



**INSINGER DE BEAUFORT**  
BNP PARIBAS WEALTH MANAGEMENT

# ABSOLUTE RETURN STRATEGY SICAV (Société d'Investissement à Capital Variable)

## Annual Report and Audited Financial Statements as at December 31, 2014

R.C.S. Luxembourg : B-90.086



## Table of Contents

	<b>Page</b>
<b>Management, Administration and Independent Auditor</b>	<b>3</b>
<b>General Information</b>	<b>4</b>
<b>Market Synopsis</b>	<b>6</b>
<b>Review of the Sub-Fund</b>	<b>7</b>
<b>Audit Report</b>	<b>9</b>
<b>Statement of Net Assets</b>	<b>10</b>
<b>Statement of Operations and Changes in Net Assets</b>	<b>11</b>
<b>Changes in the Number of Shares</b>	<b>12</b>
<b>Statistics</b>	<b>12</b>
<b>Schedule of Investments</b>	
<b>Multi Manager Hedge</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>15</b>



## Management, Administration and Independent Auditor

### **CHAIRMAN**

Mr Peter George SIERADZKI  
Director  
Bank Insinger de Beaufort N.V.  
Amsterdam

### **DIRECTORS**

Mr Steve GEORGALA  
Managing Director  
Maitland Advisory LLP.  
London

Mr Marcel ERNZER  
Managing Director Wallberg Invest S.A.  
Luxembourg

Mr Marc BALTUS (from December 29, 2014)  
CFO - Bank Insinger de Beaufort N.V.  
Amsterdam

### **REGISTERED OFFICE**

Centre Etoile  
11/13 Boulevard de la Foire  
L-1528 Luxembourg  
R.C.S. Luxembourg B-90.086

### **ALTERNATIVE INVESTMENT FUND MANAGER**

MDO Management Company S.A. (from July 16, 2014)  
21st Century Building  
19, rue de Bitbourg  
L- 1273 Luxembourg  
[www.mdo-manco.com](http://www.mdo-manco.com)

### **PORTFOLIO MANAGER**

Insinger de Beaufort Asset Management N.V.  
Herengracht 537  
1017 BV Amsterdam

### **DISTRIBUTOR**

Bank Insinger de Beaufort N.V.  
Herengracht 537  
NL- 1017 BV Amsterdam

### **DEPOSITARY AND CENTRAL ADMINISTRATION**

RBC Investor Services Bank S.A.  
14, Porte de France  
L- 4360 Esch-sur-Alzette

### **REGISTRAR AND TRANSFER AGENT**

RBC Investor Services Bank S.A.  
14, Porte de France  
L- 4360 Esch-sur-Alzette

### **AUDITOR**

PricewaterhouseCoopers, Société Coopérative  
2, Rue Gerhard Mercator  
L-2182 Luxembourg



## General Information

The annual general meeting of Shareholders of ABSOLUTE RETURN STRATEGY SICAV (the "Company") is held at the registered office of the Company or at such other place in Luxembourg as indicated in the convening notice on the last Wednesday of April of each year at 2 p.m. Luxembourg time. If any such day is not a bank business day in Luxembourg, it will be held on the next following bank business day in Luxembourg.

Notices of all general meetings will be published in the "Mémorial, Recueil des Sociétés et Associations" of Luxembourg (the "Mémorial") and in at least one Luxembourg newspaper (to the extent required by Luxembourg law) and will be sent by mail to the holders of registered Shares at least eight days prior to the meeting at their addresses according to the register of Shareholders. Such notices will include the agenda and specify the time and place of the meeting, the conditions of admission, and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities required for the meeting.

The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in Articles 67 and 67-1 of the law of August 10, 1915 (as amended) of the Grand Duchy of Luxembourg and in the Company's Articles of Incorporation.

Each entire Share is entitled to one vote. Fractions of Shares however participate in the distribution of dividends (if any) or in the distribution of the liquidation proceeds.

The Annual Report and Audited Financial Statements will be published within four months after the end of the financial year and the unaudited semi-annual reports will be published within two months after the end of the relevant period. The reports include separate information on each of the Sub-Funds as well as combined information on all Sub-Funds. The reports are available at the registered office of the Company during normal business hours. The financial year end of the Company is December 31 of each year.

A detailed schedule of portfolio movements of the Sub-Fund is available free of charge upon request at the registered office of the Company.

The Net Asset Values and the issue and redemption prices of the shares in any Sub-Fund shall be made public and available at the registered office of the Company.

Under current legislation and practice, Shareholders are not subject to any capital gains, income, withholding, inheritance or other taxes in Luxembourg (except for Shareholders domiciled, resident or having a permanent establishment in Luxembourg and for certain former residents of Luxembourg owning more than 10% of the share capital of the Company).

Potential investors should consult their professional advisers on the possible tax or other consequences of buying, holding, converting, transferring or selling any of the Shares under the laws of their countries of citizenship, residence or domicile.

The EU Savings Directive does not apply to Absolute Return Strategy SICAV. This Company is out of scope.

