



Man AHL Diversified Futures Ltd

Unaudited Interim Financial Statements for the period ended 31
March 2020

Man AHL Diversified Futures Ltd

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* Effective 1 December 2019, BNY Mellon Trust Company (Ireland) Limited, One Dockland Central, Guild Street, IFSC, Dublin 1, merged into The Bank of New York Mellon SA/NV (the "European Bank"). Since that date, custodian services have been provided by the Dublin branch of the European Bank.

Man AHL Diversified Futures Ltd

Statement of financial position

As at 31 March 2020



	Notes	31 March 2020 US\$	30 September 2019 US\$
Current assets			
Cash and cash equivalents	3	34,109,265	29,273,513
Balances with brokers	3	16,426,793	35,859,043
Due from brokers		133,310	1,017,156
Financial assets at fair value through profit or loss	4	146,177,478	132,906,950
Dividend receivable		24,378	71,046
Other assets		-	5,269
Total current assets		196,871,224	199,132,977
Current liabilities			
Bank overdraft	3	(32)	(20)
Balances due to brokers	3	(6,421,289)	(7,329,044)
Due to brokers		(142,518)	(78,373)
Subscriptions in advance		(42,316)	(25,420)
Redemptions payable		(1,737,343)	(298,803)
Financial liabilities at fair value through profit or loss	4	(44,590,279)	(32,549,941)
Incentive fees payable	8,9	(856,846)	(1,455,865)
Management fees payable	8,9	(370,323)	(403,132)
Services management fees payable	8,9	(28,391)	(30,907)
Introducing broker fees payable	8,9	(123,441)	(134,377)
Hong Kong representative fees payable	8,9	(2,506)	(20,000)
Capital gains tax payable	11	(576,464)	(584,867)
Directors' fees payable	8,9	(2,978)	-
Dividend payable		(32,080)	(57,452)
Accrued expenses and other liabilities	8	(186,501)	(143,501)
Total current liabilities		(55,113,307)	(43,111,702)
Net assets attributable to Redeemable Participating Shareholders		141,757,917	156,021,275


Which are represented by:

Equity

3,141,601 (2019: 3,528,713) Redeemable Participating Shares with a Net Asset Value per Redeemable Participating Share of US\$45.12 (2019: US\$44.21)

10 US\$141,757,917 US\$156,021,275

Approved and authorised for issue on behalf of the Board on 20 May 2020.


Director
Michael Collins


Director
Dawn Griffiths

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

Man AHL Diversified Futures Ltd

Statement of changes in equity
For the period ended 31 March 2020



	Note	Period ended 31 March 2020 US\$	Period ended 31 March 2019 US\$
Net assets attributable to Redeemable Participating Shareholders at the beginning of the period		156,021,275	156,081,264
Issue of 48,814 (2019: 74,136) Redeemable Participating Shares	10	2,091,059	2,711,182
Redemption of 435,926 (2019: 373,106) Redeemable Participating Shares	10	(18,644,046)	(13,641,001)
Net gain for the period attributable to Redeemable Participating Shareholders		2,289,629	7,970,725
Net assets attributable to holders of Redeemable Participating Shares at the end of the period		141,757,917	153,122,170

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

Man AHL Diversified Futures Ltd

Statement of comprehensive income
For the period ended 31 March 2020



	Notes	Period ended 31 March 2020 US\$	Period ended 31 March 2019 US\$
Income			
Net loss on foreign currency	7	(136,657)	(272,990)
Net gain on financial assets and liabilities at fair value through profit or loss	7	6,340,570	11,199,335
Interest income		470,126	660,696
Dividend income		34,378	42,191
		<u>6,708,417</u>	<u>11,629,232</u>
Expenses			
Management fees	8,9	(2,180,541)	(2,243,907)
Incentive fees	8,9	(856,846)	-
Introducing broker fees	8,9	(726,847)	(747,969)
Capital gains tax	11	8,403	-
Interest expense		(244,005)	(194,296)
Services management fees	8,9	(167,175)	(172,033)
Legal and other professional fees	9	(57,040)	(12,243)
Audit fees		(41,731)	(21,039)
Dividend expense		(40,855)	(34,088)
Custodian fees	8	(21,067)	(18,802)
Directors' fees	8,9	(6,017)	(5,984)
Hong Kong representative fees	8,9	(2,506)	(5,028)
Transaction and brokerage costs	8	(1,759)	(82,072)
Other expenses	8	(83,387)	(117,463)
		<u>(4,421,373)</u>	<u>(3,654,924)</u>
Withholding tax		2,585	(3,583)
Net gain for the period attributable to Redeemable Participating Shareholders		<u><u>2,289,629</u></u>	<u><u>7,970,725</u></u>

All recognised gains and losses for the period arose solely from continuing operations.

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

Man AHL Diversified Futures Ltd

Statement of cash flows
For the period ended 31 March 2020



	Period ended 31 March 2020 US\$	Period ended 31 March 2019 US\$
Cash flows from operating activities		
Net gain for the period attributable to Redeemable Participating Shareholders	2,289,629	7,970,725
Adjustments to reconcile net gain for the period attributable to Redeemable Participating Shareholders to net cash provided by operating activities:		
Increase in financial assets at fair value through profit or loss	(13,270,528)	(2,893,568)
Increase in financial liabilities at fair value through profit or loss	12,040,338	1,247,949
Decrease in balances with brokers - collateral	10,466,116	1,091,551
(Decrease)/increase in balances due to brokers - collateral	(907,755)	214,730
Decrease in due from brokers	883,846	1,176,183
Decrease/(increase) in dividend receivable	46,668	(14,367)
Decrease in other assets	5,269	4,911
Increase/(decrease) in due to brokers	64,145	(1,146,028)
Decrease in incentive fees payable	(599,019)	-
Decrease in management fees payable	(32,809)	(10,705)
Decrease in services management fees payable	(2,516)	(821)
Decrease in introducing broker fees payable	(10,936)	(3,569)
(Decrease)/increase in Hong Kong representative fees payable	(17,494)	2,493
Decrease in capital gains tax payable	(8,403)	-
Increase in directors' fees payable	2,978	-
(Decrease)/increase in dividend payable	(25,372)	26,931
(Decrease)/increase in accrued expenses and other liabilities	43,000	54,094
Net cash provided by operating activities	10,967,157	7,720,509
Cash flows from financing activities		
Proceeds on issue of Redeemable Participating Shares	2,107,955	1,975,256
Payments on redemption of Redeemable Participating Shares	(17,205,506)	(13,641,001)
Net cash used in financing activities	(15,097,551)	(11,665,745)
Net change in cash and cash equivalents	(4,130,394)	(3,945,236)
Cash and cash equivalents at the beginning of the period	47,804,614	40,721,190
Cash and cash equivalents at the end of the period	43,674,220	36,775,954
Net change in cash and cash equivalents for the year consists of:		
Net change in cash and cash equivalents before the effect of exchange rate fluctuations	(3,993,737)	(3,910,907)
Effect of exchange rate fluctuations on cash and cash equivalents	(136,657)	(272,990)
Net change in cash and cash equivalents	(4,130,394)	(3,945,236)
Cash and cash equivalents consist of:		
Cash and cash equivalents	34,109,265	24,077,693
Bank overdraft	(32)	-
Balances with brokers - without collateral	9,564,987	12,698,261
Cash and cash equivalents at the end of the period	43,674,220	36,775,954
Supplemental disclosure of cash flow information:		
Interest received	470,126	660,696
Interest paid	(244,005)	(194,296)
Dividend received	81,046	27,824
Dividend paid	(66,227)	(7,157)

