulation)	(6,260,496)	(4,830,623)
Class E3 US\$ Shares (Accumulation)	(7,007,836)	(3,955,241)
Class A1 Euro Shares (Accumulation)	(32,846,984)	(7,015,278)
Class C1 Euro Shares (Distribution - income)	(4,226,123)	(97,203)
Class C2 Euro Shares (Distribution - income)	–	(140)
Class E1 Euro Shares (Accumulation)	(91,974,046)	(48,064,927)
Class E2 Euro Shares (Accumulation)	(38,761,772)	(90,747,307)
Class E3 Euro Shares (Accumulation)	(41,332,564)	(66,903,020)
Class I Euro Shares (Accumulation)	(5,021,137)	–
Class A1 Sterling Shares (Accumulation)	(4,975,638)	(9,712,902)
Class A2 Sterling Shares (Accumulation)	(1,117,424)	(2,440,216)
Sterling Management Shares (Accumulation)	(48,739)	–
Class B Sterling Shares (Accumulation)	–	(8,167,036)
Class C1 Sterling Shares (Distribution - income)	(69,445,287)	(98,274,506)
Class C1 Sterling Shares (Distribution - non-income)	(13,122,958)	(8,485,979)
Class C2 Sterling Shares (Distribution - income)	(4,851,137)	(2,986,579)
Class C2 Sterling Shares (Distribution - non-income)	(44,695)	(110,397)
Class E1 Sterling Shares (Accumulation)	(6,463,973)	(29,210,449)
Class E1 Sterling Shares (Distribution - income)	(11,801,077)	(4,999,075)
Class E2 Sterling Shares (Accumulation)	–	(196)
Class E3 Sterling Shares (Accumulation)	(203,889)	(191)
<b>Total cost of shares redeemed during the year</b>	<u>(400,694,117)</u>	<u>(439,795,701)</u>
<b>Total increase from capital activity</b>	<u>350,758,645</u>	<u>70,542,104</u>
Equalisation	(133,584)	(135,711)
Net assets at the beginning of the year	<u>926,225,843</u>	<u>917,650,107</u>
<b>Net assets attributable to holders of redeemable participating shares at the end of the year</b>	<u>1,217,640,120</u>	<u>926,225,843</u>

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

**SALAR FUND PLC**

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from operating activities:</b>		
Net loss attributable to holders of redeemable participating shares	(59,210,784)	(61,830,657)
<b>Adjustments to reconcile net loss attributable to holders of redeemable participating shares to net cash used in operating activities:</b>		
Purchase of financial instruments held for trading	(2,014,176,657)	(1,600,307,039)
Proceeds from sale of financial instruments held for trading	1,723,539,759	1,595,273,954
Unrealised (loss)/gain on financial instruments held for trading	(9,337,240)	67,245,404
Net realised gain/(loss) from financial instruments held for trading	27,659,604	(39,298,239)
Due from/to broker	(22,557,757)	(11,496,125)
Interest receivable	(96,545)	507,422
Other receivables and prepayments	58,064	(10,230)
Dividends receivable	48,054	(48,054)
Performance fee payable	(168,746)	(4,411,964)
Investment management fee payable	154,299	54,447
Accrued expenses and other payables	378,320	(207,252)
Administration fee payable	(78,357)	106,316
Custodian fee payable	5,624	(7,463)
Audit fee payable	(15,021)	18,717
Interest payable	46,496	(455,994)
Dividends payable	10,302	3,467
<b>Net cash used in operating activities</b>	<u>(353,740,585)</u>	<u>(54,863,290)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of redeemable participating shares	745,435,803	459,650,074
Payments on redemptions of redeemable participating shares	<u>(396,496,614)</u>	<u>(397,277,079)</u>
<b>Net cash provided by financing activities</b>	<u>348,939,189</u>	<u>62,372,995</u>
Net (decrease)/increase in cash and cash equivalents	(4,801,396)	7,509,705
Cash and cash equivalents at beginning of the year	<u>10,293,834</u>	<u>2,784,129</u>
<b>Cash and cash equivalents at end of the year</b>	<u>5,492,438</u>	<u>10,293,834</u>
<b>Supplementary cash flow information:</b>		
Interest received	29,130,315	33,514,615
Interest paid	(3,205,177)	(2,527,742)
Dividends received	750,776	138,888
Dividends paid	(184,246)	-

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

1. ORGANISATION

Salár Fund plc (the “Fund”) is an investment fund with variable capital and limited liability incorporated in Ireland on 27 November 2007 and authorised by the Central Bank of Ireland under the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (the “Regulations”). The Fund commenced trading on 1 February 2008.

The Fund’s investment objective is to generate capital growth, whilst seeking to preserve capital, through a variety of risk/reward strategies generally in the convertible bond markets. The Fund targets absolute returns and aims to achieve returns which exceed the Benchmark Return as defined in the Fund’s prospectus.

The Fund’s investment activities are managed by Ferox Capital LLP (the “Investment Manager”) with the administration of the Fund delegated to Citco Fund Services (Ireland) Limited (the “Administrator”).

Shares are issued and can be redeemed as GBP, Euro and US\$ shares. The Fund has six main classes of shares, Class A Shares, Class B Shares, Class C Shares, Class D Shares, Class E Shares and Class I Shares, which are available for investment.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

*Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The financial statements are also prepared in accordance with the provisions of the Companies Act 2014 and the Regulations.

The format and certain wordings of the financial statements have been adapted from those contained in the Companies (Amendment) Act 1986 so that, in the opinion of the Directors, they more appropriately reflect the nature of the Fund’s business as an investment fund.

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

The financial statements are presented in US dollars (US\$) and all values are rounded to the nearest US\$1 except where otherwise indicated.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) *Basis of preparation (Continued)*

*New and amended standards and interpretations*

(i) *New standards, amendments and interpretations effective after 1 January 2015 and have not been early adopted*

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018. The Fund will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

(b) *Financial instruments*

(i) *Classification*

The Fund designates its financial assets and financial liabilities as held for trading in accordance with International Accounting Standards ("IAS") 39.

*Financial assets held for trading and financial liabilities held for trading*

These include equities, bonds, bond options, index options, equity options, contracts for difference, forward currency contracts, interest rate swaps, warrants, index futures and interest rate futures. These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price. Derivatives are categorised as held for trading, as the Fund does not designate any derivatives as hedging instruments for hedge accounting purposes as described under IAS 39.

(ii) *Recognition*

All purchases and sales of financial instruments are recognised on the trade date, which is the date that the Fund commits to purchase or sell an asset and require delivery of assets within the period generally established by regulation or convention in the market place.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) *Financial instruments (Continued)*

(iii) *Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out (“FIFO”) method.

(iv) *Initial measurement*

Financial instruments categorised at fair value through profit or loss are recognised initially at fair value, with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income.

(v) *Subsequent measurement*

After initial measurement, the Fund measures financial instruments which are classified as held for trading at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty, in the case of non-exchange traded instruments, at the Statement of Financial Position date without any deduction for estimated future selling costs.

If a quoted market price is not available on a recognised stock exchange or from a reputable broker/counterparty, the fair value of the financial instruments may be estimated by the Investment Manager, acting as the Competent Person appointed by the Directors and approved for such purposes by UBS (Luxembourg) S.A. Dublin Branch (the “Custodian”), using valuation techniques, including use of recent arm’s length market transactions, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The Fund records its derivative activities on a fair value basis. Fair values are determined by using quoted market prices, models and broker quotations. For over the counter (“OTC”) contracts, the assets represent the Fund’s unrealised gains, and liabilities represent unrealised losses.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) *Financial instruments (Continued)*

(v) *Subsequent measurement (Continued)*

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income. Subsequent changes in the fair value of financial instruments held for trading are recognised in the Statement of Comprehensive Income. Where the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for offsetting risk positions and applies the last price to the net open position as appropriate.

(c) *Impairment of financial assets*

The Fund assesses at each Statement of Financial Position date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

(d) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. At year end, no financial assets or financial liabilities were reported net in the Statement of Financial Position.

(e) *Cash and cash equivalents*

Cash and cash equivalents include amounts due from banks on demand and interest bearing deposits with original maturities of three months or less. Cash on hand or on deposit is held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are held with Citco Bank Nederland NV.

(f) *Foreign currency translation*

*Functional and presentation currency*

Items included in the Fund’s financial statements are measured and presented using the currency of the primary economic environment in which it operates (the “functional currency”). This is US Dollar, which is the currency that best reflects the nature of the Fund’s global operations.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) *Foreign currency translation (Continued)*

*Foreign currency transactions*

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at the closing rates of exchange at each year end. Transactions during the year, including purchases and sales of securities and income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in the Statement of Comprehensive Income.

(g) *Use of estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

(h) *Going concern*

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

(i) *Dividend income*

Dividends are credited to the Statement of Comprehensive Income on the dates on which the relevant securities are listed as "ex-dividend". Dividend income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income, and net of any tax credits.

(j) *Interest income and expense*

Interest income and interest expense are recorded on an effective yield basis in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) *Taxation*

The Fund is an Investment Undertaking as defined in Section 739B (1) of the Taxes Consolidation Act 1997, and therefore will not be subject to Irish tax on its income or gains other than gains arising on chargeable events. A chargeable event can include dividend payments to shareholders, appropriation, cancellation, redemption, repurchase or transfer of shares, or a deemed disposal of shares every 8 years beginning from the date of acquisition of those shares; certain exemptions can apply. To the extent that shareholders have appropriate tax declarations in place with the Fund there may be no requirement to deduct tax.

(l) *Redeemable participating shares*

Redeemable participating shares are redeemable at the shareholder's option and are classified as financial liabilities.

The redeemable participating shares can be put back to the Fund on any dealing day for cash equal to a proportionate share of the Fund's net asset value. The Fund's net asset values per share are calculated by dividing the net assets attributable to holders of redeemable participating shares with the total number of outstanding redeemable shares.

The founder shares are non-redeemable, have no entitlements to dividend and are the most subordinate class in issue. Founder shares are classified as equity in accordance with IAS 32. The founder shares do not form part of the net asset value of the Fund and are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Fund's business as an investment fund.

(m) *Expenses*

All expenses, including management fees and performance fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

(n) *Transaction costs*

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. Financial instruments categorised at fair value through profit or loss measured initially at fair value, with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) *Transaction costs (Continued)*

Transaction costs on purchases or sales of financial assets or financial liabilities are included in net gains/(losses) on financial assets at fair value through profit or loss in the Statement of Comprehensive Income. Separately identifiable costs are disclosed in Note 12.

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

**Level 1** - Quoted prices that are available in active markets for identical investments as of the reporting date.

**Level 2** - Pricing inputs (the underlying information used to calculate the price) including inputs sourced from the multiple broker quotes. Investments which are included in this category include corporate bonds, convertible bonds, bond options, contracts for difference, credit default swaps, interest rate swaps and forward currency contracts.

**Level 3** - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgement or estimation. Investments that are included in this category include convertible bonds and bond options for which only one broker quotation is available, or when observable prices are not available for these securities, the Investment Manager uses one or more valuation techniques for which sufficient and reliable data is available.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassification impacting Level 3 investments will be reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The following tables summarise the valuation of the Fund's financial assets and liabilities by the above fair value hierarchy levels as of 31 December.

**31 December 2015**

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Debt instruments	–	1,072,700,824	418,827	1,073,119,651
Equity instruments	22,747,762	–	–	22,747,762
Financial derivatives	1,578,265	34,956,774	–	36,535,039
<b>Total financial assets</b>	<u>24,326,027</u>	<u>1,107,657,598</u>	<u>418,827</u>	<u>1,132,402,452</u>
<b>Financial liabilities</b>				
Financial derivatives	–	(13,968,228)	–	(13,968,228)
<b>Total financial liabilities</b>	<u>–</u>	<u>(13,968,228)</u>	<u>–</u>	<u>(13,968,228)</u>

**31 December 2014**

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Debt instruments	–	815,740,068	544,353	816,284,421
Equity instruments	1,802,759	–	–	1,802,759
Financial derivatives	3,231,660	23,785,590	–	27,017,250
<b>Total financial assets</b>	<u>5,034,419</u>	<u>839,525,658</u>	<u>544,353</u>	<u>845,104,430</u>
<b>Financial liabilities</b>				
Financial derivatives	(341,694)	(10,404,331)	(1,210)	(10,747,235)
<b>Total financial liabilities</b>	<u>(341,694)</u>	<u>(10,404,331)</u>	<u>(1,210)</u>	<u>(10,747,235)</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Certain financial instruments may be recorded using valuation techniques with unobservable market data or are priced to incorporate low levels of market activity. These include convertible bonds with a fair value of US\$378,825 (2014: US\$494,351), zero coupon convertible bonds with a fair value of US\$40,002 (2014: US\$50,002) and contracts for difference with a fair value of US\$Nil (2014: US\$(1,210)).

A zero coupon convertible bond with a fair value of US\$40,002 (2014: US\$50,002) is in default and has been valued by the Investment Manager. Last available liquidation settlement arrangements that were reported were US\$53 million (2014: US\$53 million) on 150,000,000 bonds.

A convertible bond with a fair value of US\$2,200 (2014: US\$2,200) has been valued by the Investment Manager as the bond has matured and there is no other source available other than the conservative price based off a company approved conversion.

A convertible bond with a fair value of US\$221,000 (2014: US\$222,625) has been valued using last available quoted price as it is in default and illiquid.

A convertible bond with a fair value of US\$155,625 (2014: US\$161,250) has been valued by the Investment Manager as it was illiquid at year end. It has been valued using last available quoted price.

As at 31 December 2014, a convertible bond with a fair value of US\$93,300 had been valued by the Investment Manager using a notice from the company that indicated that the total default payment due to the convertible bond holders was 14.26 points but the actual monies received was 11.3 points leaving a residual of 3 points due from the company. During 2015, this position was subsequently sold for US\$24,453.

At 31 December 2014, an illiquid convertible bond with a fair value of US\$14,976 was valued by the Investment Manager using last available quoted price since it is illiquid. During 2015, this position was subsequently converted to equity giving rise to a realised gain of US\$316,741.

At 31 December 2014, a contract for difference with a fair value of US\$(1,210) was deemed illiquid by the Investment Manager. During 2015, this position was subsequently converted to equity giving rise to a realised gain of US\$1,700,964.

The Directors have reviewed the reasonableness of Level 3 valuations and are satisfied that they represent the fair value of the instruments held by the Fund at 31 December 2015 and 31 December 2014. Furthermore, given the nature of inputs used on determining fair value, sensitivity analysis would not be relevant. There were no significant movements between Level 1 and Level 2 during the year.

## SALAR FUND PLC

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### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

#### 3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The changes in investments measured at fair value for which Level 3 inputs have been used to determine fair value are as follows:

	<b>Debt instruments US\$</b>	<b>Financial derivatives US\$</b>
Balance at 31 December 2014	544,353	(1,210)
Purchases	785,776	–
Sales	(341,194)	(1,700,964)
Gains/(losses):		
Realised	(2,680,936)	1,700,964
Change in unrealised	<u>2,110,828</u>	<u>1,210</u>
Balance at 31 December 2015	<u>418,827</u>	<u>–</u>

There were no transfers in/out of Level 3 in 2015.

	<b>Debt instruments US\$</b>	<b>Financial derivatives US\$</b>
Balance at 31 December 2013	61,143	–
Purchases	1,833,328	–
Sales	–	–
Transfers in	500,625	–
Gains/(losses):		
Realised	(215,980)	–
Change in unrealised	<u>(1,634,763)</u>	<u>(1,210)</u>
Balance at 31 December 2014	<u>544,353</u>	<u>(1,210)</u>

In 2014, two convertible bonds with a combined market value of US\$500,625 transferred from Level 2 to Level 3 as they were considered illiquid by the Investment Manager.

#### 4. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The Fund may be eligible to present net on the Statement of Financial Position, certain financial assets and financial liabilities according to criteria described in Note 2. At 31 December 2015 and 31 December 2014 no financial assets and financial liabilities met the eligibility criteria and none were presented net on the Statement of Financial Position.

**SALAR FUND PLC**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

4. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (Continued)

The following tables provide information on the potential financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2015 and at 31 December 2014. The cash balances held with the counterparties and amounts due from/(to) counterparties are disclosed in Note 7.