The annual and semi-annual accounts can be obtained, free of charge, at the offices of the Portfolio Manager or can be downloaded, free of charge, from the website of the Portfolio Manager under the link:

<http://www.insinger.com>



## General Information (continued)

### Ongoing Charges Figure (Expense Ratio)

The Ongoing Charges Figure of the Sub-Fund is calculated by dividing the total expenses by the average Net Asset Value of the Sub-Fund. The average Net Asset Value as at December 31, 2014 is calculated by averaging the Net Assets Value of each Valuation of the Sub-Fund in the year of 2014. The calculation of the ongoing charges figure of the underlying funds is based on available information of these underlying funds. Below ongoing charges figures exclude any performance fees.

### Absolute Return Strategy SICAV - Multi-Manager Hedge

The average Net Asset Value for the year ended December 31, 2014 is EUR 46,955,152.

The Ongoing Charges Figures ("OCF") as at December 31, 2014 are as follows :

- excluding the OCF of the underlying funds is 1.08%.
- including the OCF of the underlying funds is 2.70%.

### Other

The Board of Directors confirms adherence to the Association of the Luxembourg Fund Industry (ALFI) Code of Conduct in the governance of Absolute Return Strategy SICAV.

### AIF Directives

According to the new AIF directives, please find here below the split between realised gains and realised losses on investments, and the split between the change in unrealised gains and change in unrealised losses

Sub-Fund Name	Currency	Change in Unrealised Gains	Change in Unrealised Losses	Realised Gains	Realised Losses
Multi Manager Hedge	EUR	8,612,725	(6,528,470)	985,303	(221,896)

- Remuneration of personnel of the Portfolio Manager

For more information related to the remuneration of personnel of the Portfolio Manager for the reporting period, we refer to the annual report for the period ended December 31, 2014 for Insinger de Beaufort Asset Management N.V. as published on [www.insinger.com](http://www.insinger.com)

- AIFMD Leverage

In accordance with the AIF directives please find below the calculation of the AIFMD Leverage of the Sub-Fund from a gross method point of view as well as using the commitment method.

		Multi Manager Hedge
Portfolio	A	43,354,390.83
Cash	B	4,179,796.56
Absolute Forward unrealised result	C	340,973.91
NAV	D	47,401,607.80
Gross Commitment	(A/D)	91.46%
	(A+B+C)/D	101.00%



## Market Synopsis

### Market Developments 2014

US dominance of the equity markets was marked in 2014, perhaps even more so than in previous years. While many European indices enjoyed price gains of about 5% in euros, the major US indices were up by about 15% in US dollars. Yet the US dollar also rose sharply in value against almost every other currency. Against the euro it rose by about 14%, yielding investments in US equities an average return of over 25% when expressed in euros. The MSCI AC World index was only up by 2% in US dollars across the whole year, however. In contrast to price gains of 11% in the US, all the other major markets were down, whereby the losses in Europe (-9% in US dollars) even exceeded those in Japan and emerging markets (both -5%).

After decades of weakness, in the wake of the 2008 credit crisis the US dollar has proved itself to be one of the strongest currencies in the world. The euro/US dollar exchange rate succeeded in holding its ground in the first half of 2014, but the euro quickly ceded ground in the second half. The monetary policies pursued by the major central banks played a crucial role here. The US Fed slowly turned off the 'money faucet': in October the tapering process for the third quantitative easing programme (QE3) was brought to a close. In contrast, under the growing threat of deflation the ECB came under pressure to switch to a more expansionary monetary policy. This led to both the European equity markets and the euro quickly losing ground in the second half of the year. The Japanese central bank also intensified its already highly-expansionary monetary policy shortly after the Fed called a halt to QE3. Over 2014 as a whole, the US dollar consequently rose almost as much in value against the yen as it did against the euro: nearly 14%.

The relatively sound performances of the US equity market and the US dollar were chiefly due to the relatively sharp upturn in the US economy and the relatively high inflation forecasts for the US. Although US inflation forecasts did come under pressure in the course of 2014, the situation in the Eurozone was a much greater cause for concern. The very weak economic growth in the Eurozone, with growth even slowing in Germany, led to growing fears of deflation in the Eurozone. There were fears in particular that the peripheral countries could go the same route as Japan, a country which has regularly been plagued by deflation over the past few decades.

This sharp deflationary trend resulted in surprisingly high returns on the bond markets, especially the government bond markets. Yields on US 10-year government bonds steadily declined from about 3% at the start of the year to about 2.2% at its close. The German 10-year government bond yield fell even more sharply from nearly 2% at the start of the year to barely above 0.5% by the end. The major peripheral European bond markets of Spain and Italy also underwent sharp price gains as yields plummeted from about 4% to about 1.6%. Corporate bonds also saw sound price rises, but chiefly due to the general downward trend in yields. Spreads on ordinary corporate bonds remained stable at a low level in Europe, but half way through the year they started to rise in the US. The riskier high yield market even saw a fairly sharp widening of spreads, especially in the US, where spreads widened from about 3% to about 5% in the second half of the year. This was partly caused by the very sharp drop in oil prices in the final quarter. This affected the creditworthiness of US companies in the shale oil industry. Emerging market debt also felt the squeeze on oil prices, as many of these countries depend greatly on income from oil and gas production. The rise in the value of the US dollar has caused further problems for these countries, as they have issued large numbers of bonds in US dollars over the past few years and these now pose an increasing burden when converted into local currency.