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

1. General

Man AHL Diversified Futures Ltd (the “Fund”) was incorporated as an exempted company with limited liability under the laws of Bermuda on 11 September 1997 and carries on business as an open-ended investment company, trading a diversified portfolio of futures, forwards, swaps and fixed income securities under the Companies Act 1981 of Bermuda.

The Fund commenced trading on 12 May 1998. The Fund seeks to achieve substantial medium-term capital growth while aiming to restrict the associated risk through the AHL Diversified Programme which is managed by AHL. AHL is an investment division of Man Group and it operates through various legal vehicles. AHL provides investors with highly liquid and efficient trading strategies which offer low correlation to more traditional investment disciplines. Man Group means Man Group plc and all or any of its subsidiaries and associates, as the context requires.

The Fund has been authorised by the Securities and Futures Commission in Hong Kong under the Code on Unit Trusts and Mutual funds.

AHL Partners LLP (the “Investment Manager”) was appointed as the Investment Manager of the Fund. The responsibility for the investment selection, portfolio construction and portfolio management of the Fund’s portfolio rests with the Investment Manager.

The Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority (the “FCA”) in the conduct of its regulated activities.

The most recent applicable offering memorandum of the Fund is dated 9 April 2018 (the “Offering Memorandum”) and the most recent addenda is dated 1 July 2018 and 1 October 2018 (the “Addenda”).

2. Significant accounting policies

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and where relevant, in accordance with the provisions of the Hong Kong Securities & Futures Commission Code on Unit Trusts and Mutual Funds pursuant to the Securities and Futures Ordinance (Cap 571) April 2003 (as amended effective 25 June 2010). The financial statements have been prepared on an historical cost basis except for financial assets and liabilities at fair value through profit or loss that have been measured based on fair value.

Statement of compliance

The financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial report does not include all information and disclosures required for full annual financial statements prepared in accordance with IFRS and therefore, should be read in conjunction with the Fund’s annual financial statements for the year ended 30 September 2019.

(b) Changes in accounting policy and disclosure

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Fund’s financial statements for the year ended 30 September 2019.

At the date of authorisation of the financial statements there were a number of standards and interpretations which were in issue but not yet effective. Management anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Fund.

(c) Use of accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in these financial statements and accompanying notes, including certain valuation assumptions. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in the future. As at 31 March 2020 and 30 September 2019 there were no adjustments made.

(d) Going concern

Management has made an assessment of the Fund’s ability to continue as a going concern and is satisfied that it has resources to continue in business for a period of at least one year beyond the date these financial statements are available to be issued. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund’s ability to continue as a going concern; therefore, the financial statements are prepared on a going concern basis.

2. Significant accounting policies (continued)

(e) Interest income

Interest income is recorded on an accruals basis. Interest earned on cash is recorded in the statement of comprehensive income and interest earned on investments is recorded in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

(f) Dividend income

Dividend income is recorded on an ex-dividend basis, gross of withholding tax. Dividends earned on these instruments is recorded in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

(g) Financial assets and liabilities

Financial assets and liabilities at fair value through profit or loss

For Net Asset Value ("NAV") purposes, the valuation of financial assets and liabilities is calculated in accordance with the Offering Memorandum. For financial statements purposes, financial assets and liabilities have been valued in accordance with IFRS using the policies outlined below.

At 31 March 2020 and 30 September 2019, there are no material differences between these valuation methods.

In accordance with IFRS 9, *Financial Instruments: Classification and Measurement*, the Fund classifies its financial assets and liabilities at initial recognition into the categories of financial assets and financial liabilities as discussed below.

Under IFRS 9, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics.

In evaluating the classification of its financial assets, the Fund has considered the following:

- Whether it is held within a business model whose objective is to hold assets only to collect contractual cash flows ("business model test"); and
- Whether its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI test").

Both the business model test and SPPI test must be met in order to account for a financial asset at amortised cost or FVOCI. If both tests are not met the financial asset must be measured at FVTPL.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any government bonds, contracts for difference, interest rate swaps, credit default swaps, futures and forward contracts as fair value through other comprehensive income.

The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective.

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of investments are recognised on the trade date, which is the date on which the Fund commits to purchase or sell the asset. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. All transaction costs for such instruments are recognised directly in the statement of comprehensive income.

Consequently, all investments are measured at fair value through profit or loss.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, government bonds and exchange traded securities) is based on quoted market prices at the statement of financial position date.

In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The Fund may from time to time invest in financial instruments or securities that are not traded in an active market (for example over-the-counter ("OTC") derivatives and private placements of both equities and fixed income securities). These financial instruments are valued at their fair value in the manner described in subsequent accounting policies.

Any exchange traded derivative instruments (including, but not limited to, options and futures) dealt in on a market are valued at the settlement price on the relevant valuation day for such instruments on such a market. If the settlement price is not available, their probable realisation value shall be determined with care and in good faith by the Fund.

Investments are derecognised when the rights to receive cash flows have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

2. Significant accounting policies (continued)

(h) 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 offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. As at 31 March 2020 and 30 September 2019, no financial assets and liabilities are offset in the statement of financial position.

(i) Derivatives

The Fund may trade derivative financial instruments whose values are based upon an underlying asset, index, currency or interest rate. The net unrealised gains or losses, rather than contract or notional amounts, represents the approximate future cash flows from trading.