31 December 2015	Gross amounts of recognised assets US\$	Amounts offset in the statement of financial position US\$	Net amount presented on the statement of financial position US\$	Gross amounts not offset in the statement of financial position		Net amount US\$
				Financial instruments US\$	Cash Collateral US\$	
<b>Financial assets</b>						
Barclays	320,858	–	320,858	–	–	320,858
Daiwa	604,115	–	604,115	–	–	604,115
JP Morgan	88,762	–	88,762	–	–	88,762
Mitsubishi	791,769	–	791,769	–	–	791,769
Mizuho	13,227,291	–	13,227,291	–	–	13,227,291
Merrill Lynch	800,071	–	800,071	–	–	800,071
Morgan Stanley	2,585,704	–	2,585,704	–	–	2,585,704
Nomura	12,813,459	–	12,813,459	–	–	12,813,459
Standard Chartered	483,175	–	483,175	–	–	483,175
UBS	1,218,172,101	–	1,218,172,101	(37,610,634)	–	1,180,561,467
<b>Total financial assets at fair value through profit or loss</b>	<b>1,249,887,305</b>	<b>–</b>	<b>1,249,887,305</b>	<b>(37,610,634)</b>	<b>–</b>	<b>1,212,276,671</b>
<b>31 December 2015</b>						
	Gross amounts of recognised liabilities US\$	Amounts offset in the statement of financial position US\$	Net amount presented on the statement of financial position US\$	Gross amounts not offset in the statement of financial position		Net amount US\$
				Financial instruments US\$	Cash Collateral US\$	
<b>Financial liabilities</b>						
UBS	(37,610,634)	–	(37,610,634)	37,610,634	–	–
<b>Total financial liabilities at fair value through profit or loss</b>	<b>(37,610,634)</b>	<b>–</b>	<b>(37,610,634)</b>	<b>37,610,634</b>	<b>–</b>	<b>–</b>

SALAR FUND PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2015

4. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (Continued)

31 December 2014	Gross amounts of recognised assets US\$	Amounts offset in the statement of financial position US\$	Net amount presented on the statement of financial position US\$	Gross amounts not offset in the statement of financial position		Net amount US\$
				Financial instruments US\$	Cash Collateral US\$	
<b>Financial assets</b>						
Barclays	659,308	–	659,308	–	–	659,308
Daiwa	1,245,782	–	1,245,782	–	–	1,245,782
JP Morgan	458,076	–	458,076	–	–	458,076
Mitsubishi	668,240	–	668,240	–	–	668,240
Mizuho	4,651,193	–	4,651,193	–	–	4,651,193
Merrill Lynch	886,672	–	886,672	–	–	886,672
Nomura	14,911,312	–	14,911,312	–	–	14,911,312
Standard Chartered	210,420	–	210,420	–	–	210,420
UBS	898,087,179	–	898,087,179	(16,136,297)	–	881,950,882
<b>Total financial assets at fair value through profit or loss</b>	<b>921,778,182</b>	<b>–</b>	<b>921,778,182</b>	<b>(16,136,297)</b>	<b>–</b>	<b>905,641,885</b>
<b>31 December 2014</b>						
	<b>Gross amounts of recognised liabilities US\$</b>	<b>Amounts offset in the statement of financial position US\$</b>	<b>Net amount presented on the statement of financial position US\$</b>	<b>Gross amounts not offset in the statement of financial position</b>		<b>Net amount US\$</b>
				<b>Financial instruments US\$</b>	<b>Cash Collateral US\$</b>	
<b>Financial liabilities</b>						
UBS	(16,136,297)	–	(16,136,297)	16,136,297	–	–
<b>Total financial liabilities at fair value through profit or loss</b>	<b>(16,136,297)</b>	<b>–</b>	<b>(16,136,297)</b>	<b>16,136,297</b>	<b>–</b>	<b>–</b>

The gross amounts of recognised financial assets and financial liabilities and their net amounts presented in the Statement of Financial Position disclosed in the above tables have been measured in the Statement of Financial Position at fair value. Refer to Note 10 for further details of risk management of financial assets and financial liabilities.

## SALAR FUND PLC

### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

#### 5. DERIVATIVE CONTRACTS

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 Fund does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39). The derivative contracts that the Fund holds or issues are bond options, index options, equity options, contracts for difference ("CFDs"), forward currency contracts, interest rate swaps, warrants, index futures and interest rate futures.

As of 31 December 2015 and 31 December 2014, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	<b>2015 US\$ Asset</b>	<b>2015 US\$ Liability</b>
Bond options	24,852,813	–
Equity options	868,024	–
Contracts for difference	827,060	(1,529,815)
Forward currency contracts	6,044,591	(10,706,019)
Interest rate swaps	7,561	(1,732,394)
Warrants	3,224,749	–
Index futures	185,146	–
Interest rate futures	525,095	–
<b>Total</b>	<b>36,535,039</b>	<b>(13,968,228)</b>
	<b>2014 US\$ Asset</b>	<b>2014 US\$ Liability</b>
Bond options	19,489,609	–
Index options	25,143	–
Equity options	3,017,008	–
Contracts for difference	75,132	(1,126,246)
Forward currency contracts	1,490,517	(7,534,895)
Interest rate swaps	104,401	(1,744,400)
Warrants	2,625,931	–
Index futures	189,509	–
Interest rate futures	–	(341,694)
<b>Total</b>	<b>27,017,250</b>	<b>(10,747,235)</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

5. DERIVATIVE CONTRACTS (Continued)

One of the differences in the risk associated with OTC contracts and exchange-traded contracts is regarding 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 to the contract may default. The credit risk related to exchange-traded contracts is reduced by having the exchange's clearing house act as a central counterparty for the transaction. However, margin balances are subject to counterparty risk with the broker.

*Contracts for difference*

CFDs represent OTC agreements that obligate two parties to exchange cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise deemed notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Therefore amounts required for the future satisfaction of the CFD may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFD are valued at the CFD's settlement date and is included in the Statement of Comprehensive Income.

*Interest rate swaps*

Interest rate swaps represent OTC agreements that obligate two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise determined notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The realised gain or loss depends upon the prices at which the underlying financial instruments of the swap are valued at the swap's settlement date and is included in the Statement of Comprehensive Income. Unrealised gains or losses are fair valued with the resulting movement recorded in the Statement of Comprehensive Income.

*Options*

The Fund purchases put and call options through listed exchanges and OTC markets. Options purchased by the Fund provide the Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration date of the option. Unrealised gains or losses are valued in accordance with the accounting policy stated in Note 2 and the resulting movement in the unrealised gain or loss is recorded in the Statement of Comprehensive Income.

*Bond options*

Bond options represent OTC contracts with major multinational counterparties which allow the Fund to invest solely in the optionality component of a predetermined specific notional amount of a convertible bond. Unrealised gains or losses are valued in accordance with the accounting policy stated in Note 2 and the resulting movement in the unrealised gain or loss is recorded in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

5. DERIVATIVE CONTRACTS (Continued)

*Forward currency contracts*

Forward currency contracts are OTC agreements entered into by the Fund which represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/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 Comprehensive Income.

*Futures contracts*

A futures contract obligates one party to sell and the other party to purchase a specific instrument for an agreed price on an agreed future date. Initial margin deposits made with respect to futures contracts are recognised as assets due from the Fund's broker (the Fund's agent in acquiring the futures position). Subsequent changes in the daily valuation of open contracts are recognised as unrealised gains or losses in the Statement of Comprehensive Income. Variation margin payments are made or received on traded futures as appreciation or depreciation occurs. Futures contracts are valued using quoted daily settlement prices established by the exchange on which they trade. Realised gains or losses are recorded when a contract is closed and are included in the Statement of Comprehensive Income.

*Warrants*

A warrant is a derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain timeframe. Warrants which are traded on an active market are valued at the quoted price.

The Fund may purchase warrants to speculate on the price movements of the financial instrument underlying the warrant, or for use as an economic hedge against certain equity positions held in the Fund's portfolio holdings. The Fund purchases warrants through listed markets. Warrants purchased by the Fund provide the Fund with the opportunity to purchase the underlying asset at an agreed-upon value either on (European style) or at any time before (American style) the expiration of the warrant.

The prices paid with regard to purchasing warrants are marked to market in accordance with Note 2 and the resulting gains or losses are recorded in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

6. FEES AND EXPENSES

*Investment Management Fee*

Pursuant to the investment management agreement, the Investment Manager receives from the Fund an investment management fee equal to 1/12 of 1 per cent per month of the net asset value of the Class A1, Class C1 and Class E1 Shares, an investment management fee equal to 1/12 of 1.5 per cent per month of the net asset value of the Class A2, Class C2 and Class E2 Shares, an investment management fee equal to 1/12 of 0.9 per cent per month of the net asset value of the Class D Shares, an investment management fee equal to 1/12 of 2.0 per cent per month of Class E3 Shares and an investment management fee equal to 1/12 of 0.75 per cent per month of the net asset value of Class I Shares (before deduction of that month's investment management fee and before deduction of any accrued performance fees) as at the last valuation point in each month accrued and payable monthly in arrears.

No investment management fee is payable in respect of the Class B Shares or Management Shares.

*Performance Fee*

The Investment Manager is also entitled to receive an annual performance fee in respect of each Class A Share, Class C Share, Class D Share, Class E Share and Class I Share in the Fund. The performance fee is calculated in respect of each calendar year by reference to the net asset value per share of the class concerned as at the last valuation point prior to the commencement of that calendar year and the net asset value per share of that class as at the last valuation point in that calendar year (a "Calculation Period"). The initial offer price of the relevant class is the starting net asset value per share for the calculation of the threshold net asset value per share (as defined below) for Class A Share, Class C Share, Class D Share, Class E share and shall be the starting net asset value per share for the calculations of the hurdle and the high water mark (as defined below) for Class I Share.

The Directors have the right to change the Calculation Period to each calendar quarter in each year with effect from the start of the calendar year following that in which the Directors determine to make such change subject to giving at least three months prior written notice thereof to the shareholders.

The performance fee in respect of each Class A Share, Class C Share and Class D Share in any Calculation Period is equal to 10 per cent of the appreciation in the net asset value per share of the class concerned (before deduction for any accrued performance fees and adjusted to take into account any dividends paid during such period in respect of Distribution Shares) during that Calculation Period (or part thereof during which the relevant share was in issue) above the threshold net asset value per share (as defined below) for that class in respect of that Calculation Period (or part thereof).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

6. FEES AND EXPENSES (Continued)

*Performance Fee (Continued)*

For each of the Class E Shares, a performance fee calculation in respect of each Calculation Period is equal to the aggregate of the performance fees determined in respect of each separate subscription of shares, accrued daily. The performance fee calculation for each separate subscription of shares will be 10% of any increase in the net asset value per share of the relevant share class during the Calculation Period over the threshold net asset value per share relating to that subscription, after deduction of the investment management fee (but not any accrued performance fees) and any trading expenses for that period. Since performance fees are aggregated and applied to the share class as a whole, the actual performance fee incurred for each separate subscription is determined by the change in net asset value per share of the share class. There may be occasions where an investor effectively pays performance fees for which it has gained no benefit or where some investors are subsidising other investors.

The performance fee in respect of each Class I Share in any Calculation Period is equal to 15 per cent of the increase in the adjusted gross asset value of the relevant class at the end of the Calculation Period above the sum of the high water mark and the relevant hurdle during the Calculation Period. The performance fee shall accrue at each valuation point and, accordingly, the net asset value will be adjusted to reflect such fee. No performance fee will accrue or be paid until the net asset value exceeds the high water mark. The performance fee shall be paid after the end of the Calculation Period in arrears. The Custodian shall verify the calculation of the performance fee prior to payment at the end of each Calculation Period.

The threshold net asset value per share of the Class A Shares, Class C Shares, Class D Shares and Class E Shares in respect of each Calculation Period will be the starting net asset value per share of each class of Class A Shares, Class C Shares, Class D Shares and Class E Shares multiplied by the benchmark return. The starting net asset value per share of each relevant class of Class A Shares, Class C Shares, Class D Shares and Class E Shares will be the net asset value per share of the relevant class at the date of issue of that share (before deduction for any accrued performance fees and adjusted to take into account any dividends paid during such period) or, if issued in a previous Calculation Period, the net asset value per share of the relevant class at the start of the current Calculation Period.

The high water mark of the Class I Shares is the greater of (i) the initial offer price per share of the relevant share class; or (ii) the all-time highest net asset value per share of the relevant class calculated on the last valuation point of a prior Calculation Period.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

6. FEES AND EXPENSES (Continued)

*Performance Fee (Continued)*

The hurdle of the Class I Shares is 5 per cent per annum. The hurdle will be added to the high water mark, and, in any Calculation Period, the adjusted gross asset value must exceed the hurdle plus high water mark before a performance fee can be paid. For periods of less than 1 year, the hurdle shall be pro-rated over the relevant period by multiplying by the number of actual days invested and dividing by 365. This adjustment to the hurdle shall apply both to new subscription amounts and to redemption amounts.

For each Calculation Period, the benchmark return in respect of a Class A US\$ Share and Non-Voting Share, Class C US\$ Share, Class D US\$ Share and Class E US\$ Share is the percentage rate achieved by compounding on a rolling daily basis to the end of the Calculation Period 100 per cent plus the US\$ 3-month LIBOR interest rate on the first business day of each calendar quarter in the Calculation Period.

For each Calculation Period, the benchmark return in respect of a Class A Sterling Share, Class C Sterling Share and Class E Sterling Share is the percentage rate achieved by compounding on a rolling weekly basis to the end of the Calculation Period 100 per cent plus the Sterling 3-month LIBOR interest rate on the first business day each calendar quarter in the Calculation Period.

For each Calculation Period, the benchmark return in respect of a Class A Euro Share, Class C Euro Share and Class E Euro Share is the percentage rate achieved by compounding on a rolling weekly basis to the end of the Calculation Period 100 per cent plus the Euro 3-month LIBOR interest rate on the first business day of each calendar quarter in the Calculation Period.

No performance fee is payable in respect of the Class B Shares or Management Shares.

*Equalisation*

The subscription price at which Class A Shares, Class C Shares, Class D Shares and Class I Shares are issued on any dealing day (other than the first dealing day in any Calculation Period) is the net asset value per share of each such class before accrual for the performance fee (if any). The difference between the subscription price of a Class A Share, Class C Share, Class D Share and Class I Shares and the net asset value per share of that class after accrual for the performance fee per share is referred to as an equalisation credit. An adjustment is made at the end of each Calculation Period to compensate for the difference between the amount of performance fee accrued in respect of a Class A Share, Class C Share, Class D and Class I Share at the time of subscription and the performance fee payable in respect of that Share at the end of the Calculation Period. No equalisation adjustment is made in respect of the Class E Shares.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

6. FEES AND EXPENSES (Continued)

*Equalisation (Continued)*

If shares are subscribed for at a time when the Net Asset Value per Share of the relevant Class is greater than Peak Net Asset Value per Share of that Class, the investor is required to pay an amount in excess of the then current Net Asset Value per Share of that Class equal to 10 per cent of the difference between the current Net Asset Value per Share of that Class (before accrual of the Performance Allocation) and the Peak Net Asset Value per Share of that Class (an “Equalisation Credit”). Equalisation is charged on Classes A, C, D and I.

*Administration Fee*

The Administrator receives from the Fund a monthly administration fee for its services which is calculated as a percentage of the Fund’s net assets calculated as at each valuation day and payable in arrears.

*Custodian Fee*

The Custodian is entitled to receive out of the net assets of the Fund an annual fee, accrued at each valuation point and payable monthly in arrears, which does not exceed 0.05 per cent per annum of the net asset value of the Fund subject to a minimum annual fee of the US\$ equivalent of €40,000 (plus VAT, if any) thereon.

*Directors’ Fees*

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund or in connection with the business of the Fund. The total Directors’ fees and expenses for the year were US\$47,972 (2014: US\$44,379) of which US\$Nil (2014: US\$Nil) was payable at year end. The Fund paid US\$50,477 (2014: US\$30,396) to Carne Global Financial Services Limited (“Carne”), an independent governance firm, in respect of director support services for Yvonne Connolly and Teddy Otto. Nicholas Curtis, a director related to the Investment Manager, has agreed to waive his fees.

*Auditors fees and services*

The following table presents a summary of accountant fees and services for the twelve months ended 31 December 2015:

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Auditors fees regarding annual report <sup>(1)</sup>	53,960	56,991
Auditors fees for tax advisory and compliance services	20,761	27,910

<sup>(1)</sup> Positions in the table include fees and expenses for certain services (i.e. in relation to reviews and audits of financial statements) for the periods covered by the fiscal year, notwithstanding when the fees and expenses were billed.

## SALAR FUND PLC

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### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

#### 7. DUE FROM AND TO BROKERS

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date, respectively.

