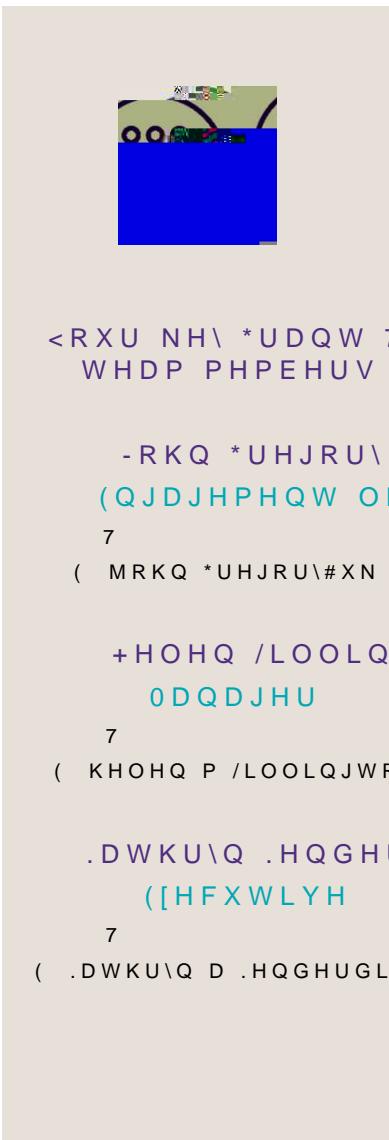


\$QQXDO \$XGLW /HWWHU
<HDU HQGLQJ ODUFK

:RUFHVWHUVKLUH &RXQW\ &RXQFLO
\$XJXVW

& R Q W H Q W V



6HFWLRQ

([HFXWLYH 6XPPDU\
\$XGLW RI WKH \$FFRXQWV
9DOXH IRU ORQH\ FRQFOXVLRQ

3DJH

\$SSHQGLFHV
<RXU NH\ *UDQW 7KRUQWRQ
WHDP PHPEHUV DUH \$ 5HSRUWV LVVXHG DQG IHHV
% 5HFRPPHQGDWLQRQV

-RKQ *UHJRU\

(QJDJHPHQW OHDG

7

(MRKQ *UHJRU\#XN JW FRP

+HOHQ /LOOLQJWRQ

0DQDJHU

7

(KHOHQ P /LOOLQJWRQ#XN JW FRP

.DWKU\Q .HQGHUGLQH

([HFXWLYH

7

(.DWKU\Q D .HQGHUGLQH#XN JW FRP

([HFXWLYH 6XPPDU\

3XUSRVH

5HVSHFWLYH UHVSQRQVLELOLWLHV
2XU \$QQXDO \$XGLW /HWWHU /HWWHU VXPPDULVHV WKH NH\ ILQGLQJV DULVLQJ IURP WKH ZRUN
WKDW ZH KDYH FDUULHG RXW DW :RUFHVWHUVKLUH &RXQW\ &RXQFLO WKH &RXQFLO IRU WKH \HDU
HQGHG 0DUFK

7KLV /HWWHU LV LQWHQGHG WR SURYLGH D FRPPHQWDU\ RQ WKH UHVXOWV RI RXU ZRUN WR WKH
&RXQFLO DQG H[WHUQDO VWDNHKROGHUV DQG WR KLJKOLJKW LVVXHV WKDW ZH ZLVK WR GUDZ WR WKH
DWWHQWLRQ RI WKH SXEOLF ,Q SUHSDULQJ WKLV /HWWHU ZH KDYH IROORZHG WKH 1DWLRQDO \$XGLW
2IILFH 1\$2 V &RGH RI \$XGLW 3UDFWLFH DQG \$XGLWRU *XLGDQFH 1RWH \$*1 ±
\$XGLWRU 5HSRUWLQJ :H UHSRUWHG WKH GHWDLOHG ILQGLQJV IURP RXU DXGLW ZRUN WR WKH
&RXQFLO V \$XGLW DQG *RYHUQDQFH &RPPLWWHH DV WKRVH FKDUJHG ZLWK JRYHUQDQFH LQ RXU
\$XGLW)LQGLQJV 5HSRUW RQ -XO\

