

Alternative Investment Fund

Illustrative Financial Statements

September 2015

kpmg.com





The information contained in these illustrative financial statements is of a general nature relating to private investment companies only, and is not intended to address the circumstances of any particular entity. The form and content of financial statements are the responsibility of any specific entity's management. These illustrative financial statements: (a) are intended to provide general information on the application of accounting principles generally accepted in the United States of America effective as of September 30, 2015, and do not include all possible disclosures that may be required for private investment companies; (b) are not intended to be a substitute for management's review of applicable law or accounting standards or for professional judgment as to the adequacy of disclosures and fairness of presentation; and (c) are being provided with the understanding that the information contained herein should not be construed as legal, accounting, tax or other professional advice or services, and that no one should act on any information contained herein without the appropriate professional advice provided in connection with the entity's particular situation. Although we endeavor to provide accurate and timely information, there can also be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Certain information contained in these illustrative financial statements may be superseded as new guidance or interpretations are issued. Financial statement preparers and other users of these illustrative financial statements are therefore cautioned to stay informed of, and carefully evaluate, subsequent authoritative and interpretative guidance.



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Domestic Fund, L.P.



Domestic Fund, L.P.

Statement of Assets and Liabilities

December 31, 20XX

Assets

Investments in securities, at fair value (cost \$662,033,000)	\$ 781,936,000
Investments in private investment companies, at fair value (cost \$184,491,000) ⁽¹⁾	190,546,000
Derivative contracts, at fair value (cost \$69,051,000) ⁽²⁾	163,588,000
Repurchase agreements, at fair value (cost \$12,450,000)	12,450,000
Cash and cash equivalents	8,952,000
Cash denominated in foreign currencies (cost \$592,000)	543,000
Due from brokers	17,540,000
Receivable for pending investment transactions	178,000
Variation margin receivable on derivative contracts ⁽²⁾	284,000
Advance subscriptions to private investment companies	50,000
Dividends and interest receivable	1,167,000
Redemptions receivable from private investment companies	32,000
Other assets	218,000
Total assets	1,177,484,000

Liabilities

Securities sold short, at fair value (proceeds \$583,633,000)	550,431,000
Derivative contracts, at fair value (proceeds \$19,052,000 and up-front premiums received \$4,828,000) ⁽²⁾	155,435,000
Due to brokers	18,432,000
Payable for pending investment transactions	559,000
Variation margin payable on derivative contracts ⁽²⁾	200,000
Reverse repurchase agreements	10,000,000
Payable upon return of securities loaned	530,000
Due to related parties	150,000
Capital withdrawals payable	5,879,000
Advance capital contributions	1,000,000
Management fee payable	930,000
Dividends and interest payable	598,000
Accrued expenses and other liabilities	95,000
Total liabilities	744,239,000

Partners' capital	\$ 433,245,000
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(1) Refer to Appendix B for sample presentation of condensed schedule of investments for investments in private investment companies.

(2) Consider disaggregating by type of derivative contract.

See accompanying notes to financial statements.

Domestic Fund, L.P.

Condensed Schedule of Investments

December 31, 20XX

[Refer to Appendix B for sample presentation of condensed schedule of investments for investments in private investment companies.]

	Number of Shares	Percentage of Partners' Capital	Fair Value
Investments in securities , at fair value			
Common stocks			
United States			
Banking			
Public Banking Company 1	1,499,611	9.8 %	\$ 42,467,000
Other		17.2	74,622,000
Manufacturing			
Public Manufacturing Company 1	2,649,160	7.5	32,458,000
Other		14.3	61,989,000
Consumer discretionary		20.7	89,682,000
Healthcare		18.7	81,038,000
Real estate		10.4	44,961,000
Total – United States (cost \$330,510,000)		98.6	427,217,000
United Kingdom			
Manufacturing			
Public Manufacturing Company 2	1,540,000	8.9	38,571,000
Telecommunications		7.9	34,104,000
Total – United Kingdom (cost \$41,345,000)		16.8	72,675,000
Total – common stocks (cost \$371,855,000)		115.4	499,892,000
Preferred stocks			
United States			
Banking			
Public Banking Company 1, Class A, X.X%, nonparticipating	500,590	5.5	23,828,000
Other		8.5	36,858,000
Information technology		8.3	35,914,000
Total – preferred stocks (cost \$73,539,000)		22.3	96,600,000
Exchange traded funds			
United States			
Real estate (cost \$21,834,000)		4.5	19,567,000
Private preferred stocks			
Canada			
Information technology (cost \$16,581,000)		4.6	19,937,000

See accompanying notes to financial statements.