Yields on alternative investments varied widely. European real estate enjoyed an excellent year with a performance of over 20%. Real estate benefited in two ways from the declining yields. On the one hand this reduces the cost of borrowing, on the other it makes real estate more appealing as an alternative to fixed income investments. Hedge funds had a reasonable year with a return of over 3% in US dollars for the fund of funds index. The best performances came from the macro funds, while equity long-short and event-driven funds generally lagged behind. The gold price remained more or less stable when expressed in US dollars in 2014 (about 1,200 US dollars), leading to a fairly good return of over 10% in euros. Commodity prices remained under pressure throughout most of the year. Most commodities peaked in 2011 and have since been in a downward trend. Oil prices did seem to have bucked this trend, but these were ultimately squeezed substantially in the second half of 2014: the price of a barrel of Brent oil almost halved from about 110 US dollars to about 60 US dollars.



## Review of the Sub-fund

### Absolute Return Strategy SICAV - Multi Manager Hedge

US dominance of the equity markets was marked in 2014, perhaps even more so than in previous years. The US dollar also rose sharply in value against almost every other currency. The monetary policies pursued by the major central banks played a crucial role here. The US Fed slowly turned off the 'money faucet': in October the tapering process for the third quantitative easing programme (QE3) was brought to a close. In contrast, under the growing threat of deflation the ECB came under pressure to switch to a more expansionary monetary policy. The Japanese central bank also intensified its already highly-expansionary monetary policy shortly after the Fed called a halt to QE3.

Within alternatives, returns varied widely. European real estate enjoyed an excellent year, benefitting from the declining yields. The gold price remained more or less stable and commodity prices remained under pressure throughout most of the year. Most commodities peaked in 2011 and have since been in a downward trend. Oil prices did seem to have bucked this trend, but these were ultimately squeezed substantially in the second half of 2014. For hedge funds the best performances came from the macro funds. Equity long/short managers noted mixed returns, while event driven and relative value strategies generally lagged.

2014 represented a tricky environment for equity long/short managers. The rapid change in sector and leadership style from growth to value, caught out a number of managers in March/April. Long equity books that had been flush with success from positioning in consumer discretionary, technology and biotech suffered. In contrast yield alternative plays, such as utilities, which were a popular short with managers expecting economic recovery translating into higher interest rates, were supported. The several transitions from risk-off to risk-on required discipline in maintaining conviction on individual positions. Stock-pickers in US markets found the operating environment to be more supportive than in European markets and emerging market strategies underperformed as the implications of lower energy prices on a number of oil dependent economies impacted valuations.

After a difficult first quarter with reversals in trends in both equity markets and government bond markets, macro systematic strategies (or CTAs) performed very well in the remainder of 2014 as asset class movements became increasingly supportive for medium to long term trend following systems. These strategies especially benefited from long lasting trends like long equities (mainly long U.S. vs. Europe), long USD and short Commodities. Discretionary macro funds overall delivered positive performance during 2014. Returns were broad based across the asset classes and delivered in both directional and relative bias.

Event driven gains were driven by an increasing number of large merger & acquisition deals and high profile activist campaigns, however returns were dragged down by the announcement early in the 4th quarter that AbbVie was withdrawing its bid for Shire Plc. This led to spread widening on a number of announced deals and consequently losses for managers with an interest in those situations. On a positive note, some managers used the weakness to build positions in strategic deals that are not influenced by the US tax policy. Distressed strategies endured a tough year as spreads backed up across many segments of the market. Distressed managers are expecting new opportunities after the losses experienced in the energy sector in particular as the oil price continued to fall sharply.

Within the relative value space, rates remained a complicated place to make money, largely influenced by Central Bank policy. Convertible arbitrage was a positive contributor, mainly in Asia and more specifically in China where the Hong-Kong/Shanghai connect has officially been launched in November allowing managers to make money in the A/H share arbitrage (spread between Hong Kong and Shanghai listed stocks). Volatility remained difficult to trade with sudden spikes. Finally, a lot of new opportunities arose since banks are still decreasing inventories to comply with new regulatory rules in 2015. The challenge for managers will be the liquidity, since market makers are leaving the floor for broker-dealer activity which is less transparent. This will lead to a new regime of volatility that could be hard to assess and requires very skilled and specialized portfolio managers.

### Developments and performance

ARS Multi Manager Hedge performed 2.04% for the year 2014. The HFRX Equal Weighted Strategies EUR returned -0.88% and the HFRX Global Hedge EUR Index noted -0.98%.

During 2014, ARS Multi Manager Hedge has been further diversified by making investments in Schroder GAIA Sirios, Alken Absolute Return Europe, Muzinich Long Short Credit Yield and Hutchin Hill Capital Diversified Alpha. Force Capital is no longer part of the portfolio.