([HFXWLYH 6XPPDU\

9DOXH IRU ORQH\ DUUD QH ZPHUHGWWDWLVLHG WKDW WKH &RXQFLO SXW LQ SODFH SURSHU DUUDQJHPHQWV WR H[FHSW IRU WKH PDWWHUV ZH LGHQWLILHG LQ UHVSHFW RI &KLOGUHQ\ V 6HUYL FH D LQ RXU DXGLW UHSRUW WR WKH &RXQFLO RQ -XO\

&HUWLILFDWH :H FHUWLI\ WKDW ZH KDYH FRPSOHWHG WKH DXGLW RI WKH DFFRXQWV RI :RUFHVWHU

:RUNLQJ ZLWK WKH &RXQFLO

'XULQJ WKH \HDU ZH KDYH GHOLYHUG D QXPEHU RI VXFFHVVIXO RXWFRPHV ZLWK \RX

‡ \$Q DXGLW GHOLYHUG E\ WKH VWDWXWRU\ GHDGOLQH ± ZH GHOLYHUG WKH DXGLW E\ ZRUNLQJ KDUG LQ SDUWQHUVKLS ZLWK \RXU WHDP WR WDFNOH WKH LVVXHV LGHQWLILHG SDUWLFXODUO\ WKRVH DULVLQJ IURP WKH LPSOHPHQWDWLRQ RI WKH QHZ ILQDQFLDO V\VWHP

‡ ,PSURYHG ILQDQFLDO SURFHVVHV ± ZH ZRUNHG ZLWK \RX WR LGHQWL\ DUHDV ZKHUH SURFHVVHV FRXOG EH LPSURYHG IRU IXWXUH \HUV LQ SDUWLFXODU WKH QHFVVVDU\ UHSRUWLQJ IURP WKH ILQDQFLDO V\VWHP DQG WKH ZRUNLQJ SDSHUV QHHGHG WR VXSSRUW UHYDOXDWRQV

‡ 6KDULQJ RXU LQVLJKW ± ZH UHJXODUO\ DWWHQGHG \$XGLW DQG *RYHUQDQFH &RPPLWWHH DQG VKDUHG RXU H[SHULHQFHV :H DOVR VKDUHG RXU WKRXJKW OHDGHUVKLS UHSRUWV LQFOXGLQJ WKRVH RQ VHWLQJ XS ORFDO DXWKRULW\ FRPSDQLHV

:H ZRXOG OLNH WR UHFRUG RXU DSSUHFLDWLRQ IRU WKH DVVLVWDQFH DQG FR RSHUDWLRQ SURYLGHG WR XV GXULQJ RXU DXGLW E\ WKH &RXQFLO V VWDII