The Fund may engage in forward contracts, futures contracts, interest rate swaps, credit default swaps and contracts for difference. These are described below:

– Forward contracts

Forward contracts are recorded on the trade date and are valued at the applicable foreign exchange rates on the last business day of the period. The difference between the fair value of the original contract amount and the fair value of the open forward contract position is reflected as financial assets or financial liabilities at fair value through profit or loss in the statement of financial position and as net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

– Futures contracts

Futures contracts are recorded on the trade date and are valued at the applicable last traded price on the last business day of the period. The difference between the original contract amount and the fair value of the open futures position is reflected as financial assets or financial liabilities at fair value through profit or loss in the statement of financial position and as net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. Realised gains or losses are recognised on the closing or trade date of the contract and are included in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

– Swap contracts

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. The Fund's main swap contracts consist of interest rate swaps and credit default swaps as detailed below:

– Interest rate swaps

Interest rate swaps relate to contracts taken out by the Fund with major brokers in which the Fund either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Changes in the value of the interest rate swap agreements and amounts received or paid in connection with these contracts, are included in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

– Credit default swaps

The Fund may enter into credit default swaps for speculative purposes or to manage its exposure to certain sectors of the market or to reduce credit risk. The Fund may enter into credit default swap agreements to provide a measure of protection against the default of an issuer (as buyer of protection) and/or gain credit exposure to an issuer to which it is not otherwise exposed (as seller of protection). Credit default swaps are agreements in which one party pays fixed periodic payments to counterparty in consideration for a guarantee from the counterparty to make a specific payment should a negative credit event take place (e.g. default, bankruptcy or debt restructuring). The Fund may either buy or sell (write) credit default swaps.

If a credit event occurs, as a buyer, the Fund will either receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising of an index or receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index. As a seller (writer), the Fund will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising of an index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index.

The periodic payments received or made by the Fund are included in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. Swaps are marked-to-market daily and changes in value are recorded in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. When the swap is terminated, the Fund will record a realised gain/(loss) equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract, if any. Swap transactions involve, to varying degrees, elements of credit and market risk in excess of the amounts recognised in the statement of financial position. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavourable changes in interest rates and/or market values associated with these transactions.

– Contracts for difference

Contracts for differences are recorded on the trade date basis and are valued based on the difference between the notional long/short position of the underlying equity security calculated from a reference price on the date of entering into the contract and the market value at the date of closing the trade, or the reporting date if prior to terminating the contract. The difference between the initial recognition amount and the market value of the open contracts for differences is reflected as financial assets and liabilities at fair value through profit or loss in the statement of financial position and as net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. Realised gains or losses are recognised on the closing or trade date of the contract and are included in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

2. Significant accounting policies (continued)

(j) Realised gains and losses and unrealised gains and losses

All realised and unrealised gains and losses on securities and derivatives are recognised as net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. The cost of securities sold is accounted for on First in – First out (“FIFO”) basis. Unrealised gain and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior year’s unrealised gain and losses for financial instruments which were realised in the reporting year. Realised gains and losses represent the difference between an instrument’s initial carrying amount and disposal amount, or cash payments or receipts made in respect of derivative contracts (excluding payments or receipts on collateral margin account for such instruments).

(k) Transaction costs

Transaction costs are incremental costs, which are separately identifiable and directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs incurred by the Fund during the period are recognised in the statement of comprehensive income.

(l) Functional and presentation currency

The Fund seeks to generate returns in United States dollars (“US\$”), its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in US\$ in order to handle the issue and redemption of the Fund’s Redeemable Participating Shares. The Fund’s performance is also evaluated in US\$. Therefore, as the US\$ is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions, the Fund’s functional currency and presentation currency is the US\$.

(m) Foreign currency

Transactions during the period denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of transactions. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the date of the statement of financial position. For investment transactions and investments held at the period end denominated in foreign currency, resulting gains or losses are included in net gain on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. All other foreign currency gains and losses are included in the net loss on foreign currency in the statement of comprehensive income.

(n) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis. Dividend expense is recognised on the ex-dividend date.

(o) Redeemable Participating Shares

Redeemable Participating Shares are classified as equity instruments when:

- The Redeemable Participating Shares entitle the holder to a pro rata share of the Fund’s net assets in the event of the Fund’s liquidation;
- The Redeemable Participating Shares are in the class of instruments that is subordinate to all other classes of instruments;
- All Redeemable Participating Shares in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The Redeemable Participating Shares do not include any contractual obligation to deliver cash or another financial asset other than the holder’s rights to a pro rata share of the Fund’s net assets; and
- The total expected cash flows attributable to the Redeemable Participating Shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the Redeemable Participating Shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund; or
- The effect of substantially restricting or fixing the residual return to the Redeemable Participating Shareholders.

The Fund periodically assesses the classification of the Redeemable Participating Shares. If the Redeemable Participating Shares cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the Redeemable Participating Shares subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The Fund has assessed that the Redeemable Participating Shares should be classified as equity for the period/year ended 31 March 2020 and 30 September 2019.

(p) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position may consist of cash at bank, demand deposits, short-term deposits in financial institutions and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdraft when applicable.

2. Significant accounting policies (continued)

(q) Bank overdraft

Bank overdraft in the statement of financial position consists of negative cash balances on the bank accounts at the period end. Interest is charged on these bank overdraft balances.

(r) Balances with brokers and balances due to brokers

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

(s) Due from and due to brokers

Due from and due to broker represents amounts receivable for securities sold and payable for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date. These amounts are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment, if any. A provision for impairment of amounts due from broker is established when there is objective evidence that the Fund will not be able to collect all amounts due from the broker.

(t) Taxation

There is currently no taxation imposed on income or capital gains by the Government of Bermuda. Under current Bermudan law, the Fund is not obligated to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act 1966 which exempts the Fund from any such Bermuda taxes, at least until 31 March 2035.

Management has analysed the Fund's tax positions, and has concluded that a liability for unrecognised tax benefits should be recorded related to uncertain tax positions for the period ended 31 March 2020 of US\$576,464 (30 September 2019: US\$584,867).

Currently, the only other taxes recorded; if any, by the Fund on its income are withholding taxes applicable to certain income. For the period/year ended 31 March 2020 and 30 September 2019, no other income tax liability or expense has been recorded in the accompanying financial statements.

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatment* clarifies the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 in the Fund's financial statements.

Management evaluates such tax positions to determine whether, for all tax years still subject to assessment or challenge by the relevant taxation authorities, the tax positions are probable to be accepted on examination by the relevant tax authorities. If it is probable that the Fund's tax positions are accepted the taxable profit (tax loss) should be consistent with the Fund's tax filings. If not probable the Fund must reflect the effect of the uncertainty in determining its taxable profit (tax loss). The effect of the uncertain tax treatment is determined by applying the expected value method or by applying the most likely method.

(u) Subscriptions in advance and redemptions payable

Subscription and redemption monies are settled through a cash collection account in the name of the Fund. Pending issue of the shares and/or payment of subscription proceeds to an account in the name of the Fund, and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Fund in respect of amounts paid by or due to it.