The majority of the amounts due from and due to brokers are held with UBS AG, London Branch (the "Sub-Custodian"). There is a right of offset based on the master netting agreement in place between long and short positions subject to meeting eligibility criteria however none met this and the financial statements have been presented on a gross basis at 31 December 2015 and 31 December 2014. The Custodian and broker credit ratings are disclosed in Note 10.

Margin accounts with brokers represent cash deposits with counterparties as collateral against open bond options, CFDs and forward currency contracts. The Fund also transferred cash as collateral for transactions involving borrowed securities.

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Due from brokers</b>		
Cash balance with Sub-Custodian	105,685,315	71,362,532
Collateral	5,952,760	4,201,396
Cash balance with broker	129,610	–
Margin balance with brokers	2,091,409	452,377
Receivable for investments sold	3,625,759	657,447
<b>Total</b>	<u>117,484,853</u>	<u>76,673,752</u>
	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Due to brokers</b>		
Cash balance with Sub-Custodian	–	2,259
Payable for investments purchased	23,642,406	5,386,803
<b>Total</b>	<u>23,642,406</u>	<u>5,389,062</u>

#### 8. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES

The authorised share capital of the Fund is 500 billion shares of no par value and €300,002 divided into 300,002 redeemable non-participating shares of €1.00 each. Non-participating shares do not entitle the holders thereof to any dividend and on a winding up entitle the holders thereof to receive the amount paid up thereon but do not otherwise entitle them to participate in the assets of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

8. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (Continued)

Voting Shares have the right to vote at general meetings of the Fund. The holders of Shares which are designated as Non-Voting Shares shall be entitled to receive notice to attend and speak at all general meetings of the Fund but not to vote on any resolution proposed thereat. Management Shares and Class B Shares rank pari passu with the Class A Shares, Class C Shares, Class D Shares, Class E Shares and Class I Shares in all respects save that no investment management fees or performance fees will be payable by the Fund to the Investment Manager in respect of the assets attributable to the Management Shares and Class B Shares. More details of the fees relating to each class of shares can be found in Note 6.

The Directors have the power to allot shares in the capital of the Fund on such terms and in such manner as they may think fit. Of the 300,002 non-participating shares, two are currently in issue which were taken by the subscribers to the Fund and are held by the Investment Manager and nominees of the Investment Manager.

The net assets attributable to holders of redeemable participating shares are at all times equal to the net asset value of the Fund. The participating shares which comprise the equity capital of the Fund are in substance a liability of the Fund to shareholders under IAS 32, as they can be redeemed at the option of the shareholders.

*Capital management*

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is subject to externally imposed minimum regulatory capital requirements which is €300,000.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other capital markets and by using various investment strategies and hedging techniques.
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Fund cost-efficient.

**SALAR FUND PLC**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

**8. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (Continued)**

The movement in the number of participating shares for the year ended 31 December 2015 were as follows:

	Opening	Subscriptions*	Redemptions*	Closing
Class A1 US\$ Shares (Accumulation)	863,019.29	12,583.87	176,267.42	699,335.74
Class A2 US\$ Shares (Accumulation)	2,296.07	—	—	2,296.07
US\$ Management Shares (Accumulation)	56,787.62	—	48,524.84	8,262.78
Class C1 US\$ Shares (Distribution - income)	27,536.04	7,105.05	17,695.49	16,945.60
Class C1 US\$ Shares (Distribution - non-income)	71,537.13	12.32	38,488.94	33,060.51
Class C2 US\$ Shares (Distribution - income)	755.84	—	755.84	—
Class E1 US\$ Shares (Accumulation)	95,136.44	345,367.87	182,831.00	257,673.31
Class E1 USD Shares (Distribution - income)	—	704,976.37	308.36	704,668.01
Class E2 US\$ Shares (Accumulation)	54,269.42	30,401.19	49,658.53	35,012.08
Class E3 US\$ Shares (Accumulation)	77,387.00	53,661.15	56,694.20	74,353.95
Class I US\$ Shares (Accumulation)	—	28,356.40	—	28,356.40
Euro Management Shares (Accumulation)	—	48,941.72	—	48,941.72
Class A1 Euro Shares (Accumulation)	253,054.67	2,068.76	197,867.03	57,256.40
Class C1 Euro Shares (Distribution - income)	44,052.03	17,072.99	30,365.29	30,759.73
Class E1 Euro Shares (Accumulation)	1,310,978.50	776,681.33	577,101.39	1,510,558.44
Class E2 Euro Shares (Accumulation)	277,687.14	498,064.45	250,445.76	525,305.83
Class E3 Euro Shares (Accumulation)	582,556.31	736,206.22	300,524.28	1,018,238.25
Class I Euro Shares (Accumulation)	—	586,395.84	47,994.02	538,401.82
Class A1 Sterling Shares (Accumulation)	64,987.97	672.14	22,467.55	43,192.56
Class A2 Sterling Shares (Accumulation)	6,088.33	3,347.61	4,858.08	4,577.86
Sterling Management Shares (Accumulation)	20,903.62	988.73	225.00	21,667.35
Class C1 Sterling Shares (Distribution - income)	1,001,614.36	189,728.33	341,750.37	849,592.32
Class C1 Sterling Shares (Distribution - non-income)	108,082.70	11,263.09	63,705.13	55,640.66
Class C2 Sterling Shares (Distribution - income)	49,274.38	935.06	23,881.80	26,327.64
Class C2 Sterling Shares (Distribution - non-income)	2,487.47	74.19	2,16.84	2,344.82
Class E1 Sterling Shares (Accumulation)	76,793.08	100,617.45	32,775.45	144,635.08
Class E1 Sterling Shares (Distribution - income)	485,313.03	144,658.30	70,450.18	559,521.15
Class E3 Sterling Shares (Accumulation)	1,602.80	—	1,100.15	502.65
Class I Sterling Shares (Accumulation)	—	991,347.83	—	991,347.83

\* Included within shares issued and shares redeemed are switches in and switches out between share classes.

**SALAR FUND PLC**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

**8. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (Continued)**

The movement in the number of participating shares for the year ended 31 December 2014 were as follows:

	Opening	Subscriptions*	Redemptions*	Closing
Class A1 US\$ Shares (Accumulation)	820,818.47	126,230.86	84,030.04	863,019.29
Class A1 Non-Voting US\$ Shares (Accumulation)	1.00	—	1.00	—
Class A2 US\$ Shares (Accumulation)	—	4,777.67	2,481.60	2,296.07
Class B US\$ Shares (Accumulation)	15,774.10	17,563.90	33,338.00	—
US\$ Management Shares (Accumulation)	—	56,787.62	—	56,787.62
Class C1 US\$ Shares (Distribution - income)	28,516.60	9,221.04	10,201.60	27,536.04
Class C1 US\$ Shares (Distribution - non-income)	84,618.04	10,889.31	23,970.22	71,537.13
Class C2 US\$ Shares (Distribution - income)	1,493.33	—	737.49	755.84
Class E1 US\$ Shares (Accumulation)	225,341.47	128,746.63	258,951.66	95,136.44
Class E2 US\$ Shares (Accumulation)	56,314.18	37,600.64	39,645.40	54,269.42
Class E3 US\$ Shares (Accumulation)	49,124.71	61,264.01	33,001.72	77,387.00
Class A1 Euro Shares (Accumulation)	232,097.20	58,016.13	37,058.66	253,054.67
Class C1 Euro Shares (Distribution - income)	27,018.16	17,623.87	590	44,052.03
Class C2 Euro Shares (Distribution - income)	1.00	—	1.00	—
Class E1 Euro Shares (Accumulation)	786,183.51	792,435.43	267,640.44	1,310,978.50
Class E2 Euro Shares (Accumulation)	344,765.49	453,430.28	520,508.63	277,687.14
Class E3 Euro Shares (Accumulation)	511,743.54	495,863.88	425,051.11	582,556.31
Class A1 Sterling Shares (Accumulation)	96,984.22	8,701.88	40,698.13	64,987.97
Class A2 Sterling Shares (Accumulation)	14,398.52	1,964.83	10,275.02	6,088.33
Sterling Management Shares (Accumulation)	8,212.59	12,691.03	—	20,903.62
Class B Sterling Shares (Accumulation)	29,620.25	—	29,620.25	—
Class C1 Sterling Shares (Distribution - income)	1,216,190.40	248,453.42	463,029.46	1,001,614.36
Class C1 Sterling Shares (Distribution - non-income)	138,738.23	8,885.43	39,540.96	108,082.70
Class C2 Sterling Shares (Distribution - income)	62,667.73	607.75	14,001.10	49,274.38
Class C2 Sterling Shares (Distribution - non-income)	3,021.19	—	533.72	2,487.47
Class E1 Sterling Shares (Accumulation)	139,215.33	76,572.00	138,994.25	76,793.08
Class E1 Sterling Shares (Distribution - income)	206,727.25	307,589.17	29,003.39	485,313.03
Class E2 Sterling Shares (Accumulation)	1.00	—	1.00	—
Class E3 Sterling Shares (Accumulation)	1.00	1,602.80	1.00	1,602.80

\* Included within shares issued and shares redeemed are switches in and switches out between share classes.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

9. CONTINGENCIES

Since the year ended 31 December 2014 it became apparent that US Internal Revenue Code (IRC) Section 305(C) might apply to certain US Convertible Bonds. This section of the IRC seeks to apply a withholding tax (WHT) on certain changes to the conversion ratios of convertible bonds and other similar instruments, which will potentially only apply to dividend payments on the underlying security. There are significant uncertainties surrounding the computation and application of these rules. The outflow of economic resources (if any), that may be required to settle any obligations arising from the application of these rules cannot be estimated with reasonable certainty until such a time as guidance is issued by the Internal Revenue Service and the withholding agent.

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES

*Principles of risk management*

The Fund is exposed to risks arising from the financial instruments it holds. The prospectus of the Fund contains investment guidelines that set out its overall investment objectives and investment restrictions.

The Fund has exposure to the following risks from its use of financial instruments: market risk (which includes price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The board of the Fund has delegated the day to day risk management and reporting to the Investment Manager under the investment management agreement executed on 14 January 2008. The Investment Manager is responsible for ensuring that the appropriate risk management processes are in place and that it is functioning adequately, with the investment management function responsible for:

- trading securities, pre and post trade compliance and monitoring risk on a day to day basis;
- monitoring levels of global exposure, position risk, leverage, counter-party risk, other risk parameters of relevance;
- overseeing the risk management process of the Investment Manager;
- setting policy on instrument types, exposure limits and trading strategies (in conjunction with the board of the Fund);
- post trade checking of breaches of investment limits whether due to market movement or otherwise; and
- liaising with the Administrator in the setting of policies relating to financial derivative instruments pricing and dealing with any pricing issues that have been escalated in accordance with agreed escalation procedures or require a decision.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Market risk*

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, other price risk and interest rates. The Fund is exposed to market risk primarily through its financial assets and liabilities.

The Investment Manager has specific processes that are in place to control market risk. Market risk is assessed by the Investment Manager in the context of the total portfolio being managed, including all derivatives. Also the Investment Manager places restrictions on gearing of the portfolio (i.e. where the level of market exposure exceeds the market value of the Fund). The Investment Manager monitors derivative use to ensure derivatives are not used to circumvent gearing/borrowing restrictions imposed by law or mandate. Specifically, in the case of use of derivative positions to achieve exposure, the Fund holds sufficient cash or appropriate equivalent assets to meet potential obligations arising from the net derivative position. In the case of derivative positions to remove or reduce exposure, the Fund holds assets, which are considered a reasonable hedge.

The Fund trades in financial instruments to take advantage of market movements. The Fund's equity securities and trading financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instrument.

*Global Exposure*

UCITS funds are required to monitor exposures on a daily basis by utilising either the commitment approach or the value at risk ("VAR") approach when financial derivative instruments ("FDI") are held. The Investment Manager utilises the commitment approach in monitoring the exposure of the Fund as the market risk can be adequately monitored through this method. Derivatives will primarily be used to gain exposure to certain asset classes in which it is not permitted to directly invest and/or for purposes of efficient portfolio management.

The Fund held derivative positions during the years ended 31 December 2015 and 31 December 2014. The Fund has primarily held transferable securities, CFD's, interest rate swaps, options, bond options, forward currency contracts, futures contracts, warrants, cash and cash equivalents. Convertible bonds are transferable securities with derivative elements. This portfolio is monitored regularly by the Investment Manager under the commitment approach.

The Fund to date has held CFD's, interest rate swaps, options, bond options, forward currency contracts, futures contracts and warrants. Exposures to these positions are monitored on a daily basis pursuant to the commitment approach.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Global Exposure (Continued)*

Breaches of the exposure limits, if any, are identified using the commitment approach, addressed by the Investment Manager and reported to the Directors. Please see the credit risk section for a review of the risk and related measurements related to FDI counterparties as of 31 December 2015 and 31 December 2014.

FDI positions are subject to risks that have the potential to influence the value of the Fund. The portfolio risk is detailed in the price risk and currency risk sections which provide analyses of the potential impact to the values due to these risks. Further, an analysis of the time available to liquidate the positions held by the Fund can be found in the liquidity risk section.

*Equity price risk*

Equity price risk is the risk of unfavourable changes in the fair values of equities or other instruments with sensitivity to equity prices (e.g. convertible bonds) as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities and from equity-linked derivatives. Exposure to these instruments is disclosed within the sector and geographical portfolio exposure on pages 55 and 56. Sensitivity exposure is disclosed below. The Fund manages this risk by investing in a well diversified portfolio. The Fund is also exposed to other price risk relating to changes in market sentiment, supply and demand and other market forces.

Management's best estimate of the effect on the profit for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis presented and the difference could be material.

The Fund's primary strategy involves the holding of long positions in convertible bonds which exposes it to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are managed through a process of ongoing identification, measurement and monitoring, and subject to risk limit and other controls.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Equity price risk (Continued)*

The sensitivity analysis presented shows the effect of a 5% increase or decrease in equity prices on the net assets of the Fund. Most of the equity sensitivity is due to the optionality embedded within the convertible bonds and bond options held by the Fund. The Fund has minimal direct equity exposure. The analysis below factors in the instrument deltas in order to measure the sensitivity of the instrument values relative to changes in the underlying equity prices.

<b>31 December 2015</b>	<b>Net assets attributable to holders of redeemable shares</b>	
	<b>5% increase US\$</b>	<b>5% decrease US\$</b>
Financial assets and liabilities held for trading	<u>19,867,259</u>	<u>(17,261,394)</u>
<b>Total</b>	<u>19,867,259</u>	<u>(17,261,394)</u>
 <b>31 December 2014</b>	 <b>Net assets attributable to holders of redeemable shares</b>	
	<b>5% increase US\$</b>	<b>5% decrease US\$</b>
Financial assets and liabilities held for trading	<u>15,741,102</u>	<u>(13,501,209)</u>
<b>Total</b>	<u>15,741,102</u>	<u>(13,501,209)</u>

*Currency risk*

Currency risk, as defined by IFRS 7, arises due to financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature. Relevant risk variables are generally movements in the exchange rates of non-functional currencies in which the Fund holds financial instruments.

The generation of trading profits and losses resulting from investment activity in currencies other than the functional currency creates an exposure to the non-functional currency denominated foreign exchange rate movements. This currency risk is managed using foreign exchange trades in accordance with Fund guidelines and restrictions. Daily monitoring is undertaken by the Investment Manager to ensure instruments used and exposures created are consistent with the investment strategy and objectives of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Currency risk (Continued)*

The Fund's total net exposure, including foreign currency hedging within the portfolio, to fluctuations in foreign currency exchange rates at the Statement of Financial Position date was as follows:

<b>Exposure currency</b>	<b>Net fair value 2015 US\$</b>	<b>Net fair value 2014 US\$</b>
Australian Dollar	–	(23)
Chinese Yuan Renminbi	7,776,316	–
British Pound	467,866,648	369,254,460
Euro	525,148,047	401,400,630
Hong Kong Dollar	(430,526)	(523,971)
Japanese Yen	1,085,121	1,852,964
Swiss Franc	(427,974)	470,129
Singapore Dollar	(663,100)	36,945
South African Rand	(437,392)	116,050
Swedish Krona	(302,230)	(21,299)
Thai Baht	671,563	402,051
<b>Sub-total</b>	<u>1,000,286,473</u>	<u>772,987,936</u>
US Dollar	<u>217,353,647</u>	<u>153,237,907</u>
<b>Total</b>	<u>1,217,640,120</u>	<u>926,225,843</u>

For share class hedging purposes, the Fund holds offsetting additional British Pound and Euro exposure. The GBP and EUR exposures shown here were materially offset by exposure to the corresponding share capital liabilities of the Fund.