*UDQW 7KRUQWRQ 8. //3
\$XJXVW

\$XGLW RI WKH \$FFRXQWV

\$XGLW RI WKH \$FFRXQWV

6LJQLILFDQW \$XGLW 5LVNV FRQWLQXHG

5LVNV LGHQWLILHG LQ RXU DXGLW SODQ	+RZ ZH UHVSQRQGHG WR WKH ULVN	
9DOXDWRQ RI SHQVLRQ \$XQSDQHWWRD RXEULDRWN LQ WKLV DUHD ZH KDYH 7KH &RXQFLO V SHQVLRQ IXQG PDWVHW DQG OLDELOLW\ DV UHIOHFWHG IXQG PDWVHW DQG UHSUHVHQW D VLJQLILFDQW PDWVHW DQG ILQDQFLDO VWDWHPHQWV :H LGHQWLILHG WKH YDOXDWH YLHZHG WKH FRPSHWHQFH H[SHUWLHV DQG REMHFWLYLW\ RI WKH DFWXDU\ ZKR SHQVLRQ IXQG QHW OLDELOLW\ WKH &RXQFLO V SHQVLRQ IXQG YDOXDWRQ UHTXLULQJ VSHFLDO DXGJW DFRQHGRQVWDQGLQJ RI WKH EDVLV RQ ZKLFK WKH ,\$6 YDOXDWRQ ZDV F RXW XQGHUWDNLQJ SURFHGXUHV WR FRQILUP WKH UHDVRQDEOHQHV RI WKH DFW DVVXPSSLRQV PDGH DQG y UHYLHZHG WKH FRQVLVWHQF\ RI WKH SHQVLRQ IXQG QHW OLDELOLW\ GLVFORVXUHV WKH ILQDQFLDO VWDWHPHQWV ZLWK WKH DFWXDULDO UHSRUW IURP \RXU DFWXDU\	2XU ZRUN GLG QRW LGHQWLILQ\ DQ\ L PDQDJPHPHQW WR HQVXUH WKDW WK PLVVWDWHG DQG DVVHVvhg ZKHWKHU V PLWLJDWH WKH ULVN RI PDWHULDQ PLVVWDWHPHQW H[SHFWHG DQG ZKHWKHU WKH\ ZHUH VXIILFLHQ WKRQDQFLDO VWDWHPHQWV RI WKH DFWXDU\ ZKR ZDV F RI WKH DFW VXUHV WKH ILQDQFLDO VWDWHPHQWV ZLWK WKH DFWXDULDO UHSRUW IURP \RXU DFWXDU\	
1HZ)LQDQFLDO 6\VWHP ,PSOHPHQWDWLRQ 7KH &RXQFLO LQWURGXFWHG V\VVWHP YLD DQ RXWVRXUFHG /LEHUDWD LQ \\$SULO WR WKH &RXQFLO IRU SURGXFWHG DQG WLPHO\ ILQDQFLDO UHSRUW SURGXFWLRQ RI WKH ILQDQFLDO :H LGHQWLILHG WKH LPSOHPHQWDWLRQ QHZ ILQDQFLDO V\VVWHP DV DULVN VSHFLDO DXGLW FRQVLGHUDWLRQ	\$V SDUW RI RXU ZRUN LQ WKLV DUHD ZH KDYH Y UHYLHZHG WKH SURMHFW SODQ IRU WKH V\VVWHP SUREOHPV ZLWK WKH LPSOHPHQWDWLRQ DQG KRZ V\VVWHP YLD DQ RXWVRXUFHG FRQWUDFW ZLWK /LEHUDWD LQ \\$SULO Y7KFRPSQRVWHG WLRQV WR WKH &RXQFLO IRU SURGXFWHG DQG WLPHO\ ILQDQFLDO UHSRUW SURGXFWLRQ RI WKH ILQDQFLDO :H LGHQWLILHG WKH LPSOHPHQWDWLRQ QHZ ILQDQFLDO V\VVWHP DV DULVN VSHFLDO DXGLW FRQVLGHUDWLRQ	7KH LPSOHPHQWDWLRQ RI WKH QHZ SUPHSUHVHQW WKH ILQDQFLDO LQ WHUPV RI SUHSUHVHQWDWLRQ RI WKH 7KHUH KDYH EHHQ SUREOHPV H[SHUHV VXUHV WR WKH QGDWLRQ DV KDV FRRHQ MO BRSX IGAOQFLQ WKH PRPSOHPHQW GRQ JWRKSH GXULQJ WKH HDUO\ SDUW RI WKH UHMRDQFLDQH ZLWUNQQ JWRD A\QVXUZH WKH HUUURUV LQ UHODWLRQ WR RSHOLQJ ILQDQFLDO UHSRUW LQ DQG WKH PH LPSDFW RQ WKH DXGLW LV WKH UHS ILQDQFH V\VVWHP 2IILFHUV KDYH IF SURGXFH GHWDLOHG WUDQVDFWLRQ ZLWKLQ WKH DFFRXQWV ZKLFK LQ I KDV UHVXOWHG LQ WKH DXGLW WHD WUDQVDFWLRQV

\$XGLW RI WKH \$FFRXQWV

\$XGLW RSLQLRQ

:H JDYH DQ XQTXDOLILHG RSLQLRQ RQ WKH &RXQFLO V ILQDQFLDO VWDWHPHQWV RQ -XO\
LQ OLQH ZLWK WKH QDWLRQDO GHDGOLQH

3UHSDUDWLRQ RI WKH DFFRXQWV

7KH &RXQFLO SUHVHQWHG XV ZLWK GUDIW DFFRXQWV LQ DFFRUGDQFH ZLWK WKH QDWLRQDO
GHDGOLQH DQG SURYLGHG ZRUNLQJ SDSHUV WR VXSSRUW WKHP 7KH ILQDQFH WHDP UHVSRRQGHG
WR RXU TXHULHV GXULQJ WKH FRXUVH RI WKH DXGLW