(v) Comparative information

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

3. Cash and cash equivalents, bank overdraft, balances with brokers and balances due to brokers

At the period end, amounts disclosed as cash and cash equivalents, bank overdraft, balances with brokers and balances due to brokers were held at BNP Paribas and The Bank of New York Mellon SA/NV (the "Banks") and Deutsche Bank, J.P. Morgan Chase Bank N.A., Royal Bank of Scotland Plc, HSBC Bank Plc, Merrill Lynch & Co. Inc., Credit Suisse AG, Morgan Stanley and Goldman Sachs (the "Brokers"). These include amounts transferred as collateral (over which a security interest exists) against open derivatives, deposits held at call with banks and, other short-term highly liquid investments with original maturities of three months or less.

The portion of balances with brokers represented by collateral pledged as at 31 March 2020 was US\$6,861,806 (30 September 2019: US\$17,327,922) and the portion of balances due to brokers represented by collateral received was US\$6,421,289 (30 September 2019: US\$7,329,044).

4. Financial assets and liabilities at fair value through profit or loss

The following tables summarise financial assets and liabilities at fair value through profit or loss as at 31 March 2020 and 30 September 2019.

	31 March 2020			30 September 2019		
	Cost/Notional US\$	Fair Value US\$	% of Net Assets	Cost/Notional US\$	Fair Value US\$	% of Net Assets
Financial assets at fair value through profit or loss						
<i>Held for trading</i>						
<u>Interest bearing securities</u>						
Government bonds	88,756,463	88,967,682	62.76%	87,357,337	87,460,376	56.06%
Total interest bearing securities		<u>88,967,682</u>	<u>62.76%</u>		<u>87,460,376</u>	<u>56.06%</u>
<u>Derivatives</u>						
Commodity futures	19,812,425	6,199,331	4.37%	42,010,742	2,835,738	1.82%
Currency futures	1,609,455	-	-	21,977,654	243,260	0.16%
Stock index futures	991,754	451,277	0.32%	95,965,256	556,194	0.36%
Interest rate futures	338,702,576	1,646,748	1.16%	574,443,480	632,568	0.40%
Forward currency contracts	609,384,006	27,529,790	19.42%	760,554,734	10,558,768	6.77%
Forward commodity contracts	-	-	-	1,790,626	21,137	0.01%
Contracts for difference	4,789,319	1,683,054	1.19%	35,540,518	1,762,746	1.13%
Credit default swaps	15,517,000	35,568	0.03%	20,899,500	7,365,095	4.72%
Interest rate swaps	376,995,485	19,664,028	13.87%	558,278,184	21,471,068	13.76%
Total derivatives		<u>57,209,796</u>	<u>40.36%</u>		<u>45,446,574</u>	<u>29.13%</u>
Total financial assets at fair value through profit or loss		<u>146,177,478</u>	<u>103.12%</u>		<u>132,906,950</u>	<u>85.19%</u>
Financial liabilities at fair value through profit or loss						
<i>Held for trading</i>						
<u>Derivatives</u>						
Commodity futures	59,027,324	(1,635,369)	(1.15)%	90,535,972	(2,376,776)	(1.52)%
Currency futures	-	(23,983)	(0.02)%	556,334	(1,699)	-
Stock index futures	14,140,109	(655,664)	(0.46)%	16,790,261	(586,825)	(0.38)%
Interest rate futures	42,884,166	(177,099)	(0.12)%	93,369,335	(881,485)	(0.56)%
Forward currency contracts	532,491,729	(24,354,880)	(17.11)%	581,099,126	(8,098,005)	(5.19)%
Forward commodity contracts	-	-	-	14,151,752	(432,064)	(0.28)%
Contracts for difference	6,844,471	(902,295)	(0.63)%	13,863,042	(1,381,172)	(0.88)%
Credit default swaps	-	(9,337)	(0.01)%	213,095,500	(1,792,469)	(1.15)%
Interest rate swaps	351,013,494	(16,831,652)	(11.83)%	475,700,271	(16,999,446)	(10.90)%
Total derivatives		<u>(44,590,279)</u>	<u>(31.33)%</u>		<u>(32,549,941)</u>	<u>(20.86)%</u>
Total financial liabilities at fair value through profit or loss		<u>(44,590,279)</u>	<u>(31.33)%</u>		<u>(32,549,941)</u>	<u>(20.86)%</u>

None of the financial assets at fair value through profit or loss were used as collateral.

4. Financial assets and liabilities at fair value through profit or loss (continued)

Fair value of financial instruments

The Fund has established a framework with respect to the measurement of fair values. This includes a periodic review by the Investment Manager of all significant fair value measurements, including Level 3 fair values.

The Investment Manager regularly reviews significant unobservable inputs and valuation adjustments (if any). If third party information is used to measure fair values, the Investment Manager assesses the evidence obtained from the third parties to support the conclusion such that valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in determining the measurements in line with IFRS 13.

The fair value hierarchy has the following levels:

- Level 1 - Quoted market price in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques

Listed or publicly traded investment in government bonds and derivatives

When fair values of listed or publicly traded government bonds and derivatives are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

OTC derivatives

The Fund uses widely recognised valuation techniques for determining fair values of OTC forward contracts, interest rate swaps, contracts for difference and credit default swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit risk and foreign exchange spot and forward rates and interest rate curves. For these financial instruments, inputs used are market observable and are, therefore, included within Level 2.

The following tables are a summary of the classification within the fair value hierarchy of the Fund's financial instruments carried at fair value as at 31 March 2020 and 30 September 2019:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total Fair Value US\$
As at 31 March 2020				
Financial assets at fair value through profit or loss				
<u>Interest bearing securities</u>				
Government bonds	88,967,682	-	-	88,967,682
Total interest bearing securities	88,967,682	-	-	88,967,682
<u>Derivatives</u>				
Commodity futures	6,199,331	-	-	6,199,331
Stock index futures	451,277	-	-	451,277
Interest rate futures	1,646,748	-	-	1,646,748
Forward currency contracts	-	27,529,790	-	27,529,790
Contracts for difference	-	1,681,278	1,776	1,683,054
Credit default swaps	-	35,568	-	35,568
Interest rate swaps	-	19,664,028	-	19,664,028
Total derivatives	8,297,356	48,910,664	1,776	57,209,796
Total financial assets at fair value through profit or loss	97,265,038	48,910,664	1,776	146,177,478

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Notes to the financial statements (continued)

For the period ended 31 March 2020



4. Financial assets and liabilities at fair value through profit or loss (continued)

Valuation techniques (continued)