In 2014, the best performing fund within the Fund was the trend following Winton Futures Fund. The strategy benefitted from a continuation of the drop of oil prices, the strengthening of the USD and rallies in bonds and equities. The Marshall Wace Mkt Netr Tops A /EUR fund was also amongst the top performers within the Fund, with gains in the energy, financial and technology sectors. Both long and short alpha contributed positively to returns. The least performing underlying fund was Altima Restructure Special Situations as a result of impairments on several of the underlying private equity situations. GLG Global Equity Alternative was also a negative contributor. This fund was especially hit in the challenging months March and April where the rapid stock specific rotation in high growth US technology stocks affected most of the books, despite equity markets showing no signs of distress.



## Review of the Sub-fund (continued)

### Outlook

We anticipate that in 2015 the US financial markets and the US dollar will continue to act as safe havens in a world dominated by high levels of debt, low growth, low yields and rising currency tensions.

We believe that dispersion and volatility should pick up in 2015, bringing a new set of opportunities for equity long /short managers. However, managers are taking into account the probability of abrupt tail risk and therefore are looking to decrease gross exposure or to add portfolio insurance via options.

We continue to be positive on global macro strategies for the diversification feature. For CTAs the expectations of greater divergence and de-correlation among asset classes should lead to a better environment for the sector going into 2015.

Most fixed income managers are positioned for yield curves to steepen, but few managers are aggressively short duration after the price action in 2014. They are generally more duration neutral now, waiting for a catalyst to turn bond market sentiment and momentum, which will allow them to position for higher rates.

For event driven strategies we expect to see an environment of elevated take-over activity again in 2015 the volume of deals is expected to be lower than witnessed during 2014. In M&A, it seems that we are in front of a new wave of large deals. However managers are still very selective in taking positions and cautious for unexpected deal breaks.

Luxembourg, April 21, 2015  
The Board of Directors





## Audit report

To the Shareholders of  
Absolute Return Strategy SICAV

---

Following our appointment by the General Meeting of the Shareholders dated April 29, 2014, we have audited the accompanying financial statements of Absolute Return Strategy SICAV (the "SICAV"), which comprise the statement of net assets and the schedule of investments as at December 31, 2014 and the statement of operations and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

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

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

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

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Absolute Return Strategy SICAV as at December 31, 2014, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### *Other matters*

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

PricewaterhouseCoopers, Société cooperative  
Represented by

Luxembourg, April 21, 2015

Thierry Blondeau

PricewaterhouseCoopers, Société coopérative, 2 Rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

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

Statement of Net Assets  
as at December 31, 2014

	Note	Multi Manager Hedge EUR	Total USD
<b>ASSETS</b>			
Investments in securities at market value	(2)	43,354,391	52,701,599
Cash at bank		4,179,797	5,080,961
Amounts receivable on sale of investments		703,486	855,158
<b>TOTAL ASSETS</b>		<b>48,237,674</b>	<b>58,637,718</b>
<b>LIABILITIES</b>			
Subscriptions received in advance		388,794	472,618
Unrealised loss on forward foreign exchange contracts	(6)	340,974	414,488
Management fees payable	(3)	51,867	63,050
Taxes and expenses payable	(5)	54,385	66,110
Interest payable		46	55
<b>TOTAL LIABILITIES</b>		<b>836,066</b>	<b>1,016,321</b>
<b>TOTAL NET ASSETS</b>		<b>47,401,608</b>	<b>57,621,397</b>
<b>Net asset value per share</b>			
Class B Shares (EUR)		122.37	
<b>Number of shares outstanding</b>			
Class B Shares (EUR)		387,374.829	



Statement of Operations and Changes in Net Assets  
for the year ended December 31, 2014

	Note	Multi Manager Hedge EUR	Total USD
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>		<b>20,907,478</b>	<b>28,810,505</b>
<b>INCOME</b>			
Bank interest	(2)	52	63
<b>TOTAL INCOME</b>		<b>52</b>	<b>63</b>
<b>EXPENSES</b>			
Portfolio management fees	(3)	281,929	342,713
AIFM fees	(3)	6,711	8,158
Depositary bank fees	(8)	47,616	57,882
Domiciliation, administration and transfer agent fees	(8)	47,034	57,175
Audit fees, printing and publishing expenses		46,758	56,839
Taxe d'abonnement	(4)	23,207	28,210
Bank charges		1,309	1,591
Bank interest		740	900
Other charges		51,612	62,739
<b>TOTAL EXPENSES</b>		<b>506,916</b>	<b>616,207</b>
<b>NET LOSS FROM INVESTMENTS</b>		<b>(506,864)</b>	<b>(616,144)</b>
Net realised gain on sales of investments	(2)	763,407	927,998
Net realised loss on forward foreign exchange contracts		(1,080,971)	(1,314,028)
Net realised gain on foreign exchange	(2)	18,671	22,696
<b>NET REALISED LOSS</b>		<b>(805,757)</b>	<b>(979,478)</b>
Change in net unrealised appreciation / (depreciation) on:			
- investments		2,084,255	2,533,620
- forward foreign exchange contracts		(311,508)	(378,669)
<b>NET INCREASE IN NET ASSETS AS A RESULT OF OPERATIONS</b>		<b>966,990</b>	<b>1,175,473</b>
<b>EVOLUTION OF THE CAPITAL</b>			
Issue of shares		33,231,358	40,396,040
Redemption of shares		(7,704,218)	(9,365,248)
Currency translation		-	(3,395,373)
<b>NET ASSETS AT THE END OF THE YEAR</b>		<b>47,401,608</b>	<b>57,621,397</b>