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SURFHVV LW KDV SUHVHQWHG VLJQLILFDQW FKDOOHQJHV WR ERWK WKH ILQDQFH WHDP DQG WKH
DXGLW WHDP ,Q SUHYLRXV \HDUV ILQDQFH RIILFHUV ZHUH DEOH WR UXQ GHWDLOHG WUDQVDFWLRQ
OLVWLQJV GLUHFWO\ IURP WKH OHGJHU 7KLV HQDEOHG PHPEHUV RI WKH ILQDQFH WHDP WR KDYH D
FOHDU XQGHUVWDQGLQJ RI WKH WUDQVDFWLRQV LQ HDFK EDODQFH DQG IRU WKH DXGLW WHDP WR WHVW

9DOXH IRU ORQH\ FRQFOXVLRQ

9DOXH IRU ORQH\ FRQFOXVLRQ

.H\ 9DOXH IRU ORQH\ 5LVNV

5LVNV LGHQWLILHG LQ RXU DXGLW SODQ	+RZ ZH UHVSQRQGHG WR WKH ULVN	
&KLOGUHQ\ 6HUYLHV ‡ &KLOGUHQ\ V VHUYLFHV ZD 2IVWHG DV LQDGHTXDWH D UHFHQW LQVSHFWLRQ LQ - WR WKH UHSRUW DQG WKH LQFOXGLQJ WKH SODQV IRU 'HOLYHU\ ORGHO	# 7KH &RXQFLO KDYH FRQWLQXHG WR ZRUN KDUG WR LPSOKRQHQ W KMK&RQWKLQJDFHLVLP D JHHHG ZLWK 2IVWHG 'XULQJ WKH SHULRG XQGHU UHYHQ WKKH UDUDYK 2IVWHG DV LQDGHTXDWH D UHFHQW LQVSHFWLRQ LQ - FKLOGUHQ DQG \RXQJ SHRSOH ‡ :H ZLOO UHYLHZ WKH &RXQFLO\ V UHVSQRQVH WR WKH UHSRUW DQG WKH SURJU&RXQFLO\ &RXQFLO ZHUH DSSRLQWHG DV DQ LPSURYHPHQW LQFOXGLQJ WKH SODQV IRU DQG SOWHUVQDWLYH KDYH XQGHUWDNHQ D QXPEHU RI GLDJQRVWL 'HOLYHU\ ORGHO)HEUXDU\ UHFRJQLVHG WKH KDUG ZRUN WKDW WKH &RXQFLO KDG XQGHUWDNH FRPPLWPHHQW IURP DOO OHYHOV ,W DOVR ZHQW RQ WR KLJKOLJKW WKDW WKHUH QXPEHU RI DUHDV ZKHUH LPSURYHPHQW LV QHHGHG ‡ 2Q 6HSWHPEHU WKH &RXQFLO ZHUH LVVXHG ZLWK D GLUHFWLRQ ZKLFK UHT GHYHORS DQ RSWLRQV DQDO\VLV IRU DOWHUQDWLYH PRGHOV IRU SURYLVLRQ RI ROORZLQJ D IXOO EXVLQHVV FDVH WKH &RXQFLO KDYH DSSURYHG WKH LPSOHPH RZQHG &RXQFLO &RPSDQ\ IRU WKH SURYLVLRQ RI &KLOGUHQ\ V VHUYLFHV