Domestic Fund, L.P.
Condensed Schedule of Investments *(continued)*

December 31, 20XX

	Principal Amount	Percentage of Partners' Capital	Fair Value
Investments in securities , at fair value			
Corporate bonds			
United States			
Banking			
Banking Company 1, X.X%, due 7/15/20XX	\$ 25,000,000	5.2 %	\$ 22,662,000
Telecommunications		4.3	18,456,000
Total – United States (cost \$43,381,000)		9.5	41,118,000
United Kingdom			
Manufacturing (cost \$17,891,000)		4.8	20,947,000
Total – corporate bonds (cost \$61,272,000)		14.3	62,065,000
Government bonds			
United States			
U.S. Treasury Bills, X.X%, due 4/1/20XX (cost \$22,500,000)	\$ 22,500,000	5.2	22,391,000
Municipal bonds			
United States			
Construction			
Ocean County, New Jersey, X.X%, due 4/1/20XX	\$ 5,000,000	5.2	22,592,000
Water		2.0	8,451,000
Highway		0.1	491,000
Total – municipal bonds (cost \$28,518,000)		7.3	31,534,000
Asset-backed securities			
United States			
Senior debt			
High Yield CLO, X.X%, due 1/31/20XX	\$ 12,500,000	3.0	12,941,000
Other		1.7	7,491,000
Total – senior debt (cost \$40,415,000)		4.7	20,432,000
Mezzanine debt			
High Yield CLO, X.X%, due 3/31/20XX (cost \$25,519,000)	\$ 9,500,000	2.2	9,518,000
Total – asset-backed securities (cost \$65,934,000)		6.9	29,950,000
Total – investments in securities , at fair value (cost \$662,033,000)		180.5 %	\$ 781,936,000

See accompanying notes to financial statements.

Domestic Fund, L.P.
Condensed Schedule of Investments (continued)

December 31, 20XX

	Principal Amount	Percentage of Partners' Capital	Fair Value
Derivative contracts (assets), at fair value			
Interest rate swaps			
Receive floating/pay fixed		7.0 %	\$ 30,491,000
Receive fixed/pay floating		6.9	29,948,000
Total – interest rate swaps		13.9	60,439,000
Warrants purchased			
United Kingdom			
Financial		7.4	32,209,000
Telecommunications		3.4	14,581,000
Total – warrants purchased (cost \$43,266,000)		10.8	46,790,000
Total return swaps			
Canada			
Manufacturing		4.5	19,581,000
Financial		2.4	10,530,000
Total – total return swaps		6.9	30,111,000
Swaptions			
Interest rate (cost \$53,000)		0.1	282,000
Option contracts purchased			
Call options purchased			
United States			
Healthcare			
ABC Healthcare Inc., expires 1/31/20XX (cost \$21,839,000)		5.5	23,807,000
Put options purchased			
United States			
Biotechnology (cost \$3,893,000)		0.5	2,159,000
Total – option contracts purchased (cost \$25,732,000)		6.0	25,966,000
Total – derivative contracts (assets), at fair value (cost \$69,051,000)		37.8 %	\$ 163,588,000
Repurchase agreements, at fair value			
ABC Bank, X.X%, due 1/3/20XX, collateralized by U.S. Treasury bonds (cost \$12,450,000)	\$ 12,450,000	2.9 %	\$ 12,450,000

See accompanying notes to financial statements.

Domestic Fund, L.P.
Condensed Schedule of Investments *(continued)*

December 31, 20XX

	Number of Shares	Percentage of Partners' Capital	Fair Value
Securities sold short , at fair value			
Common stocks			
United States			
Retail trade			
Public Retail Company 1	851,000	8.8 %	\$ 38,051,000
Other		26.5	114,981,000
Transportation		30.4	131,813,000
Telecommunications		27.1	117,415,000
Total – United States (proceeds \$450,581,000)		92.8	402,260,000
United Kingdom			
Manufacturing			
Public Manufacturing Company 3	651,000	9.3	40,451,000
Banking		7.4	31,928,000
Retail trade		5.4	23,481,000
Consumer discretionary		2.5	10,821,000
Information technology		1.5	6,293,000
Total – United Kingdom (proceeds \$100,481,000)		26.1	112,974,000
Total – common stocks (proceeds \$551,062,000)		118.9	515,234,000
Corporate bonds			
United Kingdom			
Banking		5.8	24,918,000
Manufacturing		2.3	10,279,000
Total – corporate bonds (proceeds \$32,571,000)		8.1	35,197,000
Total – securities sold short , at fair value (proceeds \$583,633,000)		127.0 %	\$ 550,431,000

See accompanying notes to financial statements.