The Investment Manager generally seeks to hedge foreign currency exposure of the Fund to currencies other than the base currency through the use of spot and forward foreign exchange contracts or other methods if reducing exposure to currency fluctuations.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Currency risk (Continued)*

Each Hedged Currency share class is protected against moves in the share-class currency versus the base currency throughout the period. The returns accruing to investors in each of the currency classes reflect the profits made overall throughout the period in each share class. However, because of an appreciation in the base currency against the various share-class currencies over the whole period, when reflected in the base currency (ignoring inflows and outflows) the statement of comprehensive income shows a net loss attributable to holders of redeemable participating shares. This is not reflective of the returns experienced by any investor in any hedged currency class. The loss of US\$64,024,792 (2014: US\$80,733,465) is equivalent to the effect of protecting the hedged currency classes against the appreciation in the base currency.

The table below calculates the effect of a reasonably possible movement of the exchange rate against the US\$ at 31 December 2015 and 31 December 2014 on the net assets attributable to holders of redeemable participating shares, with all other variables held constant.

	Change in Exchange rate %	Effect on profit for the year US\$	
		2015 +/-	2014 +/-
<b>Currency</b>			
Australian Dollar	5%	–	(1)
Chinese Yuan Renminbi	5%	388,816	–
British Pound	5%	23,393,232	18,462,723
Euro	5%	26,257,402	20,070,032
Hong Kong Dollar	5%	(21,526)	(26,199)
Japanese Yen	5%	54,256	92,648
Swiss Franc	5%	(21,399)	23,506
Singapore Dollar	5%	(33,155)	1,847
South African Rand	5%	(21,870)	5,803
Swedish Krona	5%	(15,112)	(1,065)
Thai Baht	5%	33,578	20,103

For share class hedging purposes, the Fund holds offsetting additional British Pound and Euro exposure. It is anticipated that the sensitivity shown would be largely offset by movements in the corresponding share capital liabilities of the Fund.

*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 majority of interest rate risk arises on interest-bearing financial instruments recognised in the Statement of Financial Position.

SALAR FUND PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended 31 December 2015

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Interest rate risk (Continued)*

The following table details the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

31 December 2015	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$	Greater than 5 years US\$	Non-interest bearing US\$	Total US\$
<b>Assets</b>							
Financial assets at fair value through profit or loss	42,116,869	44,051,448	122,737,272	739,444,932	160,477,109	23,574,822	1,132,402,452
Cash and cash equivalents	5,492,438	-	-	-	-	-	5,492,438
Due from brokers	117,484,853	-	-	-	-	-	117,484,853
Interest receivable	-	-	-	-	-	3,717,974	3,717,974
Other receivables and prepayments	-	-	-	-	-	4,856,294	4,856,294
<b>Total assets</b>	<u>165,094,160</u>	<u>44,051,448</u>	<u>122,737,272</u>	<u>739,444,932</u>	<u>160,477,109</u>	<u>32,149,090</u>	<u>1,263,954,011</u>
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss	77,520	10,743,323	-	1,617,570	-	1,529,815	13,968,228
Due to brokers	23,642,406	-	-	-	-	-	23,642,406
Interest payable	46,710	-	-	-	-	-	46,710
Accrued expenses and other payables	-	-	-	-	-	8,656,547	8,656,547
Net assets attributable to holders of redeemable participating shares	-	-	-	-	-	1,217,640,120	1,217,640,120
<b>Total liabilities</b>	<u>23,766,636</u>	<u>10,743,323</u>	<u>-</u>	<u>1,617,570</u>	<u>-</u>	<u>1,227,826,482</u>	<u>1,263,954,011</u>
<b>Total interest sensitivity gap</b>	<u>141,327,524</u>	<u>33,308,125</u>	<u>122,737,272</u>	<u>737,827,362</u>	<u>160,477,109</u>	<u>(1,195,677,392)</u>	

**SALAR FUND PLC**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

**10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)**

*Interest rate risk (Continued)*

<b>31 December 2014</b>	<b>Less than 1 month US\$</b>	<b>1-3 months US\$</b>	<b>3 months to 1 year US\$</b>	<b>1-5 years US\$</b>	<b>Greater than 5 years US\$</b>	<b>Non-interest bearing US\$</b>	<b>Total US\$</b>
<b>Assets</b>							
Financial assets at fair value through profit or loss	318,125	39,724,496	85,266,446	591,521,117	126,471,487	1,802,759	845,104,430
Cash and cash equivalents	10,293,834	–	–	–	–	–	10,293,834
Due from brokers	76,673,752	–	–	–	–	–	76,673,752
Interest receivable	–	–	–	–	–	3,621,429	3,621,429
Other receivables and prepayments	–	–	–	–	–	10,843,660	10,843,660
<b>Total assets</b>	<b>87,285,711</b>	<b>39,724,496</b>	<b>85,266,446</b>	<b>591,521,117</b>	<b>126,471,487</b>	<b>16,267,848</b>	<b>946,537,105</b>
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss	–	7,876,589	102,140	2,761,824	–	6,682	10,747,235
Due to brokers	5,389,062	–	–	–	–	–	5,389,062
Interest payable	214	–	–	–	–	–	214
Accrued expenses and other payables	–	–	–	–	–	4,174,751	4,174,751
Net assets attributable to holders of redeemable participating shares	–	–	–	–	–	926,225,843	926,225,843
<b>Total liabilities</b>	<b>5,389,276</b>	<b>7,876,589</b>	<b>102,140</b>	<b>2,761,824</b>	<b>–</b>	<b>930,407,276</b>	<b>946,537,105</b>
<b>Total interest sensitivity gap</b>	<b>81,896,435</b>	<b>31,847,907</b>	<b>85,164,306</b>	<b>588,759,293</b>	<b>126,471,487</b>	<b>(914,139,428)</b>	

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Interest rate risk (Continued)*

A change of 25 basis points in interest rates at the reporting date would have increased/(decreased) the net assets attributable to holders of redeemable shares and changes in net assets attributable to holders of redeemable shares by the following amounts. This analysis assumes that the interest rate curve moves in parallel by 25 bps across all maturities but that all other variables remain constant.

<b>31 December 2015</b>	<b>Net assets attributable to holders of redeemable shares</b>	
	<b>25 bp increase US\$</b>	<b>25 bp decrease US\$</b>
Debt instruments	(948,009)*	948,009*
Broker interest	234,606	(234,606)
<b>Total</b>	<b>(713,403)</b>	<b>713,403</b>
<b>31 December 2014</b>	<b>Net assets attributable to holders of redeemable shares</b>	
	<b>25 bp increase US\$</b>	<b>25 bp decrease US\$</b>
Debt instruments	(375,755)*	375,755*
Broker interest	178,211	(178,211)
<b>Total</b>	<b>(197,544)</b>	<b>197,544</b>

\* This has been calculated by aggregating the interest rate sensitivities of each of the instruments in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Credit 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. It is the Fund's policy to enter into financial instruments with a range of reputable counterparties. The Investment Manager only permits trading with approved brokers. New brokers are added, subject to a formal review process that includes a review of the broker's creditworthiness, financial strength, ability to enter into legally enforceable arrangements and standing in the financial community. Therefore, the Fund seeks to avoid counterparty credit losses on its financial instruments. 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 counterparties fail to perform their obligations as of 31 December 2015 and 31 December 2014 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the Statement of Financial Position.

With respect to financial derivative instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Fund's overall exposure to credit risk on financial derivative instruments subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

This exposure can change substantially within a short period since it is affected by each transaction subject to the arrangement.

**SALAR FUND PLC**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Credit risk (Continued)*

The maximum exposure to credit risk is as follows:

**31 December 2015**

	<b>S&amp;P Credit rating</b>	<b>Financial assets held for trading US\$</b>	<b>Financial liabilities held for trading US\$</b>	<b>Broker Balance US\$</b>	<b>Total US\$</b>
<b>Counterparty</b>					
Barclays Capital	A-	320,858	–	–	320,858
Daiwa	A-	604,115	–	–	604,115
JPMorgan	A+	88,762	–	–	88,762
Merrill Lynch	A	800,071	–	–	800,071
Mitsubishi Bank	A+	791,769	–	–	791,769
Mizuho International	A	13,227,291	–	–	13,227,291
Morgan Stanley	BBB+	154,236	–	2,431,468	2,585,704
Nomura	BBB+	9,162,558	–	3,650,902	12,813,460
Standard Chartered	A+	483,175	–	–	483,175
		<u>25,632,835</u>	<u>–</u>	<u>6,082,370</u>	<u>31,715,205</u>
<b>Sub-Custodian</b>					
UBS	A	<u>1,106,769,617</u>	<u>(13,968,228)</u>	<u>87,760,077</u>	<u>1,180,561,466</u>
<b>Total</b>		<u>1,132,402,452</u>	<u>(13,968,228)</u>	<u>93,842,447</u>	<u>1,212,276,671</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Credit risk (Continued)*

**31 December 2014**

	<b>S&amp;P Credit rating</b>	<b>Financial assets held for trading US\$</b>	<b>Financial liabilities held for trading US\$</b>	<b>Broker Balance US\$</b>	<b>Total US\$</b>
<b>Counterparty</b>					
Barclays Capital	A	659,308	–	–	659,308
Daiwa	BBB+	1,245,782	–	–	1,245,782
JPMorgan	A+	458,076	–	–	458,076
Merrill Lynch	A	886,672	–	–	886,672
Mitsubishi Bank	A+	668,240	–	–	668,240
Mizuho International	A+	4,651,193	–	–	4,651,193
Nomura	BBB+	10,709,916	–	4,201,396	14,911,312
Standard Chartered	A+	210,420	–	–	210,420
		<u>19,489,607</u>	<u>–</u>	<u>4,201,396</u>	<u>23,691,003</u>
<b>Sub-Custodian</b>					
UBS	A	<u>825,614,823</u>	<u>(10,747,235)</u>	<u>67,083,294</u>	<u>881,950,882</u>
<b>Total</b>		<u>845,104,430</u>	<u>(10,747,235)</u>	<u>71,284,690</u>	<u>905,641,885</u>

Transactions are only concluded with counterparties which have an investment grade as rated by a well known rating agency.

The Sub-Custodian provides a sub-custody service pursuant to a sub-custody agreement between it and the Custodian for all the Fund's investments. The Sub-Custodian identifies records and holds the Fund's investments held by it as sub-custodian in such a manner that the identity and location of the investments can be identified at any time and that such investments are readily identifiable as belonging to a customer of the Sub-Custodian and are separately identifiable from the Sub-Custodian's own investments. In the event of insolvency or bankruptcy of the Custodian or Sub-Custodian, the Fund will be treated as a general creditor in relation to the cash held at both.

Cash and cash equivalents are held with Citco Bank Nederland N.V., a financial institution incorporated under Dutch law, which is not rated by any ratings agency. In the event of insolvency or bankruptcy of Citco Bank Nederland NV, the Fund will be treated as a general creditor in relation to the cash held with it.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Credit risk (Continued)*

**Portfolio % by rating agency category:**

31 December 2015			31 December 2014		
S&P Credit rating	Total	% of total	S&P Credit rating	Total	% of total
AA-	–	– %	AA-	11,583,000	1.39%
A	–	– %	A	14,541,470	1.74%
A+	–	– %	A+	15,710,625	1.88%
A-	–	– %	A-	9,760,863	1.17%
BBB	24,458,413	2.19%	BBB+	11,168,796	1.34%
BBB+	39,498,332	3.53%	BBB+	–	– %
BBB-	2,848,125	0.25%	BBB	34,728,972	4.16%
BB+	24,969,399	2.23%	BBB-	30,687,429	3.68%
BB	–	– %	BB+	5,733,336	0.69%
BB-	16,951,609	1.52%	BB	40,377,091	4.84%
B	–	– %	BB-	15,929,683	1.91%
B+	225,000	0.02%	B	17,410,779	2.09%
B-	–	– %	B+	20,004,803	2.40%
CCC	65,022	0.01%	CCC	–	– %
CCC+	–	– %	B-	8,202,676	0.98%
CCC-	–	– %	CCC+	886,350	0.11%
CC	–	– %	CCC	3,825,506	0.46%
Not rated	1,009,418,324	90.25%	Not rated	593,805,816	71.16%
<b>Total</b>	<b>1,118,434,224</b>	<b>100.00%</b>	<b>Total</b>	<b>834,357,195</b>	<b>100.00%</b>

*Significant concentrations of credit risk*

Concentrations of credit risk exist when changes in economic, industry or geographic factors affect counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with a range of counterparties, thereby mitigating any significant concentration of credit risk. Countries relate to country of incorporation and do not necessarily reflect country of economic risk.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Significant concentrations of credit risk (Continued)*

The sector and country distributions are as follows:

Sector exposure	Exposure 2015 US\$	Country	Exposure 2015 US\$
Basic Materials	7,234,331	Austria	10,370,782
Communications	23,906,535	Belgium	38,614,904
Consumer, Cyclical	107,086,168	Bermuda	3,279,392
Consumer, Non-cyclical	57,083,249	British Virgin Islands	8,040,191
Diversified	44,096,970	Cayman Islands	77,836,188
Energy	108,359,920	China	40,002
Financial	370,486,176	European Union	(646,248)
Health Care	33,601,726	Finland	90,130
Industrial	142,412,684	France	72,709,931
Technology	202,492,827	Germany	3,063,803
Utilities	21,673,638	Guernsey	3,041,287
<b>Total</b>	<b><u>1,118,434,224</u></b>	Hong Kong	13,192,412
		India	1,560,681
		Indonesia	155,625
		Isle of Man	43,711,876
		Italy	24,804,029
		Japan	79,336,542
		Jersey	14,466,842
		Korea Republic of	11,467,320
		Luxembourg	29,265,854
		Malaysia	20,808,958
		Mexico	35,784,219
		Netherlands	65,556,676
		Philippines	3,644,494
		Singapore	46,810,725
		South Africa	9,480,070
		Spain	30,047,019
		Sweden	(354,898)
		Switzerland	49,961,851
		Taiwan	21,740,658
		Thailand	671,563
		United Arab Emirates	34,540,268
		United Kingdom	32,573,262
		United States	<u>332,767,816</u>
		<b>Total</b>	<b><u>1,118,434,224</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Significant concentrations of credit risk (Continued)*

Sector exposure	Exposure 2014 US\$	Country	Exposure 2014 US\$
Basic Materials	42,864,788	Belgium	40,323,856
Communications	19,730,428	Bermuda	3,910,126
Consumer, Cyclical	56,599,679	British Virgin Islands	35,099,509
Consumer, Non-cyclical	58,518,546	Cayman Islands	91,964,792
Diversified	20,099,300	European Union	(1,023,310)
Energy	43,908,150	Finland	7,195,868
Financial	320,583,049	France	25,374,315
Health Care	34,311,125	Germany	46,640,065
Industrial	78,395,391	Hong Kong	687,557
Technology	148,777,828	India	14,073,286
Utilities	<u>10,568,911</u>	Italy	34,877,328
<b>Total</b>	<b><u>834,357,195</u></b>	Japan	51,264,710
		Jersey	10,966,669
		Korea	5,429,313
		Luxembourg	18,476,282
		Malaysia	38,212,484
		Mauritius	6,965,640
		Mexico	4,655,880
		Netherlands	70,738,683
		Singapore	30,823,516
		South Africa	7,098,879
		Spain	14,320,703
		Sweden	7,174,240
		Switzerland	13,596,655
		Taiwan	32,151,779
		Thailand	402,051
		United Arab Emirates	11,583,000
		United Kingdom	36,548,408
		United States	172,885,212
		Vietnam	<u>1,939,699</u>
		<b>Total</b>	<b><u>834,357,195</u></b>

## SALAR FUND PLC

### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

#### 10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

##### *Liquidity risk*

The Fund's financial instruments include investments in derivative contracts traded over-the-counter, which are not traded in an organised public market and which may be illiquid. As a result, the Fund may not be able to promptly liquidate some of these investments at an amount close to its fair value in order to meet its liquidity requirements or to respond to specific events such as a deterioration in the credit worthiness of any particular issuer. However the majority of the positions held in the portfolio are securities that are considered to be readily realisable within the Fund's liquidity terms.

##### *Maturity profile of assets and liabilities at year end*

The tables below summarise the maturity profile of the Fund's assets and liabilities and gross-settled derivatives based on contractual undiscounted cash flows. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. The analysis does not reflect the liquidity of the secondary market.