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total Fair Value US\$
As at 31 March 2020				
Financial liabilities at fair value through profit or loss				
<i>Derivatives</i>				
Commodity futures	(1,635,369)	-	-	(1,635,369)
Currency futures	(23,983)	-	-	(23,983)
Stock index futures	(655,664)	-	-	(655,664)
Interest rate futures	(177,099)	-	-	(177,099)
Forward currency contracts	-	(24,354,880)	-	(24,354,880)
Contracts for difference	-	(855,605)	(46,690)	(902,295)
Credit default swaps	-	(9,337)	-	(9,337)
Interest rate swaps	-	(16,831,652)	-	(16,831,652)
Total derivatives	(2,492,115)	(42,051,474)	(46,690)	(44,590,279)
Total financial liabilities at fair value through profit or loss	(2,492,115)	(42,051,474)	(46,690)	(44,590,279)
As at 30 September 2019				
Financial assets at fair value through profit or loss				
<i>Interest bearing securities</i>				
Government bonds	87,460,376	-	-	87,460,376
Total interest bearing securities	87,460,376	-	-	87,460,376
<i>Derivatives</i>				
Commodity futures	2,835,738	-	-	2,835,738
Currency futures	243,260	-	-	243,260
Stock index futures	556,194	-	-	556,194
Interest rate futures	632,568	-	-	632,568
Forward currency contracts	-	10,558,768	-	10,558,768
Forward commodity contracts	-	21,137	-	21,137
Contracts for difference	-	1,762,746	-	1,762,746
Credit default swaps	-	7,365,095	-	7,365,095
Interest rate swaps	-	21,471,068	-	21,471,068
Total derivatives	4,267,760	41,178,814	-	45,446,574
Total financial assets at fair value through profit or loss	91,728,136	41,178,814	-	132,906,950
Financial liabilities at fair value through profit or loss				
<i>Derivatives</i>				
Commodity futures	(2,376,776)	-	-	(2,376,776)
Currency futures	(1,699)	-	-	(1,699)
Stock index futures	(586,825)	-	-	(586,825)
Interest rate futures	(881,485)	-	-	(881,485)
Forward currency contracts	-	(8,098,005)	-	(8,098,005)
Forward commodity contracts	-	(432,064)	-	(432,064)
Contracts for difference	-	(1,381,172)	-	(1,381,172)
Credit default swaps	-	(1,792,469)	-	(1,792,469)
Interest rate swaps	-	(16,999,446)	-	(16,999,446)
Total derivatives	(3,846,785)	(28,703,156)	-	(32,549,941)
Total financial liabilities at fair value through profit or loss	(3,846,785)	(28,703,156)	-	(32,549,941)

4. Financial assets and liabilities at fair value through profit or loss (continued)

Valuation techniques (continued)

Short term balances are excluded from the tables above as their carrying values at the period/year end approximates to their fair values.

Investments are reviewed at each period/year end to ensure that they are correctly classified between Level 1, 2 and 3 in accordance with the fair value hierarchy outlined above. Where an investment's characteristics change during the period and investments no longer meet the criteria of a given level, they are transferred into a more appropriate level at the end of the relevant financial reporting period. For the period/year ended 31 March 2020 and 30 September 2019, there were no transfers between Level 1 and Level 2.

The following table includes a reconciliation of amounts for the period/year ended 31 March 2020 and 30 September 2019 for financial instruments classified within Level 3:

	Derivatives 31 March 2020 US\$	Total 31 March 2020 US\$	Derivatives 30 September 2019 US\$	Total 30 September 2019 US\$
Financial assets and liabilities at fair value through profit or loss				
Opening balance	-	-	(138)	(138)
Total gains and losses				
Realised	(1,345)	(1,345)	(778)	(778)
Unrealised	(44,906)	(44,906)	138	138
Purchases	1,440	1,440	778	778
Sales	(95)	(95)	-	-
Transfers into Level 3	(8)	(8)	-	-
Closing Balance	(44,914)	(44,914)	-	-

All net realised and unrealised gains/(losses) in the tables above are reflected in the accompanying statement of comprehensive income. Net realised and unrealised loss amounts on Level 3 securities held as at 31 March 2020 was US\$46,251 (30 September 2019: US\$640).

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and are categorised within Level 3 at 31 March 2020 and 30 September 2019:

Asset Description	Fair Value as at 31 March 2020	Valuation Technique	Unobservable input	Range
	US\$			
Contracts for difference	1,776	Last trade price	N/A	N/A
Contracts for difference	(46,690)	Mark to equivalent ADR	N/A	N/A
Contracts for difference*	-	Price to broker	N/A	N/A

Asset Description	Fair Value as at 30 September 2019	Valuation Technique	Unobservable input	Range
	US\$			
Contracts for difference*	-	Last trade price	N/A	N/A

*There is one Level 3 holding as at 31 March 2020 and 30 September 2019 with a US\$Nil fair value.

Forward contracts

As part of its portfolio management techniques, the Fund may use forward contracts to economically hedge any non-functional currency exposure (although formal hedge accounting is not used). Forward contracts may also be used for trading purposes. Forward contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity.

Forward contracts may expose the Fund to the risks associated with the absence of an exchange market on which to close out an open position. The Investment Manager closely monitors the Fund's exposure under forward contracts as part of the overall management of the Fund's market risk.

Futures contracts

The Fund is subject to interest rate, stock index and commodity risks in the normal course of pursuing its investment objectives. The Fund may use futures contracts to gain exposure to, or hedge against changes in the value of interest rates, commodities or index. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date. A futures contract is an exchange traded financial instrument and is often cash settled.

Contracts for differences

Contracts for differences represent 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 contracts for differences may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices recorded at the period end date.

4. Financial assets and liabilities at fair value through profit or loss (continued)

Interest rate swaps

An interest rate swap is an agreement between two counterparties in which one stream of future interest payments is exchanged for another based on a specified notional amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating interest rate, or vice versa, to reduce exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would have been possible without the swap.

Credit default swaps

Credit default swaps are contracts in which the Fund pays or receives an interest flow in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection, the maximum potential loss is the value of the interest flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection, the maximum potential loss is the nominal value of the protection sold.

Derivative financial instruments

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

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

Derivative financial instruments are generally based on notional amounts which are not recorded in the financial statements. These notional amounts represent the theoretical principal value on which the cash flows of the derivative transactions are based. Unrealised gain or loss, rather than notional amounts, of traded derivatives traded by the Fund are included in the statement of financial position.