ZLWK D GDWH RI \$SULO ‡ ,Q DGGLWLRQ WR WKH 2IVWHG YLVLWV IRU &KLOGUHQ\ 6HUYLHV WKH &RXQFLO LQVSHFWLRQ YLVLW GXULQJ ODUFK LQ UHODWLRQ WR 6SHFLDO (GXFDWLRQDO 6(1' 7KH RXWFRPH RI WKH LQVSHFWLRQ ZDV WR UHTXLUGH D ZULWWHQ VWDWHPI EHFDXVH RI VLJQLILFDQW DUHDV RI ZHDNQHVV LQ WKH ORFDO DUHD\ SUDFWLFH ZRUNLQJ ZLWK 1+6 :RUFHVWHUVKLUH &OLQLFDO &RPPLVVLQLQJ *URXSV WR SURG DFWLRQ SODQ WR 2IVWHG WKDW GHWDLOV KRZ WKH\ DUH JRLQJ WR LPSURYH WKH DGGUHVV WKH ZHDNQHVHV LGHQWLILHG	6HUYLHV DQG WKHUHIRU LVVXHG DQ HUFLHSW WR WKHU SDUWQHU WR WKHU YVXHG DQ HUFLHSW WR WKHU LQFOXGLQJ WKH SODQV IRU DQG SOWHUVQDWLYH KDYH XQGHUWDNHQ D QXPEHU RI GLDJQRVWL YLVLWV 7KHL)HEUXDU\ UHFRJQLVHG WKH KDUG ZRUN WKDW WKH &RXQFLO KDG XQGHUWDNH FRPPLWPHHQW IURP DOO OHYHOV ,W DOVR ZHQW RQ WR KLJKOLJKW WKDW WKHUH QXPEHU RI DUHDV ZKHUH LPSURYHPHQW LV QHHGHG ‡ 2Q 6HSWHPEHU WKH &RXQFLO ZHUH LVVXHG ZLWK D GLUHFWLRQ ZKLFK UHT GHYHORS DQ RSWLRQV DQDO\VLV IRU DOWHUQDWLYH PRGHOV IRU SURYLVLRQ RI ROORZLQJ D IXOO EXVLQHVV FDVH WKH &RXQFLO KDYH DSSURYHG WKH LPSOHPH RZQHG &RXQFLO &RPSDQ\ IRU WKH SURYLVLRQ RI &KLOGUHQ\ V VHUYLFHV ZLWK D GDWH RI \$SULO ‡ ,Q DGGLWLRQ WR WKH 2IVWHG YLVLWV IRU &KLOGUHQ\ 6HUYLHV WKH &RXQFLO LQVSHFWLRQ YLVLW GXULQJ ODUFK LQ UHODWLRQ WR 6SHFLDO (GXFDWLRQDO 6(1' 7KH RXWFRPH RI WKH LQVSHFWLRQ ZDV WR UHTXLUGH D ZULWWHQ VWDWHPI EHFDXVH RI VLJQLILFDQW DUHDV RI ZHDNQHVV LQ WKH ORFDO DUHD\ SUDFWLFH ZRUNLQJ ZLWK 1+6 :RUFHVWHUVKLUH &OLQLFDO &RPPLVVLQLQJ *URXSV WR SURG DFWLRQ SODQ WR 2IVWHG WKDW GHWDLOV KRZ WKH\ DUH JRLQJ WR LPSURYH WKH DGGUHVV WKH ZHDNQHVHV LGHQWLILHG