The Investment Manager is constantly monitoring the liquidity of the Fund's portfolio.

#### As at 31 December 2015

	Within 1 month US\$	1 to 3 months US\$	3 months to 1 year US\$	Greater than 1 year US\$	No stated maturity US\$	Total US\$
<b>Assets</b>						
Financial assets at fair value through profit or loss	42,116,869	44,051,448	122,737,272	899,922,041	23,574,822	1,132,402,452
Cash and cash equivalents	5,492,438	–	–	–	–	5,492,438
Due from brokers	117,484,853	–	–	–	–	117,484,853
Interest receivable	–	3,717,974	–	–	–	3,717,974
Other receivables	–	4,856,294	–	–	–	4,856,294
<b>Total assets</b>	<u>165,094,160</u>	<u>52,625,716</u>	<u>122,737,272</u>	<u>899,922,041</u>	<u>23,574,822</u>	<u>1,263,954,011</u>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	77,520	10,743,323	–	1,617,570	1,529,815	13,968,228
Due to brokers	23,642,406	–	–	–	–	23,642,406
Interest payable	46,710	–	–	–	–	46,710
Other payables	–	–	–	–	8,656,547	8,656,547
Redeemable shares(*)	<u>1,217,640,120</u>	–	–	–	–	<u>1,217,640,120</u>
<b>Total liabilities</b>	<u>1,241,406,756</u>	<u>10,743,323</u>	<u>–</u>	<u>1,617,570</u>	<u>10,186,362</u>	<u>1,263,954,011</u>

**SALAR FUND PLC**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

10. RISK MANAGEMENT AND FINANCIAL DERIVATIVES (Continued)

*Maturity profile of assets and liabilities at year end (Continued)*

<b>As at 31 December 2014</b>	<b>Within 1 month US\$</b>	<b>1 to 3 months US\$</b>	<b>3 months to 1 year US\$</b>	<b>Greater than 1 year US\$</b>	<b>No stated maturity US\$</b>	<b>Total US\$</b>
<b>Assets</b>						
Financial assets at fair through profit or loss	318,125	39,724,496	85,266,446	717,992,604	1,802,759	845,104,430
Cash and cash equivalents	10,293,834	–	–	–	–	10,293,834
Due from brokers	76,673,752	–	–	–	–	76,673,752
Interest receivable	–	3,621,429	–	–	–	3,621,429
Other receivables	<u>10,732,542</u>	<u>111,118</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,843,660</u>
<b>Total assets</b>	<u>98,018,253</u>	<u>43,457,043</u>	<u>85,266,446</u>	<u>717,992,604</u>	<u>1,802,759</u>	<u>946,537,105</u>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	–	7,876,589	102,140	2,761,824	6,682	10,747,235
Due to brokers	5,389,062	–	–	–	–	5,389,062
Interest payable	214	–	–	–	–	214
Other payables	–	–	–	–	4,174,751	4,174,751
Redeemable shares(*)	<u>926,225,843</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>926,225,843</u>
<b>Total liabilities</b>	<u>931,615,119</u>	<u>7,876,589</u>	<u>102,140</u>	<u>2,761,824</u>	<u>4,181,433</u>	<u>946,537,105</u>

\* Subject to daily liquidity but countered to a degree by limitations in the prospectus, Directors may defer redemptions at a particular dealing day to the next dealing day where the requested redemptions exceed 10 per cent of the Fund's net asset value.

## SALAR FUND PLC

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### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

#### 11. EXCHANGE RATES

The following exchange rates have been used to translate assets and liabilities into the functional currency of the Fund, US\$:

<b>Currency</b>	<b>2015 Rate</b>	<b>2014 Rate</b>
Australian Dollar	1.372	1.224
Chinese Renminbi	6.494	6.206
Euro	0.921	0.826
Hong Kong Dollar	7.751	7.754
Japanese Yen	120.270	119.880
Pound Sterling	0.678	0.642
Swiss Franc	1.003	0.994
Singapore Dollar	1.417	1.324
South African Rand	15.471	11.545
Swedish Krona	8.451	7.825
Thai Baht	36.040	32.915

#### 12. TRANSACTION COSTS

In order to achieve its investment objective, a Fund will incur transaction costs in relation to trading activity on its portfolio. Disclosed in the table below are separately identifiable transaction costs incurred by the Fund for the year ended 31 December 2015 and 31 December 2014. These include brokerage commissions and broker fees on exchange traded future contracts.

	<b>31 December 2015 US\$</b>	<b>31 December 2014 US\$</b>
Transaction costs	184,691	321,175

Not all transaction costs are separately identifiable. For fixed income investments and forward currency contracts, transaction costs will be included in the purchase and sales price of the investment, and not separately disclosed as transaction costs by way of this note.

#### 13. SOFT COMMISSION ARRANGEMENTS

There were no soft commission arrangements in place during the year (2014: none). There are three commission sharing agreements in place. This equated to US\$13,300 (2014: US\$15,429) of the Fund's commissions paid.

## SALAR FUND PLC

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### NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2015

#### 14. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Fund regards the Investment Manager and the Directors as related parties.

Nicholas Curtis, a director of the Fund, was also a Partner of the Investment Manager prior to 31 January 2016.

Yvonne Connolly and Teddy Otto are employees of Carne.

Details of fees with related parties are set out in Note 6. Ferox Master Fund Limited (“Ferox Master”) used the same Investment Manager as the Fund. During the year operating expenses paid by the Ferox Master on behalf of the Fund amounted to US\$1,232,543 (2014: US\$1,146,102) and US\$446,437 (2014: US\$50,479) remains payable at year end and is included in accrued expenses and other payables.

The Fund uses affiliates of the Investment Manager and the same investment advisors as the Ferox Master Fund Limited, Ferox BF Limited, Yamame Fund Limited, Salar Convertible Absolute Return Fund and Suzuka Inka: Segment Watzmann, Yamame Fund Limited went into liquidation on February 28, 2015. During the year, the Fund purchased and sold positions at an arm’s length basis with the above mentioned Ferox Funds managed by the Investment Manager. The Fund made purchases from and sales to the above mentioned funds which are detailed in the below table.

<b>2015</b>	<b>Purchases US\$</b>	<b>Sales US\$</b>
<b>Related fund</b>		
Yamame Fund Limited	23,876	–
Salar Convertible Absolute Return Fund	3,006,375	525,812
	<u>3,030,251</u>	<u>525,812</u>
<b>2014</b>	<b>Purchases US\$</b>	<b>Sales US\$</b>
<b>Related fund</b>		
Ferox Master Fund Limited	–	3,524,067
Salar Convertible Absolute Return Fund	–	1,029,910
Suzuka Inka: Segment Watzmann	361,517	–
Ferox BF Limited	2,611,070	2,607,507
	<u>2,972,587</u>	<u>7,161,484</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

15. DISTRIBUTIONS TO SHAREHOLDERS

Shares are available either as income Class distribution Shares (“Qualifying Shares”), non-income Class distribution Shares or accumulation Shares. Qualifying Shares are paid dividends in the manner set out below and Accumulation Shares and non-income Class distribution Shares will not pay dividends. The Directors declared dividends in respect of the Qualifying Shares in respect of some or all of the net income arising from the assets attributable to such Shares. Dividends are distributed on a bi-annual basis, or at such other times determined by the Directors, in accordance with the provisions of the Prospectus and Articles. Distributions to shareholders are recorded in the Statement of Comprehensive Income.

Dividends for the Fund were declared on 27 February 2015 with an ex-date of 27 February 2015 as follows:

	<b>Dividend per share</b>	<b>Dividend</b>
Class C1 US\$ Shares (Distribution - income)	1.70	US\$17,211
Class C1 Euro Shares (Distribution - income)	1.75	EUR39,697
Class C1 Sterling Shares (Distribution - income)	1.89	GBP954,456
Class C2 Sterling Shares (Distribution - income)	1.34	GBP31,782
Class E1 Sterling Shares (Distribution - income)	1.60	GBP511,990

Dividends for the Fund were declared on 20 August 2015 with an ex-date of 20 August 2015 as follows:

	<b>Dividend per share</b>	<b>Dividend</b>
Class C1 US\$ Shares (Distribution - income)	0.75	US\$11,982
Class C1 Euro Shares (Distribution - income)	0.75	EUR31,169
Class C1 Sterling Shares (Distribution - income)	0.83	GBP741,585
Class C2 Sterling Shares (Distribution - income)	0.83	GBP22,225
Class E1 Sterling Shares (Distribution - income)	0.66	GBP347,955

16. SIGNIFICANT EVENTS DURING THE YEAR

The new Companies Act 2014 was signed into law on 23 December 2014. The Act commenced on 1 June 2015 by ministerial order and replaced all previously enacted Companies legislation. Certain disclosure updates have been made within the financial statements, including narrative changes to ensure the financial statements are consistent with the language used in the Companies Act 2014 and previous references throughout the financial statements to the Companies Acts 1963 – 2013 have been replaced with the Companies Act 2014.

Dividends were declared by Directors and paid during the year. Please see note 15 for details.

**SALAR FUND PLC**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

16. SIGNIFICANT EVENTS DURING THE YEAR (Continued)

An updated Prospectus was issued on 21 May 2015. A Supplement to the Prospectus was issued on 21 May 2015 to include details of Class I Shares which became available for issue during the year. Please see Note 6 and Note 8 for details of Class I Shares.

17. NET ASSET VALUE HISTORY

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Class A1 US\$ Shares (Accumulation)</b>			
Shares in issue	699,335.74	863,019.29	820,818.47
Net asset value per share (\$)	144.61	140.02	136.26
Net asset value (\$)	101,128,107	120,835,855	111,845,691
<b>Class A2 US\$ Shares (Accumulation)</b>			
Shares in issue	2,296.07	2,296.07	–
Net asset value per share (\$)	123.38	119.99	–
Net asset value (\$)	283,283	275,516	–
<b>US\$ Management Shares (Accumulation)</b>			
Shares in issue	8,262.78	56,787.62	–
Net asset value per share (\$)	106.54	101.83	–
Net asset value (\$)	880,289	5,782,896	–
<b>Class C1 US\$ Shares (Distribution - income)</b>			
Shares in issue	16,945.60	27,536.04	28,516.60
Net asset value per share (\$)	121.66	119.56	118.16
Net asset value (\$)	2,061,587	3,292,291	3,369,521
<b>Class C1 US\$ Shares (Distribution - non-income)</b>			
Shares in issue	33,060.51	71,537.13	84,618.04
Net asset value per share (\$)	133.01	128.79	125.33
Net asset value (\$)	4,397,418	9,213,149	10,605,179
<b>Class C2 US\$ Shares (Distribution - income)</b>			
Shares in issue	–	755.84	1,493.33
Net asset value per share (\$)	–	117.45	116.56
Net asset value (\$)	–	88,776	174,063
<b>Class E1 US\$ Shares (Accumulation)</b>			
Shares in issue	257,673.31	95,136.44	225,341.47
Net asset value per share (\$)	129.71	125.81	122.44
Net asset value (\$)	33,424,372	11,969,031	27,589,683

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

## 17. NET ASSET VALUE HISTORY (Continued)

	2015	2014	2013
<b>Class E1 US\$ Shares (Distribution - income)</b>			
Shares in issue	704,668.01	–	–
Net asset value per share (\$)	100.47	–	–
Net asset value (\$)	70,794,940	–	–
<b>Class E2 US\$ Shares (Accumulation)</b>			
Shares in issue	35,012.08	54,269.42	56,314.18
Net asset value per share (\$)	126.40	122.97	120.22
Net asset value (\$)	4,425,451	6,673,975	6,770,091
<b>Class E3 US\$ Shares (Accumulation)</b>			
Shares in issue	74,353.95	77,387.00	49,124.71
Net asset value per share (\$)	123.27	120.56	118.39
Net asset value (\$)	9,165,226	9,329,137	5,815,874
<b>Class I US\$ Shares (Accumulation)</b>			
Shares in issue	28,356.40	–	–
Net asset value per share (\$)	97.45	–	–
Net asset value (\$)	2,763,219	–	–
<b>Euro Management Shares (Accumulation)</b>			
Shares in issue	48,941.72	–	–
Net asset value per share (€)	103.17	–	–
Net asset value (€)	5,049,270	–	–
<b>Class A1 Euro Shares (Accumulation)</b>			
Shares in issue	57,256.40	253,054.67	232,097.20
Net asset value per share (€)	148.55	144.21	140.38
Net asset value (€)	8,505,579	36,492,546	32,582,455
<b>Class C1 Euro Shares (Distribution - income)</b>			
Shares in issue	30,759.73	44,052.03	27,018.16
Net asset value per share (€)	122.70	120.91	119.52
Net asset value (€)	3,774,289	5,326,192	3,229,210
<b>Class C2 Euro Shares (Distribution - income)</b>			
Shares in issue	–	–	1.00
Net asset value per share (€)	–	–	111.85
Net asset value (€)	–	–	112
<b>Class E1 Euro Shares (Accumulation)</b>			
Shares in issue	1,510,558.44	1,310,978.50	786,183.51
Net asset value per share (€)	143.57	139.44	135.76
Net asset value (€)	216,875,482	182,804,621	106,731,189

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

## 17. NET ASSET VALUE HISTORY (Continued)

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Class E2 Euro Shares (Accumulation)</b>			
Shares in issue	525,305.83	277,687.14	344,765.51
Net asset value per share (€)	138.70	135.45	132.47
Net asset value (€)	72,858,436	37,612,024	45,670,861
<b>Class E3 Euro Shares (Accumulation)</b>			
Shares in issue	1,018,238.25	582,556.31	511,743.54
Net asset value per share (€)	123.11	120.80	118.66
Net asset value (€)	125,352,259	70,369,524	60,724,893
<b>Class I Euro Shares (Accumulation)</b>			
Shares in issue	538,401.82	–	–
Net asset value per share (€)	97.36	–	–
Net asset value (€)	52,416,665	–	–
<b>Class A1 Sterling Shares (Accumulation)</b>			
Shares in issue	43,192.56	64,987.97	96,984.22
Net asset value per share (£)	151.91	146.63	142.22
Net asset value (£)	6,561,382	9,528,932	13,793,096
<b>Class A2 Sterling Shares (Accumulation)</b>			
Shares in issue	4,577.86	6,088.33	14,398.52
Net asset value per share (£)	148.46	143.94	140.25
Net asset value (£)	679,621	876,350	2,019,392
<b>Sterling Management Shares (Accumulation)</b>			
Shares in issue	21,667.35	20,903.62	8,212.59
Net asset value per share (£)	148.09	141.07	135.11
Net asset value (£)	3,208,696	2,948,968	1,109,603
<b>Class B Sterling Shares (Accumulation)</b>			
Shares in issue	–	–	29,620.25
Net asset value per share (£)	–	–	160.11
Net asset value (£)	–	–	4,742,498
<b>Class C1 Sterling Shares (Distribution - income)</b>			
Shares in issue	849,592.32	1,001,614.36	1,216,190.40
Net asset value per share (£)	135.21	132.47	130.47
Net asset value (£)	114,869,961	132,682,099	158,676,361

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

## 17. NET ASSET VALUE HISTORY (Continued)

	2015	2014	2013
<b>Class C1 Sterling Shares</b>			
<b>(Distribution - non-income)</b>			
Shares in issue	55,640.66	108,082.70	138,738.23
Net asset value per share (£)	138.25	133.45	129.45
Net asset value (£)	7,692,577	14,423,583	17,959,664
<b>Class C2 Sterling Shares</b>			
<b>(Distribution - income)</b>			
Shares in issue	26,327.64	49,274.38	62,667.73
Net asset value per share (£)	135.30	132.63	131.20
Net asset value (£)	3,562,033	6,535,431	8,221,731
<b>Class C2 Sterling Shares</b>			
<b>(Distribution - non-income)</b>			
Shares in issue	2,344.82	2,487.50	3,021.19
Net asset value per share (£)	134.34	130.25	126.90
Net asset value (£)	315,001	323,994	383,389
<b>Class E1 Sterling Shares (Accumulation)</b>			
Shares in issue	144,635.08	76,793.08	139,215.33
Net asset value per share (£)	132.21	127.71	123.91
Net asset value (£)	19,122,036	9,807,259	17,250,172
<b>Class E2 Sterling Shares (Accumulation)</b>			
Shares in issue	–	–	1.00
Net asset value per share (£)	–	–	121.93
Net asset value (£)	–	–	122.00
<b>Class E3 Sterling Shares (Accumulation)</b>			
Shares in issue	502.65	1,602.80	1.00
Net asset value per share (£)	125.59	122.31	119.75
Net asset value (£)	63,129	196,044	120
<b>Class E1 Sterling Shares</b>			
<b>(Distribution income)</b>			
Shares in issue	559,521.15	485,313.03	206,727.25
Net asset value per share (£)	107.91	105.86	104.33
Net asset value (£)	60,375,553	51,373,829	21,567,854
<b>Class I Sterling Shares (Accumulation)</b>			
Shares in issue	991,347.83	–	–
Net asset value per share (£)	97.61	–	–
Net asset value (£)	96,766,140	–	–

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2015**

18. SUBSEQUENT EVENTS

Dividends for the Fund were declared on 26 February 2016 with an ex-date of 26 February 2016 as follows:

	<b>Dividend per share</b>	<b>Dividend</b>
Class C1 US\$ Shares (Distribution - income)	0.67	US\$11,503
Class E1 US\$ Shares (Distribution - income)	0.55	US\$387,993
Class C1 Euro Shares (Distribution - income)	0.67	EUR16,653
Class C1 Sterling Shares (Distribution - income)	0.74	GBP610,220
Class C2 Sterling Shares (Distribution - income)	0.74	GBP19,323
Class E1 Sterling Shares (Distribution - income)	0.59	GBP335,495

Nicholas Curtis, a director of the Fund, resigned from his position as Partner of the Investment Manager on 31 January 2016.