The following table details the movements in notional values of the portfolio since the end of the preceding accounting period:

	Opening US\$	Net Additions/Realisations US\$	Closing US\$
Financial assets at fair value through profit or loss			
Commodity futures	42,010,742	(22,198,317)	19,812,425
Currency futures	21,977,654	(20,368,199)	1,609,455
Stock index futures	95,965,256	(94,973,502)	991,754
Interest rate futures	574,443,480	(235,740,904)	338,702,576
Forward currency contracts	760,554,734	(151,170,728)	609,384,006
Forward commodity contracts	1,790,626	(1,790,626)	-
Contracts for difference	35,540,518	(30,751,199)	4,789,319
Credit default swaps	20,899,500	(5,382,500)	15,517,000
Interest rate swaps	558,278,184	(181,282,699)	376,995,485
Total	2,111,460,694	(743,658,674)	1,367,802,020
Financial liabilities at fair value through profit or loss			
Commodity futures	90,535,972	(31,508,648)	59,027,324
Currency futures	556,334	(556,334)	-
Stock index futures	16,790,261	(2,650,152)	14,140,109
Interest rate futures	93,369,335	(50,485,169)	42,884,166
Forward currency contracts	581,099,126	(48,607,397)	532,491,729
Forward commodity contracts	14,151,752	(14,151,752)	-
Contracts for difference	13,863,042	(7,018,571)	6,844,471
Credit default swaps	213,095,500	(213,095,500)	-
Interest rate swaps	475,700,271	(124,686,777)	351,013,494
Total	1,499,161,593	(492,760,300)	1,006,401,293

5. Offsetting financial assets and financial liabilities

As at 31 March 2020 and 30 September 2019, no financial assets and liabilities of the Fund are being presented net within the statement of financial position. The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement in the event of default as defined under such agreements.

The following table summarises the net financial assets per counterparty as at 31 March 2020:

Offsetting of financial assets, derivative assets and collateral received by counterparty

	(i)	(ii)		(iii)=(i)+(ii)
	Gross assets not offset in the statement of financial position			
Counterparty	Gross amounts of assets in the statement of financial position US\$	Financial instruments US\$	Cash collateral held US\$	Net amount US\$
Credit Suisse AG	3,860,245	(836,305)	(353,097)	2,670,843
Deutsche Bank AG	9,113,362	(6,321,490)	(600,702)	2,191,170
Goldman Sachs	1,895,068	(401,796)	(121,528)	1,371,744
HSBC Bank Plc	13,012,174	(12,019,385)	(930,000)	62,789
JP Morgan Chase Bank N.A.	28,263,407	(20,397,896)	(3,395,249)	4,470,262
Merrill Lynch & Co. Inc.	3,205,863	(895,089)	(382,756)	1,928,018
Morgan Stanley	4,340,969	(1,065,068)	(637,957)	2,637,944
Royal Bank of Scotland Plc	10,050,683	(9,217,057)	-	833,626
The Bank of New York Mellon SA/NV	88,995,810	-	-	88,995,810
Total	162,737,581	(51,154,086)	(6,421,289)	105,162,206

The following table summarises the net financial liabilities per counterparty as at 31 March 2020:

Offsetting of financial liabilities, derivative liabilities and collateral pledged by counterparty

	(i)	(ii)		(iii)=(i)+(ii)
	Gross liabilities not offset in the statement of financial position			
Counterparty	Gross amounts of liabilities in the statement of financial position US\$	Financial instruments US\$	Cash collateral pledged US\$	Net amount US\$
Credit Suisse AG	836,305	-	(836,305)	-
Deutsche Bank AG	6,321,490	(4,152,853)	(2,168,637)	-
Goldman Sachs	401,796	-	(401,796)	-
HSBC Bank Plc	12,019,385	(12,019,385)	-	-
JP Morgan Chase Bank N.A.	20,397,896	(18,777,538)	(1,620,358)	-
Merrill Lynch & Co. Inc.	895,089	(895,089)	-	-
Morgan Stanley	1,065,068	(1,065,068)	-	-
Royal Bank of Scotland Plc	9,217,057	(9,170,186)	(46,871)	-
Total	51,154,086	(46,080,119)	(5,073,967)	-

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Notes to the financial statements (continued)

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5. Offsetting financial assets and financial liabilities

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

Offsetting of financial assets, derivative assets and collateral received by counterparty				
	(i)	(ii)		(iii)=(i)+(ii)
	Gross assets not offset in the statement of financial position			
Counterparty	Gross amounts of assets in the statement of financial position US\$	Financial instruments US\$	Cash collateral held US\$	Net amount US\$
Credit Suisse AG	11,782,950	(2,676,318)	(1,415,233)	7,691,399
Deutsche Bank AG	8,720,728	(4,007,782)	(813,699)	3,899,247
Goldman Sachs	3,456,355	(1,972,576)	(1,483,779)	-
HSBC Bank Plc	8,205,405	(3,984,401)	-	4,221,004
JP Morgan Chase Bank N.A.	33,117,908	(21,807,205)	(3,007,137)	8,303,566
Merrill Lynch & Co. Inc.	5,463,270	(1,546,132)	(26,067)	3,891,071
Morgan Stanley	4,675,600	(992,911)	(470,736)	3,211,953
Royal Bank of Scotland Plc	6,776,594	(2,967,270)	-	3,809,324
The Bank of New York Mellon SA/NV	87,584,339	-	(2,763)	87,581,576
Total	169,783,149	(39,954,595)	(7,219,414)	122,609,140

The following table summarises the net financial liabilities per counterparty as at 30 September 2019:

Offsetting of financial liabilities, derivative liabilities and collateral pledged by counterparty				
	(i)	(ii)		(iii)=(i)+(ii)
	Gross liabilities not offset in the statement of financial position			
Counterparty	Gross amounts of liabilities in the statement of financial position US\$	Financial instruments US\$	Cash collateral pledged US\$	Net amount US\$
Credit Suisse AG	2,676,318	(2,017,532)	(658,786)	-
Deutsche Bank AG	4,007,782	-	(4,007,782)	-
Goldman Sachs	1,972,576	(880,680)	(1,091,896)	-
HSBC Bank Plc	3,984,401	(1,987,677)	(1,996,724)	-
JP Morgan Chase Bank N.A.	21,807,205	(16,622,564)	(5,184,641)	-
Merrill Lynch & Co. Inc.	1,546,132	(1,546,132)	-	-
Morgan Stanley	992,911	(992,911)	-	-
Royal Bank of Scotland Plc	2,967,270	-	(2,967,270)	-
The Bank of New York Mellon SA/NV	2,763	-	-	2,763
Total	39,957,358	(24,047,496)	(15,907,099)	2,763

As at 31 March 2020 the amount of collateral cash pledged is US\$6,861,806 (30 September 2019: US\$17,327,922) and amount of collateral received was US\$6,421,289 (30 September 2019: US\$7,329,044).

6. Financial risk management

The risks of the Fund are consistent with those set out in the audited financial statements for the year ended 30 September 2019 and those detailed within the Offering Memorandum.