Domestic Fund, L.P.
Condensed Schedule of Investments (continued)

December 31, 20XX

	Percentage of Partners' Capital	Fair Value
Derivative contracts (liabilities), at fair value		
Credit default swaps – protection written		
United States		
Financial		
ABC Bank, X.X%, expires 3/15/20XX	5.3 %	\$ 22,851,000
Information technology	0.2	910,000
Total – United States (up-front premiums received \$3,510,000)	5.5	23,761,000
Germany		
Sovereign (up-front premiums received \$1,318,000)	0.4	1,916,000
Total – credit default swaps – protection written (up-front premiums received \$4,828,000)	5.9	25,677,000
Total return swaps		
United States		
Manufacturing	3.4	14,819,000
Financial	2.3	9,841,000
Total – total return swaps	5.7	24,660,000
Interest rate swaps		
Receive floating/pay fixed	4.5	19,371,000
Receive fixed/pay floating	0.8	3,741,000
Total – interest rate swaps	5.3	23,112,000
Contracts for differences		
United Kingdom		
Financial	3.1	13,419,000
Manufacturing	2.1	8,965,000
Total – contracts for differences	5.2	22,384,000
Forward contracts		
Currency contracts		
Purchase foreign currency/Sell United States Dollars	2.2	9,581,000
Purchase United States Dollars/Sell foreign currency	0.5	2,319,000
Total – currency contracts	2.7	11,900,000
Commodity contracts		
Metals	1.5	6,591,000
Grains	0.8	3,581,000
Total – commodity contracts	2.3	10,172,000
Total – forward contracts	5.0	22,072,000

See accompanying notes to financial statements.

Domestic Fund, L.P.
Condensed Schedule of Investments *(continued)*

December 31, 20XX

	Number of Contracts	Percentage of Partners' Capital	Fair Value
Derivative contracts (liabilities), at fair value (continued)			
Futures contracts			
Indices			
S&P 500, expires 3/1/20XX – 5/1/20XX	13,619	5.0 %	\$ 21,645,000
Metals		0.1	234,000
Total – futures contracts		5.1	21,879,000
Option contracts written			
Call options written			
United States			
Retail trade		1.3	5,419,000
Consumer staples		1.0	4,541,000
Total – call options written (proceeds \$14,481,000)		2.3	9,960,000
Put options written			
United States			
Retail trade			
Public Retail Company 1, expires 5/1/20XX		1.0	4,518,000
Other		0.0	172,000
Consumer discretionary		0.2	1,001,000
Total – put options written (proceeds \$4,571,000)		1.2	5,691,000
Total – option contracts written (proceeds \$19,052,000)		3.5	15,651,000
Total – derivative contracts (liabilities), at fair value (proceeds \$19,052,000 and up-front premiums received \$4,828,000)		35.7 %	\$ 155,435,000

See accompanying notes to financial statements.

Domestic Fund, L.P.

Statement of Operations

Year Ended December 31, 20XX

Investment income

Interest	\$ 9,039,000
Dividends (net of foreign withholding taxes of \$218,000)	7,039,000
Income from securities loaned – net	12,000
Other income	444,000
Total investment income	16,534,000

Expenses

Management fee	7,540,000
Dividends on securities sold short	10,448,000
Interest on securities sold short	1,161,000
Interest expense ⁽¹⁾	59,000
Administrative fee	248,000
Professional fees and other	356,000
Total expenses	19,812,000

Net investment loss	(3,278,000)
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Realized and unrealized gain (loss) from investments, derivatives, and foreign currency

Net realized gain from investments and derivatives (including realized gain of \$16,000 from distribution of securities to limited partners) ⁽²⁾	37,269,000
Net realized gain from foreign currency transactions ⁽³⁾	165,000
Net change in unrealized gains and losses on investments and derivatives ⁽²⁾	61,239,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies ⁽⁴⁾	(52,000)
Net gain from investments, derivatives, and foreign currency	98,621,000

Net income ⁽⁵⁾	\$ 95,343,000
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(1) Represents interest expense related to the Fund's financing arrangements.