The UCITS V directive came into force in September 2014 and focuses on the areas of remuneration, depositary requirements and the laying down of a new framework on the application of sanctions for breaches of UCITS rules. Member States will have to transpose UCITS V into their domestic laws, regulations and administrative provisions by 18 March 2016. The UCITS remuneration guidelines will apply from January 2017 and are likely to require additional disclosures in the financial statements.

The Custodian of the Fund, UBS (Luxembourg) S.A., resigned from their position as Custodian of the Fund on 10 February 2016. This resignation is subject to a 3 month notice period. Subject to Director and Central Bank approval, the replacement Custodian will be MUFJ Global Custody S.A.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 13 April 2016.

## SALAR FUND PLC

### APPENDIX 1 (UNAUDITED) SCHEDULE OF INVESTMENTS 31 December 2015

Investments are disclosed by their country of incorporation which may not necessarily be their country of risk.

	Counterparty	Strike Price	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS</b>					
<b>BOND OPTIONS</b>					
<b>CAYMAN ISLANDS</b>					
BTSDF 0% 20/02/2017	Morgan Stanley		22,000,000	–	0.00%
WISMAR 0% 04/10/2017	JPMorgan		8,250,000	88,762	0.01%
<b>TOTAL CAYMAN ISLANDS</b>				<u>88,762</u>	<u>0.01%</u>
<b>INDIA</b>					
AMTIIN 6% 06/04/2017	Standard Chartered		3,000,000	–	0.00%
<b>TOTAL INDIA</b>				<u>–</u>	<u>0.00%</u>
<b>JAPAN</b>					
ADVANT 0% 14/03/2019	Nomura	1.00	160,000,000	62,831	0.01%
ADVANT 0% 14/03/2019	Mizuho	0.90	550,000,000	215,980	0.02%
ADVANTEST 0% 14/03/2019	Mizuho	0.95	500,000,000	196,346	0.02%
BEBRID 0% 19/09/2018	Nomura	1.00	650,000,000	252,077	0.02%
CHUGEP 0% 23/03/2018	Mizuho	0.20	350,000,000	149,688	0.01%
CHUGEP 0% 25/03/2018	Mizuho	0.30	500,000,000	344,163	0.03%
DAIO PAPER 0% 2020	Mizuho	140.00	500,000,000	241,735	0.02%
DAIO 0% 17/09/2020	Mizuho	1.20	100,000,000	48,347	0.00%
DAIO 0% 17/09/2020	Mizuho	1.30	200,000,000	96,694	0.01%
DAIO 0% 17/09/2020	Nomura	1.50	200,000,000	96,694	0.01%
DAISBK 0% 30/04/2019	Mizuho/Nomura	1.00	700,000,000	304,614	0.03%
DAISBK 0% 30/04/2019	Mizuho	1.10	200,000,000	87,033	0.01%
DAISO 0% 21/07/2017	Mizuho	0.50	450,000,000	454,602	0.04%
DAISO 0% 21/07/2017	Nomura	0.60	100,000,000	101,023	0.01%
EDION 0% 19/06/2020	Mizuho	0.65	500,000,000	216,118	0.02%
EDION 0% 19/06/2020	Nomura	0.70	600,000,000	259,341	0.02%
EDION 0% 19/06/2020	Nomura	0.80	200,000,000	86,447	0.01%
FTECH 0% 20/03/2018	Mizuho	1.60	250,000,000	230,619	0.02%
FTECH 0% 20/03/2018	Mizuho	1.50	400,000,000	368,990	0.03%
GSYUAS 0% 13/03/2019	Nomura	0.40	600,000,000	150,856	0.01%
GSYUAS 0% 13/03/2019	Mizuho	0.60	200,000,000	50,285	0.00%
GSYUAS 0% 13/03/2019	Mizuho	0.70	200,000,000	50,285	0.00%
IWATAN 0% 22/10/2020	Nomura	0.60	400,000,000	266,035	0.02%
IWATAN 0% 22/10/2020	Nomura	0.80	150,000,000	99,763	0.01%
IWATAN 0% 22/10/2020	Mizuho/Nomura	0.90	600,000,000	399,052	0.03%
JOYOBK 0% 24/04/2019	Nomura	1.00	2,000,000	120,080	0.01%

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	<b>Counterparty</b>	<b>Strike Price</b>	<b>Quantity</b>	<b>Fair Value US\$</b>	<b>Net Assets %</b>
<b>ASSETS (Continued)</b>					
<b>BOND OPTIONS (Continued)</b>					
<b>JAPAN (Continued)</b>					
KAWKIS 0% 26/09/2018	Mitsubishi Bank	0.70	500,000,000	329,230	0.03%
KAWKIS 0% 26/09/2018	Mizuho	0.85	200,000,000	131,692	0.01%
KAWKIS 0% 26/09/2018	Nomura	0.90	700,000,000	460,922	0.04%
KURCH 0% 14/03/2018	Nomura	0.01	100,000,000	129,686	0.01%
KURCH 0% 14/03/2018	Mizuho	0.50	240,000,000	311,246	0.03%
KYODO 0% 12/12/2017	Mizuho	0.70	500,000,000	107,782	0.01%
MAKMIL 0% 18/03/2016	Mizuho	0.70	100,000,000	169,509	0.01%
MAKMIL 0% 19/03/2018	Nomura	0.80	50,000,000	84,754	0.01%
MCHNKU 0% 31/01/2019	Mizuho	1.10	200,000,000	128,508	0.01%
MCHNKU 0% 31/01/2019	Merrill Lynch	1.15	200,000,000	128,508	0.01%
MCHNKU 0% 31/01/2019	Nomura	1.20	300,000,000	192,761	0.02%
MITELE 0% 03/08/2022	Nomura	0.01	200,000,000	74,860	0.01%
MITELE 0% 03/08/2022	Mizuho	0.60	100,000,000	37,430	0.00%
MITELE 0% 31/12/2022	UBS	0.50	400,000,000	149,720	0.01%
MITSOL 0% 24/04/2018	Nomura	1.10	2,000,000	6,504	0.00%
MITSOL 0% 24/04/2018	Mizuho	1.20	3,000,000	9,756	0.00%
MITSOL 0% 24/04/2018	Mizuho	1.60	4,000,000	13,008	0.00%
MITSOL 0% 24/04/2018	Mizuho	1.65	2,000,000	6,504	0.00%
NAGOYA 0% 09/12/2022	Mizuho	0.38	400,000,000	504,335	0.04%
NAGOYA 0% 09/12/2022	Mizuho	0.40	450,000,000	567,377	0.05%
NIKKIS 0% 02/08/2018	Mizuho	0.75	400,000,000	88,078	0.01%
NIKKIS 0% 02/08/2018	Nomura	0.80	200,000,000	44,039	0.00%
NIKKIS 0% 23/07/2018	Mizuho	0.90	200,000,000	44,039	0.00%
NIPCER 0% 24/04/2018	Nomura	0.80	400,000,000	662,832	0.05%
NIPPLM 0% 12/09/2016	Nomura	1.00	200,000,000	275,214	0.02%
NIPTO 0% 18/04/2016	Nomura	0.60	500,000,000	89,353	0.01%
OBARA 0% 08/04/2020	Nomura	0.70	500,000,000	56,963	0.00%
ONOKEN 0% 12/02/2019	Mizuho	0.65	320,000,000	101,026	0.01%
ONOKEN 0% 10/02/2017	Nomura	0.90	100,000,000	31,571	0.00%
ONOKEN 0% 10/02/2017	Nomura	1.00	80,000,000	25,257	0.00%
PARBED 0% 26/07/2018	Nomura	0.50	570,000,000	790,057	0.06%
PARKTF 0% 26/04/2016	Nomura	0.50	450,000,000	744,107	0.06%
PRSKOG 0% 28/12/2018	Nomura	0.70	350,000,000	317,436	0.03%
PRSKOG 0% 28/12/2018	Mizuho	0.75	200,000,000	181,392	0.01%
RIKEN 0% 19/03/2020	Mizuho	1.00	750,000,000	621,433	0.05%
SANKY 0% 23/07/2020	Nomura	0.50	250,000,000	152,093	0.01%
SBIHLD 0% 02/11/2017	Nomura	1.35	400,000,000	338,096	0.03%
SEINO 0% 01/10/2018	Nomura	0.25	100,000,000	96,126	0.01%
SEINO 0% 01/10/2018	Mitsubishi Bank	0.40	350,000,000	336,442	0.03%

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Counterparty	Strike Price	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>					
<b>BOND OPTIONS (Continued)</b>					
<b>JAPAN (Continued)</b>					
SENCOL 0% 23/04/2019	Daiwa	1.10	100,000,000	17,073	0.00%
SENCOL 0% 21/04/2019	Nomura	1.10	725,000,000	123,781	0.01%
SHIGBK 0% 10/06/2020	Mizuho	2.10	8,000,000	997,000	0.08%
SHIMIZ 0% 16/10/2020	Mizuho	0.45	200,000,000	164,284	0.01%
SHIZBK 0% 25/04/2018	Mizuho	0.70	8,000,000	294,784	0.02%
STAM 0% 07/05/2020	UBS	0.60	400,000,000	255,479	0.02%
SUMIFR 0% 23/07/2020	Daiwa	0.50	250,000,000	152,093	0.01%
SUMIFR 0% 24/08/2018	Nomura	0.40	490,000,000	394,770	0.03%
SUMIFR 0% 24/08/2018	Nomura	0.50	190,000,000	153,074	0.01%
TAKASH 0% 11/12/2018	Mitsubishi Bank	0.22	700,000,000	366,413	0.03%
TAKASH 0% 11/12/2018	Nomura	0.40	460,000,000	240,786	0.02%
TDHLD 0% 22/05/2020	Mizuho	0.30	210,000,000	77,911	0.01%
TERUMO 0% 04/12/2019	Mizuho	0.20	250,000,000	389,902	0.03%
TERUMO 0% 04/12/2019	Nomura	0.25	200,000,000	311,922	0.03%
TOBRAI 0% 31/03/2016	Nomura	0.40	200,000,000	174,339	0.01%
TOHOKU 0% 03/12/2018	Mizuho	0.40	600,000,000	323,677	0.03%
TOHOKU 0% 03/12/2020	Mizuho	0.50	500,000,000	368,313	0.03%
TOKAI 0% 25/06/2018	Mizuho	1.65	300,000,000	383,637	0.03%
TOPPAN 0% 19/12/2016	Mizuho	0.20	1,200,000,000	920,090	0.08%
TOPPAN 0% 19/12/2016	Nomura	0.30	600,000,000	460,045	0.04%
TOPPAN 0% 19/12/2019	Daiwa	0.35	100,000,000	157,736	0.01%
TOWAPH 0% 23/07/2020	Nomura	0.60	550,000,000	443,718	0.04%
TOWAPH 0% 23/07/2020	Mizuho	0.65	100,000,000	80,676	0.01%
TOWAPH 0% 23/07/2020	Mizuho	0.80	100,000,000	80,676	0.01%
TOYOSA 0% 04/03/2020	Mizuho	0.30	500,000,000	249,875	0.02%
TOYOSA 0% 04/03/2022	Mizuho	0.40	500,000,000	379,783	0.03%
TOYOSA 0% 04/03/2022	Nomura	0.41	250,000,000	189,891	0.02%
TRACOS 0% 20/11/2020	UBS	0.50	1,000,000,000	653,794	0.05%
VTLKSK 0% 26/09/2018	Nomura	0.80	300,000,000	178,513	0.01%
VTLKSK 0% 26/09/2018	Mizuho	0.70	200,000,000	119,009	0.01%
YOKORK 0% 17/07/2018	Mizuho	0.50	300,000,000	436,473	0.04%
ZENCHI 0% 09/03/2018	Mizuho	1.00	400,000,000	199,554	0.02%
<b>TOTAL JAPAN</b>				<b>23,228,415</b>	<b>1.91%</b>
<b>TAIWAN</b>					
CHIPET 0% 17/12/2017	Barclays Capital	1.90	9,200,000	280,858	0.02%
EPIST 0% 07/08/2016	Barclays Capital Standard	3.25	5,000,000	–	0.00%
SILPRE 0% 31/10/2017	Chartered	1.80	3,000,000	228,600	0.02%