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



## Changes in the Number of Shares for the year ended December 31, 2014

	<b>Multi Manager Hedge</b>
<b>EUR</b>	
Class B Shares	
Number of shares outstanding at the beginning of the year	174,343.595
Number of shares issued	276,955.235
Number of shares redeemed	(63,924.001)
Number of shares outstanding at the end of the year	387,374.829

## Statistics

	<b>Multi Manager Hedge EUR</b>
<b>Total Net Asset Value</b>	
December 31, 2014	47,401,608
December 31, 2013	20,907,478
December 31, 2012	20,061,883
<b>Net asset value per share at the end of the year</b>	
<b>December 31, 2014</b>	
Class B Shares (EUR)	122.37
<b>December 31, 2013</b>	
Class B Shares (EUR)	119.92
<b>December 31, 2012</b>	
Class B Shares (EUR)	94.40



## Multi Manager Hedge

### Schedule of Investments as at December 31, 2014

(expressed in EUR)

Description	Quantity	Currency	Average Cost	Fair Value (Note 2)	% net assets
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Investment funds</b>					
<b>Equity Hedge - Equity Market Neutral</b>					
Glg Glb Equity Alternat In Eur	20,042	EUR	2,000,000	1,846,077	3.89
Marshall Wace Mkt Neutr Tops A /EUR	14,115	EUR	1,800,000	2,241,028	4.73
			<b>3,800,000</b>	<b>4,087,105</b>	<b>8.62</b>
<b>Equity Hedge - Fundamental Growth</b>					
Schr Gaia Sir Us Eq -C- Eurh /Cap	16,184	EUR	2,000,000	1,999,677	4.22
			<b>2,000,000</b>	<b>1,999,677</b>	<b>4.22</b>
<b>Equity Hedge - Fundamental Value</b>					
Alken Abs Ret Europe -Eu1- Cap	16,859	EUR	2,000,000	2,016,612	4.25
			<b>2,000,000</b>	<b>2,016,612</b>	<b>4.25</b>
<b>Macro - Multi - Strategy</b>					
Standard Life Global Abs Rtn Str -D- /Cap	275,862	EUR	3,200,000	3,477,352	7.34
			<b>3,200,000</b>	<b>3,477,352</b>	<b>7.34</b>
<b>Macro Currency</b>					
Gam Star Global Rates -Eur- /Cap	153,130	EUR	1,800,000	1,839,936	3.88
			<b>1,800,000</b>	<b>1,839,936</b>	<b>3.88</b>
<b>Relative Value - Fixed Income - Corporate</b>					
Hsi Credit Alpha -Y- Eur Acc	178,814	EUR	1,883,695	1,957,499	4.13
Muz L/S Cry Eurh Acc A Non Eq	18,966	EUR	1,900,000	1,882,741	3.97
			<b>3,783,695</b>	<b>3,840,240</b>	<b>8.10</b>
<b>Total - Investment funds</b>			<b>16,583,695</b>	<b>17,260,922</b>	<b>36.41</b>
<b>Total - Transferable securities admitted to an official stock exchange listing</b>			<b>16,583,695</b>	<b>17,260,922</b>	<b>36.41</b>
<b>Other transferable securities</b>					
<b>Investment funds</b>					
<b>Equity Hedge - Equity Market Neutral</b>					
Horizon Ptf I Euro Voting Shs	16,566	EUR	1,656,621	2,208,503	4.66
			<b>1,656,621</b>	<b>2,208,503</b>	<b>4.66</b>
<b>Equity Hedge - Fundamental Growth</b>					
The Raptor Private Holdings	191	USD	112,075	77,644	0.16
			<b>112,075</b>	<b>77,644</b>	<b>0.16</b>
<b>Equity Hedge - Fundamental Value</b>					
Egerton L-S Eur & Gbp B/1 Eur	42,550	EUR	1,115,089	3,287,280	6.94
			<b>1,115,089</b>	<b>3,287,280</b>	<b>6.94</b>
<b>Event Driven - Distressed/Restructuring</b>					
Dkdoi -A- Tranche 2 01 Jan 13	758	USD	585,628	1,696,682	3.58
Orn European Distressed Debt Fund Ltd Series 1 C- Usd	2	USD	10,187	-	-
			<b>595,815</b>	<b>1,696,682</b>	<b>3.58</b>

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



## Multi Manager Hedge

 Schedule of Investments (continued)  
 as at December 31, 2014

(expressed in EUR)