(2) Consider disaggregating by type of derivative contract.

(3) Represents net gains or losses from assets or liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on realized gains or losses from investments and derivatives is elected, those amounts should be included in this caption.

(4) Represents the net change during the period from translating assets and liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on net change in unrealized gains and losses on investments and derivatives is elected, those amounts should be included in this caption.

(5) ASC 946-225-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency shall be shown as "net increase or decrease in net assets resulting from operations." Funds may describe this line item as "net increase or decrease in net assets resulting from operations" or "net income or loss."

See accompanying notes to financial statements.

Domestic Fund, L.P.

Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

		Class A	Class B	
	General Partner	Limited Partners	Limited Partners	Total
Partners' capital, beginning of year	\$ 35,529,000	\$ 175,827,000	\$ 117,218,000	\$ 328,574,000
Capital contributions	–	27,000,000	18,000,000	45,000,000
Capital withdrawals	–	(21,559,000)	(14,373,000)	(35,932,000)
Early withdrawal fees	24,000	142,000	94,000	260,000
Allocation of net income				
Pro rata allocation	10,487,000	50,914,000	33,942,000	95,343,000
Incentive allocation to General Partner	15,788,000	(10,043,000)	(5,745,000)	–
	26,275,000	40,871,000	28,197,000	95,343,000
Partners' capital, end of year	\$ 61,828,000	\$ 222,281,000	\$ 149,136,000	\$ 433,245,000

See accompanying notes to financial statements.

Domestic Fund, L.P.

Statement of Cash Flows

Year Ended December 31, 20XX

[Refer to Appendix A for the alternative "net method" of presenting operating cash flows.]

Cash flows from operating activities

Net income	\$ 95,343,000
Adjustments to reconcile net income to net cash used in operating activities:	
Net realized gain from investments and derivatives	(37,253,000)
Net realized gain from foreign currency transactions	(165,000)
Net realized gain from distribution of securities to limited partners	(16,000)
Net change in unrealized gains and losses on investments and derivatives	(61,239,000)
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies	52,000
Purchases of investments in securities	(134,476,000)
Proceeds from sales of investments in securities	167,778,000
Purchases of repurchase agreements	(12,450,000)
Payments for derivative contracts	(24,062,000)
Proceeds from derivative contracts	104,383,000
Proceeds from securities sold short	54,678,000
Payments to cover securities sold short	(196,130,000)
Repayments of collateral for securities loaned	(500,000)
Amortization and accretion of premiums and discounts on debt securities	(145,000)
Changes in operating assets and liabilities:	
Due from brokers	18,249,000
Dividends and interest receivable	(532,000)
Variation margin receivable on derivative contracts	(67,000)
Other assets	(42,000)
Payable upon return of securities loaned	530,000
Due to brokers	(25,424,000)
Due to related parties	(50,000)
Management fee payable	120,000
Dividends and interest payable	148,000
Variation margin payable on derivative contracts	85,000
Accrued expenses and other liabilities	39,000
Net cash used in operating activities	(51,146,000)

See accompanying notes to financial statements.

Domestic Fund, L.P.

Statement of Cash Flows (continued)

Year Ended December 31, 20XX

Cash flows from financing activities

Proceeds from capital contributions, net of change in advance capital contributions	\$ 46,000,000
Payments for capital withdrawals, net of change in capital withdrawals payable	(40,053,000)
Proceeds from reverse repurchase agreements	10,000,000
Net cash provided by financing activities	15,947,000
Effect of exchange rate changes on cash	(52,000)
Net decrease in cash and cash equivalents	(35,251,000)
Cash and cash equivalents, beginning of year	44,746,000
Cash and cash equivalents, end of year	\$ 9,495,000
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 54,000
Supplemental disclosure of noncash financing activities	
Contribution of securities, at fair value (cost basis of \$231,000)	\$ 347,000
Distribution of securities, at fair value (cost basis of \$638,000)	\$ 654,000

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

Nature of Operations

[This note should be tailored to the Fund's specific nature of operations:] Domestic Fund, L.P. (the Fund), a Delaware investment limited partnership, commenced operations on **[Month, Date, Year]**. The Fund was organized for the purpose of **[Include a description of the Fund's investment objectives]**. The Fund is managed by General Partner, LLC (the "General Partner") and Investment Manager, LLC (the "Investment Manager"). **[If applicable:]** The Investment Manager is registered with the United States Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946.