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	<b>Counterparty</b>	<b>Strike Price</b>	<b>Quantity</b>	<b>Fair Value US\$</b>	<b>Net Assets %</b>
<b>ASSETS (Continued)</b>					
<b>BOND OPTIONS (Continued)</b>					
<b>TAIWAN (Continued)</b>					
TRAAIR 0% 29/11/2016	Barclays Capital Standard	3.25	4,000,000	40,000	0.00%
TWGIC 0% 10/09/2016	Chartered Standard	2.10	3,000,000	–	0.00%
ZHEN DING TECHNOLOGY 0% 26/06/2019	Chartered	160.00	5,000,000	254,575	0.02%
<b>TOTAL TAIWAN</b>				<u>804,033</u>	<u>0.06%</u>
<b>THAILAND</b>					
BGHTB 0% 18/09/2017	Merrill Lynch	4.75	230,000,000	671,563	0.06%
<b>TOTAL THAILAND</b>				<u>671,563</u>	<u>0.06%</u>
<b>UNITED STATES</b>					
JOYOBK 0% 24/04/2019	Mizuho	0.90	1,000,000	60,040	0.00%
<b>TOTAL UNITED STATES</b>				<u>60,040</u>	<u>0.00%</u>
<b>TOTAL BOND OPTIONS</b>				<u>24,852,813</u>	<u>2.04%</u>
<b>CONTRACTS FOR DIFFERENCE</b>					
<b>FRANCE</b>					
KERING			(53,924)	620,877	0.06%
<b>TOTAL FRANCE</b>				<u>620,877</u>	<u>0.06%</u>
<b>INDIA</b>					
CASTEX TECHNOLOGIES			778,981	2,641	0.00%
<b>TOTAL INDIA</b>				<u>2,641</u>	<u>0.00%</u>
<b>JAPAN</b>					
CYBERDYNE	Morgan Stanley		106,000	154,236	0.01%
KUREHA			(148,000)	28,952	0.00%
NIPPON CERAMIC			(41,400)	12,603	0.00%
<b>TOTAL JAPAN</b>				<u>195,791</u>	<u>0.01%</u>
<b>SWITZERLAND</b>					
BALOISE N			(8,000)	7,751	0.00%
<b>TOTAL SWITZERLAND</b>				<u>7,751</u>	<u>0.00%</u>
<b>TOTAL CONTRACTS FOR DIFFERENCE</b>				<u>827,060</u>	<u>0.07%</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>CONVERTIBLE BONDS</b>			
<b>AUSTRIA</b>			
SHFSJ SHF 1.25% 11/08/2022	9,300,000	10,370,782	0.85%
<b>TOTAL AUSTRIA</b>		<u>10,370,782</u>	<u>0.85%</u>
<b>BELGIUM</b>			
COFBBB 3.125% 28/04/2016	9,532,516	10,438,777	0.86%
GBLBBB 0.375% 09/10/2018	3,500,000	4,229,287	0.35%
SOFBB WW 1% 19/09/2016	24,000,000	23,946,840	1.96%
<b>TOTAL BELGIUM</b>		<u>38,614,904</u>	<u>3.17%</u>
<b>BERMUDA</b>			
SFL 3.75% 10/02/2016	3,200,000	3,279,392	0.27%
<b>TOTAL BERMUDA</b>		<u>3,279,392</u>	<u>0.27%</u>
<b>BRITISH VIRGIN ISLANDS</b>			
BLTAIJ BLTA 12% 10/02/2049	1,500,000	155,625	0.01%
<b>TOTAL BRITISH VIRGIN ISLANDS</b>		<u>155,625</u>	<u>0.01%</u>
<b>CAYMAN ISLANDS</b>			
CTRP 144A 1% 01/07/2020	4,700,000	5,267,995	0.43%
KAISAG 1638 8% 20/12/2049	18,800,000	2,068,211	0.17%
KINSF 1.25% 11/04/2019	43,000,000	5,349,244	0.44%
KINSF 3% 23/07/2018	16,000,000	2,639,590	0.22%
QIHU 0.5% 15/08/2020	5,300,000	5,129,870	0.42%
VIPS 1.5% 15/03/2019	7,500,000	7,942,575	0.65%
<b>TOTAL CAYMAN ISLANDS</b>		<u>28,397,485</u>	<u>2.33%</u>
<b>FRANCE</b>			
BNP PARG 0.25% 27/09/2016	4,000,000	4,528,094	0.37%
NEXANS NEX 4% 01/01/2016	106,000	6,367,976	0.53%
TOTAL EMTN 0.5% 02/12/2022	5,000,000	4,880,250	0.40%
<b>TOTAL FRANCE</b>		<u>15,776,320</u>	<u>1.30%</u>
<b>GERMANY</b>			
KAR 8.875% 11/07/2013	1,000,000	–	0.00%
<b>TOTAL GERMANY</b>		<u>–</u>	<u>0.00%</u>
<b>GUERNSEY</b>			
MKTLN MKT 2% 31/03/2020	2,100,000	3,041,287	0.25%
<b>TOTAL GUERNSEY</b>		<u>3,041,287</u>	<u>0.25%</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>CONVERTIBLE BONDS (Continued)</b>			
<b>HONG KONG</b>			
TEMFAT 0.5% 30/05/2018	38,000,000	5,698,508	0.47 %
<b>TOTAL HONG KONG</b>		<u>5,698,508</u>	<u>0.47 %</u>
<b>INDIA</b>			
CASTIN AMTI 2.5% 21/09/2017	13,600,000	1,555,840	0.13 %
SACV SACV 2.875% 22/12/2012	220,000	2,200	0.00 %
<b>TOTAL INDIA</b>		<u>1,558,040</u>	<u>0.13 %</u>
<b>ISLE OF MAN</b>			
BBYLN BBY 1.875% 03/12/2018	7,000,000	10,243,315	0.84 %
CLLNLN CLLN 2.5% 19/12/2019	3,800,000	5,630,163	0.46 %
GABFIN EVK 2% 26/11/2016	13,800,000	15,223,014	1.25 %
<b>TOTAL ISLE OF MAN</b>		<u>31,096,492</u>	<u>2.55 %</u>
<b>ITALY</b>			
BNSIM BNS 0.875% 31/01/2021	4,000,000	4,472,366	0.37 %
FCTHOS IRE 0.625% 30/11/2020	3,500,000	3,926,490	0.32 %
MTIM 5.75% 20/02/2019	3,000,000	3,957,568	0.32 %
<b>TOTAL ITALY</b>		<u>12,356,424</u>	<u>1.01 %</u>
<b>JAPAN</b>			
DCMHLD 1 0% 21/12/2020	500,000,000	4,462,875	0.37 %
YAMAFG FLOAT 26/03/2020	5,600,000	5,896,408	0.48 %
<b>TOTAL JAPAN</b>		<u>10,359,283</u>	<u>0.85 %</u>
<b>JERSEY</b>			
BBYLN BBY 1.875% 03/12/2018	2,400,000	3,511,994	0.29 %
CLLNLN CLLN 2.5% 19/12/2019	2,300,000	3,407,730	0.28 %
CPCO 2.5% 04/10/2018	7,000,000	11,231,340	0.92 %
DANAGS REGS 7% 31/10/2017	3,700,000	3,235,502	0.27 %
<b>TOTAL JERSEY</b>		<u>21,386,566</u>	<u>1.76 %</u>
<b>LUXEMBOURG</b>			
SUBCNO SUBC 1% 05/10/2017	10,400,000	9,716,928	0.79 %
GBLBBB GSZ 1.25% 07/02/2017	13,800,000	15,930,251	1.31 %
VILMIR OHL 5.75% 14/02/2018	4,000,000	3,618,675	0.30 %
<b>TOTAL LUXEMBOURG</b>		<u>29,265,854</u>	<u>2.40 %</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>CONVERTIBLE BONDS (Continued)</b>			
<b>MEXICO</b>			
CEMEX 3.2500% 15/03/2016	10,500,000	10,452,225	0.86 %
<b>TOTAL MEXICO</b>		<u>10,452,225</u>	<u>0.86 %</u>
<b>NETHERLANDS</b>			
BNRGR 1.875% 02/12/2022	7,750,000	8,139,980	0.67 %
NXPI 1% 01/12/2019	2,600,000	2,848,638	0.23 %
SIEGR 1.05% 16/08/2017	27,000,000	28,463,130	2.34 %
WHANA 1% 22/05/2019	8,900,000	10,191,032	0.84 %
<b>TOTAL NETHERLANDS</b>		<u>49,642,780</u>	<u>4.08 %</u>
<b>PHILIPPINES</b>			
AYCFIN 0.5% 02/05/2019	3,400,000	3,644,494	0.30 %
<b>TOTAL PHILIPPINES</b>		<u>3,644,494</u>	<u>0.30 %</u>
<b>SINGAPORE</b>			
CAPLSP REGS 1.95% 17/10/2023	21,500,000	15,599,222	1.28 %
CAPLSP REGS 2.8% 08/06/2025	5,000,000	3,395,247	0.28 %
CCTSP 2.5% 12/09/2017	9,500,000	7,021,813	0.58 %
OLAMSP 6% 15/10/2016	12,200,000	12,528,974	1.03 %
SUNSP REGS 1.4% 18/03/2018	13,000,000	9,142,939	0.75 %
<b>TOTAL SINGAPORE</b>		<u>47,688,195</u>	<u>3.92 %</u>
<b>SPAIN</b>			
CAIXAB CABK 1% 25/11/2017	21,400,000	23,752,058	1.95 %
IAGLN 0.2500% 17/11/2020	6,200,000	6,883,861	0.57 %
<b>TOTAL SPAIN</b>		<u>30,635,919</u>	<u>2.52 %</u>
<b>SWITZERLAND</b>			
BALHOL 1.5% 17/11/2016	15,255,000	16,489,095	1.35 %
BASILE 2.75% 23/12/2022	3,310,000	3,366,972	0.27 %
BKWSW BKW 0.125% 30/09/2020	8,335,000	8,732,087	0.72 %
SPSNSW 1.875% 21/06/2016	22,500,000	22,831,510	1.88 %
<b>TOTAL SWITZERLAND</b>		<u>51,419,664</u>	<u>4.22 %</u>
<b>UAE</b>			
AABAR UCG 0.5% 27/03/2020	18,300,000	18,726,748	1.54 %
NBADUH NBAD 1% 12/03/2018	16,000,000	15,813,520	1.30 %
<b>TOTAL UAE</b>		<u>34,540,268</u>	<u>2.84 %</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>CONVERTIBLE BONDS (Continued)</b>			
<b>UNITED KINGDOM</b>			
ISATLN ISAT 1.75% 16/11/2017	6,500,000	9,922,543	0.81 %
SBRYLN SBRY 1.25% 21/11/2019	8,700,000	13,714,575	1.13 %
SBRYLN SBRY FLOAT 29/12/2049	6,000,000	8,563,763	0.70 %
<b>TOTAL UNITED KINGDOM</b>		<u>32,200,881</u>	<u>2.64 %</u>
<b>UNITED STATES</b>			
ARCC 144A 4.875% 15/03/2017	5,600,000	5,658,800	0.46 %
ARCC 5.75% 01/02/2016	8,360,000	8,360,836	0.69 %
ARCP 3% 01/08/2018	12,000,000	11,156,280	0.91 %
AWAY 0.125% 01/04/2019	9,300,000	9,290,421	0.76 %
BRCO 144A 1.375% 01/01/2020	11,500,000	11,040,000	0.91 %
BTU 4.75% 15/12/2041	4,500,000	225,000	0.02 %
ESRT 144A 2.625% 15/08/2019	8,000,000	8,430,320	0.70 %
EXR 144A 3.125% 01/10/2035	7,000,000	7,709,940	0.63 %
FEYE A 1% 01/06/2035	4,400,000	3,742,772	0.31 %
IDCC 144A 1.5% 01/03/2020	5,550,000	5,324,559	0.44 %
IDCC 2.5% 15/03/2016	7,475,000	7,541,976	0.62 %
LINTA 144A 1% 30/09/2043	17,000,000	14,817,540	1.22 %
LNG 4.25% 15/03/2045	3,500,000	1,820,000	0.15 %
LNKD 144A 0.5% 01/11/2019	12,250,000	12,928,038	1.06 %
MCP 5.5% 01/02/2018	4,820,000	65,015	0.01 %
MDSO 144A 1% 01/08/2018	4,400,000	4,816,592	0.40 %
MENT 4% 01/04/2031	4,400,000	4,595,272	0.38 %
MU 3% 15/11/2043	4,000,000	3,335,000	0.27 %
N 0.25% 01/06/2018	17,749,000	17,663,628	1.45 %
NGGLN NGLN 0.9% 02/11/2020	9,100,000	13,717,640	1.13 %
NHI 3.25% 01/04/2021	10,000,000	9,942,900	0.82 %
PCLN 0.9% 15/09/2021	13,300,000	13,433,000	1.10 %
QI ADS 6.75% 22/03/2013	1,300,000	221,000	0.02 %
SCTY 1.625% 01/11/2019	1,800,000	1,453,500	0.12 %
SNDK 0.5% 15/10/2020	19,300,000	20,110,407	1.65 %
SRC 2.875% 15/05/2019	10,900,000	10,431,191	0.85 %
STWD 3.75% 15/10/2017	17,125,000	16,951,610	1.39 %
STWD 4.55% 01/03/2018	2,875,000	2,925,327	0.24 %
SUNE 2.75% 01/01/2021	1,800,000	901,134	0.07 %
THRX 2.125% 15/01/2023	3,900,000	2,931,318	0.24 %
TIVO 144A 4% 15/03/2016	6,550,000	6,566,375	0.54 %
TOL 144A 0.5% 15/09/2032	4,800,000	4,858,992	0.40 %
TSLA 0.25% 01/03/2019	18,300,000	17,195,046	1.41 %
TWTR 0.25% 15/09/2019	15,750,000	13,397,344	1.10 %

**SALAR FUND PLC**

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**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>CONVERTIBLE BONDS (Continued)</b>			
<b>UNITED STATES (Continued)</b>			
VRNT 1.5% 01/06/2021	4,900,000	4,606,000	0.38 %
WDAY 0.75% 15/07/2018	1,300,000	1,475,500	0.12 %
WLL 144A 1.25% 01/04/2020	5,240,000	3,563,200	0.29 %
<b>TOTAL UNITED STATES</b>		<u>283,203,473</u>	<u>23.26 %</u>
<b>TOTAL CONVERTIBLE BONDS</b>		<u>754,784,861</u>	<u>61.99 %</u>
<b>CORPORATE BONDS</b>			
<b>UNITED STATES</b>			
GNC 144A 1.5% 15/08/2020	5,700,000	4,581,147	0.38 %
<b>TOTAL UNITED STATES</b>		<u>4,581,147</u>	<u>0.38 %</u>
<b>TOTAL CORPORATE BONDS</b>		<u>4,581,147</u>	<u>0.38 %</u>
<b>EQUITY</b>			
<b>FRANCE</b>			
KERING	53,924	9,248,932	0.76 %
<b>TOTAL FRANCE</b>		<u>9,248,932</u>	<u>0.76 %</u>
<b>ITALY</b>			
SNAM	2,386,138	12,515,048	1.03 %
<b>TOTAL ITALY</b>		<u>12,515,048</u>	<u>1.03 %</u>
<b>JAPAN</b>			
NIHON UNISYS	36,600	407,782	0.03 %
<b>TOTAL JAPAN</b>		<u>407,782</u>	<u>0.03 %</u>
<b>UNITED STATES</b>			
SUNEDISON INC SERIES A PR	1,800	576,000	0.05 %
<b>TOTAL UNITED STATES</b>		<u>576,000</u>	<u>0.05 %</u>
<b>TOTAL EQUITY</b>		<u>22,747,762</u>	<u>1.87 %</u>