‘

*UDQW 7KRUQWRQ 8. //3 _ \$QQXDO \$XGLW /HWWHU _ \$XJXVW

9DOXH IRU ORQH\ FRQFOXVLRQ FRQWLQXH

\$ 5HSRUWV LVVXHG DQG IHHV

:H FRQILUP EHORZ RXU ILQDO UHSRUWV LVVXHG DQG IHHV FKDUJHG IRU WKH DXGLW DQG SURYLVLRQ RI QRQ

5HSRUWV LVVXHG

5HSRUW	'DWH LVVXHG
\$XGLW 3ODQ	ODUFK
\$XGLW)LQGLQJV 5HSRUW	-XO\
\$QQXDO \$XGLW /HWWHU	\$XJXVW

)HHV

3ODQQ\$FQWXDO IHHV IHHV
...
6WDWXWRU\ &RXQFLO DXGLW
\$XGLW RI 3HQVLRQ)XQG
,\$6 \$VVXUDQFH WR RWKHU DXGLWRUV
7RWDO IHHV

7KH IHH YDULDWLRQ IRU ,\$6 WDNHV DFFRXQW RI WKH ZRUN DV D UHVXOW RI WKH FKDOOHQJHV RI WKH QHZ ILQDQFLDO VWDWPHQW DQG ZRUNLQJ SDSHUV DUH SURYLGHG DW WKH DJUHHG GDWH LQ DFFRUGDQFH ZLWK WKH DJUHHG XSRQ LQIRUPDWLRQ UHTXLUGH OLVW \$V SUHYLRXVO\ KLJKOLJKWHG ZH KDYH QHHGHG WR XQGHUWDNH DGGGLWLRQDO ZRUN DV D UHVXOW RI WKH FKDOOHQJHV RI WKH UHSRUWLQJ IURP WKH QHZ ILQDQFLDO V\WVHGP DQG DV D UHVXOW RI WKH TXDOLW\ RI WKH ZRUNLQJ SDSHUV LQLWLDOO\ SURYLGHG :H KDYH DOVR HQFRXQWHUHG VLJQLILFDQW LVVXHV ZLWK WKH YDOXDWLRQV RI SURSHUW\ SODQW DQG HTXLSPHQW ZKLFK KDV UHVXOWHG LQ DGGGLWLRQDO WLPH QHHGHG WR FRPSOHWH WKH DXGLW :H KDYH GLVFXVVHG DQ DGGGLWLRQDO IHH ZLWK WKH &KLHI)LQDQFH 2IILFHU DQG WKLV KDV EHHQ LQFOXGHG ZLWKLQ WKH DFWXDO IHHV FROXPQ DERYH 7KLV LV VXEMHFW WR DJUHHPHQW IURP 36\$\$

)HHV IRU QRQ DXGLW VHUYLFHV

6HUYLFH)HHV ...
\$XGLW UHODWHG VHUYLFHV 73\$ FHUWLILFDWLRQ	
1RQ \$XGLW UHODWHG VHUYLFHV &)2 LQVLJKWV VXEVFULSWLRQ	

1RQ DXGLW VHUYLFHV

‡)RU WKH SXUSRVHV RI RXU DXGLW ZH KDYH PDGH 8. //3 WHDPV SURYLGQJ VHUYLFHV WR WKH &RXQF VXPPDULVHV DOO QRQ DXGLW VHUYLFHV ZKLFK ZH

‡ :H KDYH FRQVLGHUHG ZKHWKHU QRQ DXGLW VHUY WKUHDW WR RXU LQGHSHQGHQFH DV WKH &RXQFLC DSSURSULDWH VDIHJXDUGV DUH SXW LQ SODFH

ZKH DERYH QRO DXGLW VHUYLFHV DUH FROVLVWHQW DOORWPHQW RI QRQ DXGLW ZRUN WR \RXU DXGLWRU

% \$FWLRQ SODQ

:H KDYH LGHQWLILHG IRXU UHFRPPHQGDWLRQV IRU WKH &RXQFLO DV D UHVXOW RI LVVXHV LGHQWLILHG GXULQZLOO UHSRUW RQ SURJUHVW RQ WKHVH UHFRPPHQGDWLRQV GXULQJ WKH FRXUVH RI WKH DXGLW 7KH PDWFRXUVH RI RXU DXGLW DQG WKDW ZH KDYH FRQFOXGHG DUH RI VXIILFLHQW LPSRUWDQFH WR PHULW EHLQJ UHS\$VVHVVPHQW ,VVXH DQG ULVN

5HFRPPHQGDWLRQV

Z 7KH UHSRUWLQJ RXWSXW IURP WKH QHZ ILQDQFLDO V\VWHP VKRXOG



JUDQWWKRUQWRQ FR XN

*UDQW 7KRUQWRQ 8. //3 \$O O ULJKWV UHVHUYHG
µ*UDQW 7KRUQWRQ ¶ UHIHUV WR WKH EUDQG XQGHU ZKLFK WKH *UDQW 7KRUQWRQ PHPEHU ILUPV SURYLGH DV
ILUPV DV WKH FRQWH[W UHTXLUHV
*UDQW 7KRUQWRQ 8. //3 LV D PHPEHU ILUP RI *UDQW 7KRUQWRQ ,QWHUQDWLRQDO /WG *7,/ *7,/ DQG WKH PH
VHSUDUDWH OHJDO HQWLW\ GHUYLHFHV DUH GHOLYHUGH E\ WKH PHPEHU ILUPV *7,/ GRHV QRW SURYLGH VHUYL
DQRWKHU DQG DUH QRW OLDEOH IRU RQH DQRWKHU ¶V DFWV RU RPLVVLRQV