[If applicable for consolidated financial statements. If consolidated financial statements are presented, then "financial statements" should be referred to as "consolidated financial statements" throughout:]

The consolidated financial statements include the accounts of the Fund and Subsidiary A. Subsidiary A is an investment company wholly owned by the Fund, which was established for the general purpose of executing specific investment transactions on behalf of the Fund. All significant intercompany balances and transactions have been eliminated in consolidation.

These financial statements were approved by management and available for issuance on **[Month, Date, Year]**. Subsequent events have been evaluated through this date.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, including the fair value of investments, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash equivalents are held for the purpose of meeting short-term liquidity requirements, rather than for investment purposes. Cash and cash equivalents are held at major financial institutions.

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Realized gains and losses on investment transactions are determined using cost calculated on **[a specific identification] [an average cost]** basis. Dividends are recorded on the ex-dividend date and interest is recognized on an accrual basis. **[If applicable:]** Distributions that represent returns of capital in excess of cumulative profits and losses are credited to investment cost rather than investment income. **[If applicable:]** Discounts and premiums to the face amount of debt securities are accreted and amortized using the effective interest rate method over the lives of the respective debt securities. **[If applicable:]** Discounts to the face amount of high-yield debt securities and other debt securities are not accreted to the extent that interest income is not expected to be realized. **[If applicable:]** Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

1. Nature of operations and summary of significant accounting policies (continued)

Derivative Contracts

The Fund records derivative contracts at fair value. Gains and losses from derivative contracts are included in net realized gain (loss) from investments and derivatives and net change in unrealized gains and losses on investments and derivatives in the statement of operations.

Fair Value – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Fund to determine fair value are consistent with the market or income approaches. The Fund determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Valuations based on inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when observable inputs are not

readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3. In some cases, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In such cases, the fair value measurement is generally categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. **[Include the following language for funds early adopting ASU 2015-07. Refer to Appendix G for additional guidance:]** Investments in private investment companies measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

Fair Value – Valuation of Net Risk Exposures

The Fund elects to measure the fair value of its net exposure to **[market risks]** **[and]** **[credit risks]** on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. The Fund applies this election when the duration and type of exposure to a particular **[market risk]** **[and]** **[credit risk]** for a group of financial assets and liabilities is substantially the same.

1. Nature of operations and summary of significant accounting policies (continued)

Fair Value – Valuation Techniques and Inputs

[These notes should be tailored to the Fund's specific techniques and inputs used to value investments. Only include the applicable paragraphs:]

Equity Securities

Equity securities that are traded on a national securities exchange are valued at their last reported sales price as of the measurement date. Equity securities traded in the over-the-counter ("OTC") markets and listed securities for which no sale was reported on that date are generally valued at their last reported "bid" price if held long, and last reported "ask" price if sold short. To the extent equity securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Equity securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

Option Contracts

Options are valued based on quoted prices from the exchange. Options are generally categorized in Level 1 or 2 of the fair value hierarchy.

Futures Contracts

Futures contracts that are traded on an exchange are valued at their last reported sales price as of the measurement date and are generally categorized in Level 1 of the fair value hierarchy.

Warrants

Warrants that are traded on an exchange are valued at their last reported sales price as of the measurement date. The fair value of OTC warrants is determined using the Black-Scholes option pricing model, a valuation technique that follows the income approach. This pricing model takes into account the contract terms (including maturity) as well as multiple inputs, including, time value, implied volatility, equity prices, interest rates, and currency rates. Warrants that are traded on an exchange in an active market are

generally classified in Level 1 of the fair value hierarchy. Warrants that are traded on the OTC market are generally classified in Level 2 or 3 of the fair value hierarchy.

Contracts for Differences

Contracts for differences are traded on the OTC market. The fair value of contracts for differences is derived by taking the difference between the quoted price of the underlying security and the contract price. Contracts for differences are generally categorized in Level 2 of the fair value hierarchy.