Man AHL Diversified Futures Ltd

Notes to the financial statements (continued)

For the period ended 31 March 2020



7. Net gain on financial assets and liabilities at fair value through profit or loss

	31 March 2020 Fair Value US\$	31 March 2019 Fair Value US\$
Realised and unrealised loss on foreign currency		
Net realised loss on foreign currency	(33,541)	(276,799)
Change in net unrealised (loss)/gain on foreign currency	(103,116)	3,809
Net loss on foreign currency	(136,657)	(272,990)
Net realised gain on investments	619,541	817,084
Net realised loss on contracts for difference	(1,757,293)	(882,806)
Net realised loss on forward commodity contracts	(167,948)	(548,712)
Net realised loss on forward currency contracts	(3,566,317)	(1,936,592)
Net realised gain on commodity futures	5,885,751	413,244
Net realised (loss)/gain on currency futures	(253,158)	65,393
Net realised gain on interest rate futures	1,376,800	7,724,850
Net realised gain/(loss) on stock index futures	439,385	(2,502,473)
Net realised loss on credit default swaps	(1,353,040)	(995,439)
Net realised gain on interest rate swaps	1,997,331	520,529
Total net realised gain	3,221,052	2,675,078
Change in net unrealised gain on investments	108,180	182,643
Change in net unrealised gain/(loss) on contracts for difference	399,184	(75,902)
Change in net unrealised gain on forward commodity contracts	410,928	119,719
Change in net unrealised gain on forward currency contracts	714,147	2,519
Change in net unrealised gain/(loss) on commodity futures	1,957,778	(1,870,676)
Change in net unrealised (loss)/gain on currency futures	(265,544)	153,170
Change in net unrealised gain on interest rate futures	1,718,565	5,867,799
Change in net unrealised loss on stock index futures	(173,757)	(261,167)
Change in net unrealised loss on credit default swaps	(110,716)	(131,495)
Change in net unrealised (loss)/gain on interest rate swaps	(1,639,247)	4,537,647
Total net movement in unrealised gain	3,119,518	8,524,257
Net gain on financial assets and liabilities at fair value through profit or loss	6,340,570	11,199,335

8. Fees and expenses

Management and incentive fees

The Investment Manager is entitled to a management fee of 3% per annum of the Net Asset Value of the Fund (the 'Management Fee') accrued daily and calculated on the aggregate Net Asset Value at the immediately preceding valuation day. The Management Fee is payable monthly in arrears by the Fund.

Incentive fees are calculated and accrued daily at each valuation day and payable annually in arrears at the rate of 20% of any net appreciation (after deduction of the management fee but prior to deduction of the incentive fee) in the Net Asset Value per Redeemable Participating Share on the last valuation day in the relevant financial year of the Fund above any previous highest Net Asset Value per Redeemable Participating Share on any preceding dealing day on which an incentive fee had previously been paid, multiplied by the number of Redeemable Participating Shares outstanding on the valuation day in respect of which the incentive fee is calculated.

Where an investor redeems Redeemable Participating Shares part way through a financial year, the incentive fee accrued in respect of those Redeemable Participating Shares is crystallised and paid at the end of the year.

Management and incentive fees payable in respect of the AHL Diversified Programme are paid to Man Investments AG in consideration for marketing advisory and investment management services.

Services management fees

The Fund pays the Services Manager in respect of shareholder services an annual fixed fee of US\$1,000 plus an annual variable fee accruing at each valuation day and payable quarterly as per a sliding scale based on the number of investors as follows:

Up to 100 investors	US\$10,000
101 to 200 investors	US\$13,000
201 to 400 investors	US\$16,000
401 to 600 investors	US\$19,000

8. Fees and expenses (continued)

Services management fees (continued)

When there are more than 600 investors, the annual variable fees are increased by increments of US\$3,000 for every additional 200 investors. The Services Manager is also paid by the Fund an annual fee of 0.05% of the Net Asset Value. In addition, a fee of US\$27 is paid in arrears by the Fund in respect of outward payments to Shareholders.

In respect of valuation services, the Fund pays the Services Manager a fee of 0.23% per annum of the Net Asset Value accrued daily and paid monthly in arrears. The valuation fees payable are subject to a minimum of US\$25,000 per annum.

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

Company secretary fees

The company secretary fees are charged by SS&C Fund Services (Bermuda), Ltd., at an annual fixed fee of US\$5,000 payable quarterly in arrears. Company secretary fees are included in other expenses in the statement of comprehensive income.

Introducing broker fees

Introducing broker fees, excluding institutional charges, are calculated at a rate of 1% per annum of the NAV as determined on each valuation day, were paid to the Introducing Broker.

Transaction and brokerage costs

Transaction and brokerage costs consist entirely of institutional charges for the period ended 31 March 2020 and 31 March 2019 which cover exchange and other third party costs, that are payable to brokers.

Hong Kong representative fees

The Hong Kong representative is paid a fee, calculated monthly at an amount of up to US\$5,000 per annum.

Custodian fees

The Bank of New York Mellon SA/NV (formerly BNY Mellon Trust Company (Ireland) Limited) (the "Custodian") has been appointed as custodian to the Fund. The Custodian will be paid by the Fund a fee accruing at each valuation day and payable monthly at a rate of up to 0.025% per annum of the Net Asset Value subject to a minimum annual fee of US\$35,000. In addition the Custodian is entitled to be reimbursed for all out-of-pocket expenses properly incurred by it in the performance of its duties. The Fund will be responsible for the fees and expenses of any sub-custodians appointed by the Custodian.

Directors' fees

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

Other expenses

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

9. Related party transactions

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

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

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

Man Investments (Hong Kong) Limited is a related party and the Hong Kong Representative of the Fund.

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

9. Related party transactions (continued)

Conyers Dill & Pearman, the Fund's legal adviser, is a related party as Dawn Griffiths is a Director of the Fund and a partner of the law firm.

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

As at 31 March 2020 and 31 March 2019, none of the redeemable participating shares were owned by entities affiliated to Man Group plc.

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

For the period ended 31 March 2020

Related party	Type of fee	Total fees	Fees payable
		US\$	at 31 March 2020 US\$
Conyers Dill & Pearman Limited	Legal fees*	30,444	-
Directors	Directors' fees	6,017	2,978
AHL Partners LLP	Introducing broker fees	726,847	123,441
Man Investments AG	Management fees	2,180,541	370,323
Man Investments AG	Incentive fees	856,846	856,846
Man Investments (Hong Kong) Limited	Hong Kong representative fees	2,506	2,506
Man Investments AG	Services management fees	167,175	28,391

For the period ended 31 March 2019

Related party	Type of fee	Total fees	Fees payable
		US\$	at 31 March 2019 US\$
Conyers Dill & Pearman Limited	Legal fees*	8,703	-
Directors	Directors' fees	5,984	2,894
AHL Partners LLP	Introducing broker fees	747,969	119,370
Man Investments AG	Management fees	2,243,907	358,111
Man Investments (Hong Kong) Limited	Hong Kong representative fees	2,493	17,466
Man Investments AG	Services Manager fees	172,033	27,455

* Legal fees are included within legal and other professional fees in the statement of comprehensive income.