Description	Quantity	Currency	Average Cost	Fair Value (Note 2)	% net assets
<b>Event Driven - Multi - Strategy</b>					
DKIL (BVI) Class C Tranche 4 01Jan13	13,527	USD	1,012,297	1,422,938	3.00
Oz Europe Ovs II G Prime 32	2,345	USD	1,755,113	2,791,416	5.89
Taconic Opportunity -M- S4	1,396	EUR	1,395,887	1,354,236	2.86
			<b>4,163,297</b>	<b>5,568,590</b>	<b>11.75</b>
<b>Event Driven - Special Situations</b>					
Altima Restructure 3 B - 10	113	USD	82,269	8,442	0.02
Altima Restructure 4 B - 10	451	USD	329,603	258,090	0.55
Altima Restructure 5 B - 10	45	USD	32,600	48,155	0.10
Altima Restructure 6 B - 10	713	USD	521,042	461,041	0.97
Altima Restructure 10 B - 10	333	USD	242,941	128,706	0.27
Altima Restructure 11 B - 10	1,060	USD	774,439	1,102	-
Altima Restructure 14 B - 10	466	USD	340,851	337,059	0.71
Altima Restructure 15 B - 10	88	USD	-	-	-
Altima Restructure 17 B - 10	93	USD	-	-	-
Altima Restructure 18 B - 10	83	USD	60,730	60,996	0.13
			<b>2,384,475</b>	<b>1,303,591</b>	<b>2.75</b>
<b>Macro Systematic Diversified</b>					
Winton Fut Fd -C- Lead Series	8,985	EUR	1,142,815	2,575,139	5.43
			<b>1,142,815</b>	<b>2,575,139</b>	<b>5.43</b>
<b>Relative Value - Fixed Income - Convertible Arbitrage</b>					
Advent Enhanced Phoenix Offshore - Series 1	6,855	USD	-	-	-
Northwest Fd Red. Ptg. Shs -B-	1,457	EUR	2,502,961	2,729,263	5.76
			<b>2,502,961</b>	<b>2,729,263</b>	<b>5.76</b>
<b>Relative Value - Fixed Income - Corporate</b>					
Green T G2 Fund Limited	8,223	USD	1,074,871	1,328,078	2.80
			<b>1,074,871</b>	<b>1,328,078</b>	<b>2.80</b>
<b>Relative Value - Multi -Strategy</b>					
Amaranth International Ltd - Class D1 Series 9264	21	USD	13,560	49,342	0.10
Arrowgrass Int -B- Eur Nni S0308	9,125	EUR	1,242,839	1,447,192	3.05
Hutchin H C Off Cl C R 1014s	2,000	USD	1,584,409	1,657,886	3.50
Pine River Fd Ltd -Class B - Is1	705	USD	1,836,672	2,164,279	4.57
			<b>4,677,480</b>	<b>5,318,699</b>	<b>11.22</b>
<b>Total - Investment funds</b>			<b>19,425,499</b>	<b>26,093,469</b>	<b>55.05</b>
<b>Total - Other transferable securities</b>			<b>19,425,499</b>	<b>26,093,469</b>	<b>55.05</b>
<b>Total Investment Portfolio</b>			<b>36,009,194</b>	<b>43,354,391</b>	<b>91.46</b>

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



## Notes to the Financial Statements for the year ended December 31, 2014

### Note 1 – Organisation

ABSOLUTE RETURN STRATEGY SICAV (the "Company") is an open-ended investment company with variable capital, incorporated in the Grand Duchy of Luxembourg as a "société anonyme" on the basis of the law of August 10, 1915 on Commercial Companies (the "law of 1915") as amended and qualifies as a "Société d'Investissement à Capital Variable" ("SICAV") on the basis of part II of the law of December 17, 2010 on Collective Investment Undertakings (the "law of 2010"). Accordingly, the Company does not comply with the European Community Council Directive on Undertakings for Collective Investment in Transferable Securities.

The Company was incorporated in Luxembourg on November 29, 2002 for an unlimited period. The Articles of Incorporation of the Company were published in the "Mémorial, Recueil des Sociétés et Associations" of Luxembourg on December 28, 2002. The Company is registered with the "Registre de Commerce et des Sociétés", Luxembourg, under number B-90.086.

The Company is structured as an umbrella fund containing a variety of different portfolios ("Sub-Funds") of specific assets in various reference currencies. Each such Sub-Fund is designated by the name of the Company, followed by a generic name.

Further, the shares of each Sub-Fund (the "Shares") may, as the Board of Directors shall so determine from time to time, be issued in one or more classes of Shares (each such class being referred to herein as a "Class"), whose assets will be commonly invested pursuant to a specific investment policy of the respective Sub-Fund, but where a specific sales and redemption charge structure, fee structure, distribution policy, hedging policy, reference currency or other specificity is applied to each such Class. At present, the following Sub-Fund is offered to investors:

#### **Absolute Return Strategy SICAV - Multi Manager Hedge (Reference Currency : EUR)**

The Portfolio Manager will invest the assets of the Sub-Fund in Alternative UCIs. Such Alternative UCIs will typically fall into categories such as equity long/short, macro/CTA, event/distressed and relative value.

The Sub-Fund Absolute Return Strategy SICAV - Directional Managers merged into the Sub-Fund Absolute Return Strategy SICAV - Multi Manager Hedge with effect December 31, 2013.

Class B Shares: denominated in EUR and fully exposed to fluctuations in the EUR exchange rate relative to the major currencies in which the Sub-Fund is invested. Class B Shares are available for any type of investor.