SALAR FUND PLC

APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015

	Strike Price	Quantity	Fair Value US\$	Net Assets %	
<b>ASSETS (Continued)</b>					
<b>EQUITY OPTIONS</b>					
<b>GERMANY</b>					
LING 15/01/2016	145	1,050	20,524	0.00%	
SIEGN 16/12/2016	100	600	194,810	0.02%	
<b>TOTAL GERMANY</b>			<u>215,334</u>	<u>0.02%</u>	
<b>SWITZERLAND</b>					
SRENH 18/03/2016	94	900	543,143	0.04%	
ZURN 18/03/2016	340	5,300	7,401	0.00%	
<b>TOTAL SWITZERLAND</b>			<u>550,544</u>	<u>0.04%</u>	
<b>UNITED KINGDOM</b>					
LLOY 15/01/2016	0.8	11,600	85,521	0.01%	
<b>TOTAL UNITED KINGDOM</b>			<u>85,521</u>	<u>0.01%</u>	
<b>UNITED STATES</b>					
WM 15/01/2016	55	875	16,625	0.00%	
<b>TOTAL UNITED STATES</b>			<u>16,625</u>	<u>0.00%</u>	
<b>TOTAL EQUITY OPTIONS</b>			<u>868,024</u>	<u>0.07%</u>	
<b>FORWARD CURRENCY CONTRACTS</b>					
<b>Currency Bought</b>	<b>Amount Bought</b>	<b>Currency Sold</b>	<b>Amount Sold</b>	<b>Contract date</b>	
GBP	6,700,000	ZAR	146,081,254	29/02/2016	538,688 0.05%
EUR	100,000,000	USD	106,332,500	29/01/2016	2,322,020 0.19%
EUR	143,000,000	USD	152,310,612	29/02/2016	3,183,883 0.26%
<b>TOTAL FORWARD CURRENCY CONTRACTS</b>					<u>6,044,591</u> <u>0.50%</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>INTEREST RATE FUTURES</b>			
<b>GERMANY</b>			
EURO BUND March 2016	(20)	56,032	0.00 %
EURO BOBL March 2016	(250)	270,389	0.03 %
<b>TOTAL GERMANY</b>		<u>326,421</u>	<u>0.03 %</u>
<b>UNITED STATES</b>			
10 YR US TREASURY NOTE MARCH 2016	(60)	30,313	0.00 %
5 YR U.S. TREASURY NOTE MARCH 2016	(450)	168,361	0.01 %
<b>TOTAL UNITED STATES</b>		<u>198,674</u>	<u>0.01 %</u>
<b>TOTAL INTEREST RATE FUTURES</b>		<u>525,095</u>	<u>0.04 %</u>
<b>ZERO COUPON CONVERTIBLE BONDS</b>			
<b>BRITISH VIRGIN ISLANDS</b>			
BJENTE 0% 28/07/2019	64,000,000	8,040,192	0.66 %
<b>TOTAL BRITISH VIRGIN ISLANDS</b>		<u>8,040,192</u>	<u>0.66 %</u>
<b>CAYMAN ISLANDS</b>			
BTSDf 0% 20/02/2019	26,000,000	3,150,129	0.26 %
CMILK CMLK 0% 05/01/2049	1,000,000	40,002	0.00 %
CHCONS 0% 05/01/2023	17,600,000	17,922,784	1.47 %
HENGAN 0% 27/06/2018	141,000,000	19,074,085	1.57 %
SMIZCH REGS 0% 07/11/2018	2,900,000	3,298,605	0.27 %
TPKHOL REGS 0% 08/04/2020	3,750,000	3,166,538	0.26 %
XINAOG 0% 26/02/2018	2,500,000	2,737,800	0.23 %
<b>TOTAL CAYMAN ISLANDS</b>		<u>49,389,943</u>	<u>4.06 %</u>
<b>FINLAND</b>			
TALVLN 0% 16/12/2026	8,300,000	90,130	0.01 %
<b>TOTAL FINLAND</b>		<u>90,130</u>	<u>0.01 %</u>
<b>FRANCE</b>			
MICH ML 0% 01/01/2017	68,034	10,307,032	0.85 %
PEUGOT UG 0% 01/01/2016	829,711	23,140,852	1.90 %
SOIFP SOI 0% 18/09/2018	1,849,718	1,268,226	0.11 %
TECFP TEC 0% 01/01/2016	136,200	12,347,692	1.01 %
<b>TOTAL FRANCE</b>		<u>47,063,802</u>	<u>3.87 %</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>ZERO COUPON CONVERTIBLE BONDS (Continued)</b>			
<b>GERMANY</b>			
EOANGR BKW 0% 01/10/2018	1,700,000	2,115,901	0.17 %
<b>TOTAL GERMANY</b>		<u>2,115,901</u>	<u>0.17 %</u>
<b>HONG KONG</b>			
SBSG 0% 01/12/2018	9,000,000	8,853,435	0.73 %
<b>TOTAL HONG KONG</b>		<u>8,853,435</u>	<u>0.73 %</u>
<b>ISLE OF MAN</b>			
BLNDLN BLND 0% 09/06/2020	3,900,000	5,695,661	0.47 %
<b>TOTAL ISLE OF MAN</b>		<u>5,695,661</u>	<u>0.47 %</u>
<b>JAPAN</b>			
BEBRID 0% 19/09/2018	10,000,000	85,053	0.01 %
CHUGEP 0% 23/03/2018	190,000,000	1,646,967	0.14 %
JALSTM 0% 25/03/2012	370,000,000	–	0.00 %
JOYOBK 8333 0% 24/04/2019	6,200,000	6,083,998	0.50 %
NIHUNI 0% 20/06/2016	200,000,000	2,010,759	0.17 %
PARKTF 0% 26/04/2018	110,000,000	1,092,683	0.09 %
SANKY 0% 23/07/2020	90,000,000	779,592	0.06 %
SBIHLD 0% 02/11/2017	320,000,000	2,821,984	0.23 %
SHIMIZ 0% 16/10/2020	300,000,000	2,667,012	0.22 %
SHIZBK 0% 25/04/2018	6,400,000	6,349,184	0.52 %
SNE REGS 0% 30/09/2022	585,000,000	5,007,570	0.41 %
TDHLD 0% 05/06/2020	540,000,000	4,611,978	0.38 %
TOBRAI 0% 31/03/2016	60,000,000	545,268	0.04 %
TOHOKU 0% 03/12/2018	350,000,000	3,047,040	0.25 %
TOHOKU 0% 03/12/2020	180,000,000	1,576,119	0.13 %
TOPPAN 0% 19/12/2019	30,000,000	290,745	0.02 %
TOPPAN 7911 0% 19/12/2016	270,000,000	2,439,126	0.20 %
TOYOSA 0% 04/03/2020	380,000,000	3,243,191	0.27 %
TOYOSA 0% 04/03/2022	220,000,000	1,867,686	0.15 %
<b>TOTAL JAPAN</b>		<u>46,165,955</u>	<u>3.79 %</u>
<b>KOREA</b>			
HYNHEA 0% 29/06/2020	12,000,000	11,467,320	0.94 %
<b>TOTAL KOREA</b>		<u>11,467,320</u>	<u>0.94 %</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>ZERO COUPON CONVERTIBLE BONDS (Continued)</b>			
<b>MALAYSIA</b>			
KNBZMK 0% 18/09/2021	10,200,000	9,888,339	0.81 %
KNBZMK REGS 0% 24/10/2018	13,750,000	10,920,619	0.90 %
<b>TOTAL MALAYSIA</b>		<u>20,808,958</u>	<u>1.71 %</u>
<b>MEXICO</b>			
AMXLMM 0% 2020/05/28	22,700,000	25,331,994	2.08 %
<b>TOTAL MEXICO</b>		<u>25,331,994</u>	<u>2.08 %</u>
<b>NETHERLANDS</b>			
CEZCP MOL 0% 04/08/2017	12,200,000	13,419,806	1.10 %
STM STM 0% 03/07/2019	2,600,000	2,494,089	0.20 %
<b>TOTAL NETHERLANDS</b>		<u>15,913,895</u>	<u>1.30 %</u>
<b>SOUTH AFRICA</b>			
SHPSJ 0% 03/04/2017	135,810,000	8,941,383	0.73 %
<b>TOTAL SOUTH AFRICA</b>		<u>8,941,383</u>	<u>0.73 %</u>
<b>TAIWAN</b>			
ASACEM 0% 13/05/2018	4,235,000	4,182,253	0.35 %
RADOPT 0% 21/07/2016	9,000,000	8,960,626	0.74 %
SILPRE 0% 31/10/2019	3,750,000	3,952,631	0.32 %
ZHEDIN 0% 26/06/2019	3,800,000	3,841,116	0.31 %
<b>TOTAL TAIWAN</b>		<u>20,936,626</u>	<u>1.72 %</u>
<b>UNITED STATES</b>			
YHOO 0% 01/12/2018	17,750,000	17,388,610	1.43 %
AKAM 0% 15/02/2019	13,750,000	13,253,763	1.09 %
HOLX 0% 15/12/2043	7,400,000	9,447,950	0.78 %
ILMN 0% 15/06/2019	2,625,000	2,848,125	0.23 %
<b>TOTAL UNITED STATES</b>		<u>42,938,448</u>	<u>3.53 %</u>
<b>TOTAL ZERO COUPON CONVERTIBLE BONDS</b>		<u>313,753,643</u>	<u>25.77 %</u>
<b>INTEREST RATE SWAPS</b>			
<b>UNITED STATES</b>			
USD INTEREST RATE SWAP 0.505 20/05/2016	40,000,000	4,349	0.00 %
USD INTEREST RATE SWAP 0.942 06/07/2017	20,000,000	3,212	0.00 %
<b>TOTAL UNITED STATES</b>		<u>7,561</u>	<u>0.00 %</u>

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>ASSETS (Continued)</b>			
<b>INTEREST RATE SWAPS (Continued)</b>			
<b>TOTAL INTEREST RATE SWAPS</b>		7,561	0.00 %
<b>INDEX FUTURE</b>			
<b>GERMANY</b>			
DOW JONES EURO STOXX 50 March 2016	575	185,146	0.01 %
<b>TOTAL GERMANY</b>		185,146	0.01 %
<b>TOTAL INDEX FUTURE</b>		185,146	0.01 %
<b>WARRANTS</b>			
<b>JAPAN</b>			
KONAMI 0% 2022	500,000,000	355,758	0.03 %
KYOKUY 09/11/2016	300,000,000	51,724	0.00 %
MCHNKU 31/01/2019	100,000,000	64,254	0.01 %
PARKTF 26/04/2018	500,000,000	879,168	0.07 %
TOPPAN 19/12/2016	700,000,000	536,718	0.04 %
TOPPAN 19/12/2019	470,000,000	741,357	0.06 %
USHIN 13/07/2018	300,000,000	223,879	0.02 %
SENCOL 21/04/2017	100,000,000	17,073	0.00 %
<b>TOTAL JAPAN</b>		2,869,931	0.23 %
<b>SWITZERLAND</b>			
NIHON 06/05/2016	200,000,000	354,818	0.03 %
<b>TOTAL SWITZERLAND</b>		354,818	0.03 %
<b>TOTAL WARRANTS</b>		3,224,749	0.26 %
<b>TOTAL ASSETS</b>		1,132,402,452	93.00 %

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %			
<b>LIABILITIES</b>						
<b>CONTRACTS FOR DIFFERENCE</b>						
<b>ITALY</b>						
SNAM	(2,386,088)	(67,442)	(0.01)%			
<b>TOTAL ITALY</b>		<u>(67,442)</u>	<u>(0.01)%</u>			
<b>JAPAN</b>						
CYBERDYNE	(106,000)	(459,184)	(0.04)%			
NIHON UNISYS	(333,800)	(39,520)	(0.00)%			
TOPPAN PRINTING	(707,000)	(374,770)	(0.03)%			
<b>TOTAL JAPAN</b>		<u>(873,474)</u>	<u>(0.07)%</u>			
<b>SPAIN</b>						
GENERAL DE ALQUILER DE MAQUINAR	3,122,149	(588,900)	(0.05)%			
<b>TOTAL SPAIN</b>		<u>(588,900)</u>	<u>(0.05)%</u>			
<b>TOTAL CONTRACTS FOR DIFFERENCE</b>		<u>(1,529,816)</u>	<u>(0.13)%</u>			
<b>FORWARD CURRENCY CONTRACTS</b>						
<b>Currency Bought</b>	<b>Amount Bought</b>	<b>Currency Sold</b>	<b>Amount Sold</b>	<b>Contract date</b>		
GBP	40,000,000	HKD	467,520,000	29/02/2016	(1,359,531)	(0.11)%
GBP	45,000,000	JPY	8,334,405,000	29/02/2016	(3,017,141)	(0.25)%
GBP	31,000,000	SGD	66,129,200	29/02/2016	(877,469)	(0.07)%
GBP	4,000,000	SEK	52,766,908	29/02/2016	(354,898)	(0.03)%
GBP	36,000,000	CHF	55,110,615	29/02/2016	(2,016,107)	(0.17)%
GBP	89,000,000	USD	134,324,140	29/02/2016	(3,080,873)	(0.25)%
<b>TOTAL FORWARD CURRENCY CONTRACTS</b>					<u>(10,706,019)</u>	<u>(0.88)%</u>
<b>INTEREST RATE SWAPS</b>						
<b>EUROPEAN UNION</b>						
EUR INTEREST RATE SWAP 0.712	29/01/2016	5,000,000	(37,305)	(0.00)%		
EUR INTEREST RATE SWAP 0.735	23/01/2016	10,000,000	(77,520)	(0.01)%		
EUR INTEREST RATE SWAP 0.8325	20/11/2017	15,000,000	(283,825)	(0.02)%		
EUR INTEREST RATE SWAP 0.472	25/12/2019	20,000,000	(247,596)	(0.02)%		
<b>TOTAL EUROPEAN UNION</b>			<u>(646,246)</u>	<u>(0.05)%</u>		
<b>UNITED KINGDOM</b>						
GBP INTEREST RATE SWAP 1.53	13/11/2019	10,000,000	(67,959)	(0.01)%		
<b>TOTAL UNITED KINGDOM</b>			<u>(67,959)</u>	<u>(0.01)%</u>		

**SALAR FUND PLC**

**APPENDIX 1 (UNAUDITED)  
SCHEDULE OF INVESTMENTS (Continued)  
31 December 2015**

	Quantity	Fair Value US\$	Net Assets %
<b>LIABILITIES (Continued)</b>			
<b>INTEREST RATE SWAPS (Continued)</b>			
<b>UNITED STATES</b>			
USD INTEREST RATE SWAP 0.525 25/01/2016	25,000,000	(45,763)	(0.00)%
USD INTEREST RATE SWAP 1.339 16/05/2018	25,000,000	(83,796)	(0.01)%
USD INTEREST RATE SWAP 1.575 04/03/2018	25,000,000	(322,988)	(0.03)%
USD INTEREST RATE SWAP 1.746 20/01/2019	25,000,000	(430,328)	(0.03)%
USD INTEREST RATE SWAP 1.455 15/05/2019	20,000,000	(19,613)	(0.00)%
USD INTEREST RATE SWAP 1.699 25/12/2019	25,000,000	(115,700)	(0.01)%
<b>TOTAL UNITED STATES</b>		<u>(1,018,188)</u>	<u>(0.08)%</u>
<b>TOTAL INTEREST RATE SWAPS</b>		<u>(1,732,393)</u>	<u>(0.14)%</u>
<b>TOTAL LIABILITIES</b>		<u>(13,968,228)</u>	<u>(1.15)%</u>
<b>NET FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<u>1,118,434,224</u>	<u>91.85%</u>

Except where noted, the counterparty for all other derivative asset and liabilities is UBS AG.

	<b>% of total gross assets</b>
<b>ANALYSIS OF TOTAL GROSS ASSETS</b>	
Transferable securities and money market instruments admitted to an official stock exchange listed or traded in a regulated market	86.70%
Exchange traded financial derivatives	2.35%
Over-the-counter financial derivatives	0.54%
Other current assets	<u>10.41%</u>
<b>TOTAL</b>	<u>100.00%</u>

## SALAR FUND PLC

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### APPENDIX 2 (UNAUDITED) SUMMARY OF LARGEST 20 PURCHASES AND SALES 31 December 2015

#### Summary of largest 20 purchases and sales

20 Largest Purchases	Ccy	Cost US\$
SIEGR 1.0500% 2017-08-16	USD	28,803,670
AMXLMM 0.0000% 2020-05-28	EUR	25,166,477
CAIXAB CABK 1.0000% 2017-11-25	EUR	25,123,973
PEUGOT UG 0.0000% 2016-01-01	EUR	23,557,129
MUENCHENER RUECKVER N	EUR	22,987,443
NGGLN NGLN 0.9000% 2020-11-02	GBP	22,256,309
STEGR XW 1.0500% 2017-08-16	USD	22,079,920
SPSNSW 1.8750% 2016-06-21	CHF	20,118,848
AABAR UCG 0.5000% 2020-03-27	EUR	20,059,661
SNDK 0.5000% 2020-10-15	USD	19,958,454
ARTEMI PP 0.0000% 2016-01-01	EUR	19,413,373
SLDZFH 0.5000% 2015-09-29	EUR	18,043,173
CHCONS 0.0000% 2023-01-05	USD	17,646,200
EPIST 2448 0.0000% 2018-08-07	USD	16,603,625
GBLBBB GSZ 1.2500% 2017-02-07	EUR	16,185,616
LINTA 144A 1.0000% 2043-09-30	USD	16,059,644
ENIIM GALP 0.2500% 2015-11-30	EUR	15,965,274
GABFIN EVK 2.0000% 2016-11-26	EUR	15,841,161
BNP 0.2500% 2015-09-21	EUR	15,619,553
TWTR 0.2500% 2019-09-15	USD	15,326,328
20 Largest Sales	Ccy	Proceeds US\$
CHUNTE 0.7500% 2015-10-18	USD	25,094,747
MUENCHENER RUECKVER N	EUR	23,915,399
NGGLN NGLN 0.9000% 2020-11-02	GBP	22,242,336
STEGR XW 1.0500% 2017-08-16	USD	22,080,466
CHCONS COLI 0.0000% 2021-02-04	USD	20,441,800
LUKOIL 2.6250% 2015-06-16	USD	19,307,625
SLDZFH 0.5000% 2015-09-29	EUR	18,329,789
EPIST 2448 0.0000% 2018-08-07	USD	16,097,825
ENIIM GALP 0.2500% 2015-11-30	EUR	15,526,140
SIEGR WW 1.0500% 2017-08-16	USD	15,381,125
OCR OCR 3.2500% 2035-12-15	USD	15,135,863
EDIZIM PCIM 0.2500% 2016-11-29	EUR	14,909,005
GBLBBB 0.3750% 2018-10-09	EUR	14,119,517
PARGESA	CHF	13,238,485
KNBZMK REGS 0.0000% 2018-10-24	SGD	11,598,877
SWISS RE AG	CHF	11,486,905
SIEGR WW 1.0500% 2017-08-16	USD	11,358,895
CAPLSP REGS 2.8750% 2016-09-03	SGD	11,232,843
AUOPT 0.0000% 2015-10-13	USD	11,116,150
SGL SGL 3.5000% 2016-06-30	EUR	11,070,793

**APPENDIX 2 (UNAUDITED)**

**SUMMARY OF LARGEST 20 PURCHASES AND SALES (Continued)**

**31 December 2015**

The European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 requires a Schedule of Portfolio Changes during the period. These are defined as aggregate purchases of a security exceeding 1% of the total value of purchases for the period and aggregate disposals greater than 1% of the total value of sales. At a minimum, the largest 20 purchases and sales must be given, or all purchases and sales if less than 20. A full listing of the portfolio changes for the period is available, upon request, at no extra cost from the Administrator.

**APPENDIX 3 (UNAUDITED)  
ANNUAL FDI REPORT  
31 December 2015**

An annual FDI report is provided to the Central Bank detailing any exposures breached during the year and any material changes to the risk management process. During the year ended 31 December 2015 and 31 December 2014 there were no material breaches of the FDI exposure limits.