The above amounts are payable on demand and do not bear interest.

10. Share capital

The Fund has an authorised share capital of US\$762,000 divided into 12,000 Management Shares of par value US\$1 each and 75,000,000 Redeemable Participating Shares of par value US\$0.01 each. The 75,000,000 Redeemable Participating Shares of par value US\$0.01 carry 100% of the voting rights. The Management Shares do not carry voting rights for as long as there are shares of any other class in issue.

Management Shares of the Fund

The Management Shares are beneficially owned by Master Multi-Product Holdings Ltd, which is itself owned by Conyers Trust Company (Bermuda) Limited as trustee of the Master Multi-Product Purpose Trust, a special purpose trust formed under the laws of Bermuda pursuant to a deed of trust made by Conyeres Trust Company (Bermuda) Limited (therein named Codan Trust Company Limited). As at 31 March 2020, these shares remained uncalled and no amounts were paid or payable to the Fund.

The holders of Management Shares are not entitled to any dividend whatsoever in respect of their Management shares. In the event of a winding up or dissolution of the Fund, the holders of Management Shares are entitled to an amount equal to the par value. The Management Shares have been issued but not called. No amount is recognised until the Management Shares are called.

Redeemable Participating Shares of the Fund

The Redeemable Participating Shares of the Fund are divided into two tranches: Tranche A and Tranche B. The Fund is offering only Participating Tranche A Shares to investors at the Subscription Price from (and including) 4 September 2012. The Directors have resolved that all Redeemable Participating Shares issued by the Fund prior to 4 September 2012 shall be converted to Tranche B Shares on 4 September 2012. Redeemable Participating Shareholders wishing to purchase additional Redeemable Participating Shares from 4 September 2012 onwards must subscribe for Participating Tranche A Shares (the Directors may decide otherwise from time to time).

10. Share capital (continued)

Redeemable Participating Shares of the Fund (continued)

Redeemable Participating Shares are redeemable, and written notices to redeem Redeemable Participating Shares should be received by the Administrator or BNYM (Hong Kong) by fax or by any other form of electronic communication agreed in advance with the Administrator, at the contact address referred to in the 'Names and addresses' section of the Offering Memorandum not later than 17:00 pm (Hong Kong time) one Business Day prior to the Dealing Day on which the redemption is to take place, except in the event that the calculation of the Net Asset Value per Redeemable Participating Share has been suspended.

Share transactions in Redeemable Participating Shares for the period ended 31 March 2020 and 31 March 2019 were as follows:

	31 March 2020	31 March 2019
Opening Redeemable Participating Shares	3,528,713	4,256,933
Issued Redeemable Participating Shares	48,814	74,136
Redeemed Redeemable Participating Shares	(435,926)	(373,106)
Closing Redeemable Participating Shares	<u>3,141,601</u>	<u>3,957,963</u>

Redemption fees

In case Tranche B Redeemable Participating Shares are redeemed before they have been in issue for the periods shown below, the current Net Asset Value per Redeemable Participating Share redeemed will be paid by the Fund to the Redeemable Participating Shareholder after deduction of a fee for early redemption, which will, in turn be paid to the Introducing Broker primarily to compensate it for the costs of marketing the Redeemable Participating Shares, as follows:

Tranche B

Redeemable Participating Shares redeemed on a Dealing Day before they have been in issue for:

2 years	Fee for early redemption:
4 years	4.0 % of redemption price per Redeemable Participating Share
6 year	2.5 % of redemption price per Redeemable Participating Share
	1.0 % of redemption price per Redeemable Participating Share

There will be no redemption fee applied on Tranche B Redeemable Participating Shares which are redeemed after they have been in issue for six years. No redemption fees will be applied for redemptions of Tranche A Redeemable Participating Shares.

Total redemption/winding up

All of the Shares may be redeemed by the Fund if:

- the holders of not less than 75% in value of the issued Redeemable Participating Shares of the Fund carrying voting rights at general meetings of the Fund approve of the redemption at a general meeting; or
- at any time, the aggregate of the Net Asset Value per Share of all Redeemable Participating Shares in issue on each of three successive Valuation days is less than US\$3,000,000; or
- the Custodian has served notice of its intention to retire under the terms of the custodian agreement and no new custodian has been formally approved and appointed within six months of the date of service of such notice.

On a winding up of the Fund the assets available for distribution (after satisfaction of creditors) shall be distributed to the holders of the Redeemable Participating Shares *pari passu* to the extent of their nominal value and thereafter all surplus assets shall be distributed to the holders of the Redeemable Participating Shares in proportion to the number of Redeemable Participating Shares held.

Capital management

The Fund's objectives for managing capital are:

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

11. Reconciliation of valuation to net asset value

There is a difference between the NAV as per the financial statements and the NAV for subscription and redemption purposes (the “published NAV”).

Management has determined that an uncertain tax exposure exists for the period ended 31 March 2020 in line with IFRIC Interpretation 23 as described in Note 2.

A reconciliation of the NAV as per the financial statements and the published NAV is as follows:

31 March 2020	US\$
Published net asset value with a net asset value per share of US\$45.31	142,334,381
Capital gains tax payable	(576,464)
Net asset value per financial statements	141,757,917
Redeemable Participating Shares	3,141,601
Net asset value per Share per financial statements	45.12

12. Contingent liabilities and commitments

There were no contingent liabilities or commitments other than those already disclosed in these financial statements as at 31 March 2020 (30 September 2019: None).

13. Soft commission arrangements

There were no soft commission arrangements in place during the period (30 September 2019: none).

14. Subsequent events

The Directors and the Investment Manager acknowledge the current outbreak of COVID-19 which is causing economic disruption in most countries and its potentially adverse economic impact on the issuers of the instruments in which the Fund invests. This is an additional risk factor which could impact the operations and valuation of the Fund’s assets after the period end.

The Investment Manager is actively monitoring developments closely. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Fund.

Subsequent to their assessment at the end of the reporting period and up to the date of sign off, the Directors and the Investment Manager have concluded that the developments in global financial markets due to Covid-19 do not result in adjustments required to these financial statements.

There have been no subsequent events after the period end that impact the Fund and require disclosure in the financial statements.