As at December 31, 2014 only Class B Shares (EUR) are active.

### Note 2 – Significant Accounting Policies

The financial statements have been prepared in conformity with legal and regulatory requirements in Luxembourg, applicable to investment funds, including the following significant accounting policies.

#### **a) Investments**

Each share or unit in an open-ended UCI is valued at the last available Net Asset Value whether estimated or final, which is computed for such units or shares at or prior to the valuation day on which the Net Asset Value of the Shares of the Sub-Fund is determined and as approved by the Central Administration of the Company.

In assessing the valuation of the underlying funds, reliance is placed upon unaudited Net Asset Values supplied by the underlying funds or their administrators, which may be subject to adjustment upon finalisation of the audit of their financial statements.

The financial statements include investments in underlying investment funds, whose fair values have been derived from unaudited net asset values provided by such funds or their agents in accordance with the prospectus.

In respect of shares or units held by the Company, for which issues and redemptions are restricted and a secondary market trading is effected between dealers who, as main market makers, offer prices in response to market conditions, the Directors may decide to value such shares or units in line with the prices so established.

If events have occurred which may have resulted in a material change in the Net Asset Value of such shares or units in other UCI since the day on which the latest Net Asset Value was calculated, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Board of Directors, such change of value.



## Notes to the Financial Statements (continued) for the year ended December 31, 2014

### **Note 2 – Significant Accounting Policies (continued)**

Securities (including shares or units in closed-ended UCIs) which are quoted or dealt in on a stock exchange are valued at their latest available publicised stock exchange closing price or, for securities quoted or dealt on several stock exchanges, at the closing price on the stock exchange which is normally the principal market for such security.

Securities traded on another regulated market operating regularly, recognised and open to the public (a "regulated market"), are valued as near as possible to that for quoted securities.

In the event that any of the securities held in any portfolio at the valuation day are not quoted or traded on a stock exchange or another regulated market or, for any one of the securities, no price quotation is available, or if the price as determined pursuant to the above mentioned paragraphs is not in the opinion of the Board of Directors representative of the fair market value of the relevant securities, the value of such securities is determined based on the reasonably foreseeable sales price determined prudently and in good faith.

If, since the valuation day there has been a material movement in the quotations on the markets on which a substantial portion of the investments of the Company attributable to a particular Sub-Fund is listed or dealt in, the Board of Directors may, in order to safeguard the interests of the Shareholders and the Company, cancel the first valuation and carry out a second valuation.

Should circumstances so require, the Board of Directors may also adopt other valuation methods in accordance with generally accepted procedures.

The valuations for all investments were based on the latest prices available at the last valuation point on December 31, 2014.

#### **b) Net realised gain / (loss) on sales of investments**

The net realised gain or loss on sales of investments is determined on the basis of the average cost of investments.

#### **c) Transactions in foreign currencies**

Principal closing exchange rates used as of December 31, 2014 are:

1 EUR = 1.215600 USD

The value of the assets and liabilities denominated in a currency other than the reference currency of the relevant Sub-Fund or Class will be translated at the prevailing exchange rates in Luxembourg at the Closing Date. Income and expenses in currencies other than the Sub-Fund's currency are translated into the Sub-Fund's currency at the exchange rates prevailing at the transaction date.

#### **d) Combined financial statements of the Company**

The total Net Asset Value of the Company is equal to the net assets of the Sub-Fund translated into USD at the prevailing exchange rates in Luxembourg as at the valuation day.

#### **e) Cost of investment securities**

The cost of investment securities expressed in currencies other than the Sub-Fund's currency is translated into the Sub-Fund's currency at the exchange rate applicable at the purchase date.

#### **f) Forward foreign exchange contracts**

Outstanding forward foreign exchange contracts are valued on the basis of forward exchange rates prevailing at the relevant valuation date and the resulting unrealised profits or losses are included in the statement of operations and changes in net assets. Realised gains and losses on matured forward foreign exchange contracts are also included in the statement of operations and changes in net assets.

#### **g) Advance on investments**

Payments made prior to the year end to acquire investments in advance of the calculation of the underlying fund's net asset value per share/unit are recorded as 'Investments paid in advance' in the Statement of Net Assets.





## Notes to the Financial Statements (continued) for the year ended December 31, 2014

### Note 2 – Significant Accounting Policies (continued)

#### h) Subscriptions in advance

Subscriptions received in advance of the year end are credited to the "subscriptions received in advance" account until the net asset value has been calculated.

#### i) Income

Dividends are recognized on an ex-dividend basis, net of withholding taxes in the country of origin. Interest is recognized on an accrual basis.

### Note 3 – Portfolio Management, AIFM and Performance Fees

#### AIFM's Fee

As remuneration for its services, the AIFM shall receive from the Company a fee of up to 0.04% p.a. on the assets under management of the Company subject to a minimum annual fee of €10,000 per sub-fund.

#### Management fees

As remuneration for its services, the Portfolio Manager receives from the Company an annual fee at the maximum annual rate of 1.75% (for Class B) on the Sub-Fund applicable on the average net assets of the Sub-Fund.

The actual management fees charged during the year ended December 31, 2014 are 0.60% p.a. of the average net assets attributable to Class B.

#### Performance fees

In addition to the management fee, the Portfolio Manager receives a performance fee of the absolute performance (high water mark) of the Sub-Fund's net assets during a month, at the actual rate of 10% p.a. of the net assets attributable to Class B.

The performance fee is calculated and accrued on each valuation day and is payable on each valuation day for each Share Class in the currency of that Share Class. Once the performance fee is paid out to the Portfolio Manager, the outperformance of the Sub-Fund is reset to zero for the purposes of the calculation of the subsequent performance fee. Should there be no performance fee payable on a given valuation day, there is no reset. Once paid, a performance fee will not be refunded should future losses occur.

For the year ended December 31, 2014 there were no performance fees paid.

#### Rebates

The Portfolio Manager has not received rebates from the underlying funds in which the Sub-Fund invest during the year ended December 31, 2014.

### Note 4 – Taxation

Under current law and practice, which may change from time to time, the Company is not liable to any Luxembourg income tax, nor are dividends paid by the Company liable to any Luxembourg withholding tax. Income and capital gains on the Company's investments, however, may be subject to withholding or capital gains taxes in certain countries.

However, the Sub-Funds are liable in Luxembourg to an annual tax ("taxe d'abonnement") of at present 0.05% per annum of their net assets, payable quarterly and calculated at the end of the relevant quarter.

In respect to Shares of a Sub-Fund or Class being dedicated to Institutional Investors only, the assets attributed to such Sub-Fund or Class are liable in Luxembourg to a "taxe d'abonnement" of 0.01% per annum of their net assets, payable quarterly and calculated at the end of the relevant quarter.



Notes to the Financial Statements (continued)  
for the year ended December 31, 2014

**Note 5 – Taxes and Expenses Payable**

	<b>Multi Manager Hedge EUR</b>
Other taxes and expenses	(6,482)
Taxe d'abonnement (Note 4)	(13,810)
Depository bank commission, domiciliation, administration and transfer agent fees	(16,870)
Audit, Director Fees, printing and publication expenses	(17,223)
	<b>(54,385)</b>

**Note 6 – Forward Foreign Exchange Contracts**

As at December 31, 2014, Absolute Return Strategy SICAV - Multi Manager Hedge had entered into the following outstanding Forward Foreign Exchange Contract:

	<b>Purchase</b>		<b>Sale</b>	<b>Maturity date</b>	<b>Unrealised loss (in EUR)</b>
EUR	11,993,284	USD	15,000,000	02/03/2015	(340,974)
					<b>(340,974)</b>

The counterparty linked to the Forward Exchange Contract is RBC IS Bank.

**Note 7 – Dividends**

The Company does not distribute dividends.

**Note 8 – Depository, Domiciliation, Administration and Transfer Agent Fees**

The Company pays fees to RBC Investor Services Bank S.A., for its rendering of services as Depository and Central Administrative Agent and Registrar and Transfer Agent, in accordance with normal banking practices in Luxembourg.

The actual Depository Custody fees rate is set to 0.09% annually representing an amount of EUR 47,616. The Central Administration fees is set at EUR 25,000 per Sub-Fund annually and the Transfer Agency Fees amounted for the year ending December 31, 2014, to EUR 14,134 for Absolute Return Strategy SICAV - Multi Manager Hedge.

**Note 9 – Liquidity**

The following underlying funds as held by Absolute Return Strategy SICAV- Multi Manager Hedge were gated as at December 31, 2014:

	<b>Fair Value (in EUR)</b>	<b>% net assets</b>
Amaranth International Ltd -Class D1 Series 9264	49,342	0.10
Orn European Distressed Debt Fund Ltd Series 1	0	0.00
Altima Restructure 3 B - 10	8,442	0.02
Altima Restructure 4 B - 10	258,090	0.54
Altima Restructure 5 B - 10	48,155	0.10
Altima Restructure 6 B - 10	461,041	0.97
Altima Restructure 10 B - 10	128,706	0.27
Altima Restructure 11 B - 10	1,102	0.00
Altima Restructure 14 B - 10	337,059	0.71
Altima Restructure 15 B - 10	0	0.00
Altima Restructure 17 B - 10	0	0.00
Altima Restructure 18 B - 10	60,996	0.13
The Raptor Private Holdings *	77,644	0.16
	<b>1,430,577</b>	<b>3.02</b>

\* These underlying funds have issued side pockets which also cannot be redeemed.



Notes to the Financial Statements (continued)  
for the year ended December 31, 2014

**Note 9 – Liquidity (continued)**

The Board of Directors approved to value the positions of Altima each month with a discount. The discount is based on the latest available official NAV for the Altima Fund.

**Note 10 – Directors Fees**

The amount of Directors fees for the year ended December 31, 2014 for the SICAV is EUR 15,400 per annum, including tax and is included in the caption "Other charges" in the Statement of Operations and Changes in Net Assets.

**Note 11 – Transaction Costs**

For the year ended December 31, 2014, the SICAV did not incur any transaction cost other than the transaction fees which amount to EUR 815.