Forward Contracts

Forward contracts are traded on the OTC market. The fair value of forward contracts is determined using observable inputs, such as currency exchange rates or commodity prices, applied to notional amounts stated in the applicable contracts. Forward contracts are generally categorized in Level 2 of the fair value hierarchy.

Interest Rate Swaps

Interest rate swaps may be centrally cleared or traded on the OTC market. The fair value of interest rate swaps is determined using an income approach. The income approach takes into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, interest rates, prepayment speeds, and currency rates. Many inputs may be observable in the marketplace. Interest rate swaps are generally categorized in Level 2 of the fair value hierarchy.

Total Return Swaps

Total return swaps may be centrally cleared or traded on the OTC market. The fair value of total return swaps is calculated based on the terms of the contract and current market data, such as interest rates and changes in fair value of the reference asset. Total return swaps are generally categorized in Level 2 or 3 of the fair value hierarchy.

1. Nature of operations and summary of significant accounting policies (continued)

Credit Default Swaps

Credit default swaps may be centrally cleared or traded on the OTC market. The fair value of credit default swaps is determined using an income or market approach that considers multiple inputs including specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates, current credit spreads, and the counterparty's creditworthiness. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is affected by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit risk of the underlying debt or reference entity. **[If applicable:]** The Fund may also use independent pricing services to determine the value of its credit default swaps **[In addition, describe the methods used by the pricing services to determine the value of the Fund's credit default swaps:]**. If the underlying debt is liquid and the market for the current spread is active, credit default swaps are categorized in Level 2 of the fair value hierarchy. If the underlying debt is illiquid and the market for the current spread is not active, credit default swaps are categorized in Level 3 of the fair value hierarchy.

Swaptions

Swaptions are traded on the OTC market. The fair value of swaptions is determined using an income or market approach that considers the contract terms (including maturity) as well as multiple inputs, including notional value, interest rates, currency rates, and implied volatility. Swaptions are generally categorized in Level 2 or 3 of the fair value hierarchy.

Derivative Contracts

[The following may be used as an alternative in lieu of listing valuation techniques for individual types of derivative contracts:] The Fund enters into derivative contracts as part of its overall investment strategy,

including **[Include as applicable:]** option contracts, futures contracts, forward contracts, interest rate swaps, total return swaps, credit default swaps, contracts for differences, warrants, and swaptions. The fair value of derivative contracts is determined using **[Include as applicable:]** quoted market prices, counterparty quotes, or pricing models that take into account the terms of the contract, and inputs such as **[Include as applicable:]** the counterparty's creditworthiness, time value of money, volatility, interest rates, prepayment speeds, credit spreads, recovery rates, currency exchange rates, and changes in the fair value of the reference asset. **[If applicable:]** The Fund may also use independent pricing services to determine the value of its derivative contracts **[In addition, describe the methods used by the pricing services to determine the value of the Fund's derivative contracts:]**. Derivative contracts that are traded on an exchange are generally classified in Level 1 of the fair value hierarchy. Derivative contracts that are centrally cleared or traded on the OTC market are generally classified in Level 2 or 3 of the fair value hierarchy.

Government Bonds

The fair value of government bonds is based on quoted prices when traded in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads, and sovereign credit spreads similar to the bond in terms of issuer, maturity, and seniority. Government bonds are generally categorized in Level 2 of the fair value hierarchy. **[Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 government bonds, if necessary.]**

Municipal Bonds

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations (where observable), matrix pricing, or an income approach that factors in, where applicable, interest rates and bond or credit default swap spreads. **[If applicable:]** The Fund may also use independent pricing services to determine the value of its municipal bonds **[In addition, describe**

1. Nature of operations and summary of significant accounting policies (continued)

the methods used by the pricing services to determine the value of the Fund's municipal bonds:] Municipal bonds are generally categorized in Level 2 of the fair value hierarchy. ***[Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 municipal bonds, if necessary.]***

Corporate Bonds

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves, bond or single name credit default swap spreads, and recovery rates based on collateral values as key inputs. ***[If applicable:]*** The Fund may also use independent pricing services to determine the value of its corporate bonds ***[In addition, describe the methods used by the pricing services to determine the value of the Fund's corporate bonds:]***. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy. In instances where significant inputs are unobservable, corporate bonds are categorized in Level 3 of the fair value hierarchy. ***[Include/modify the description of the valuation techniques and the inputs used in the fair value of Level 2 and Level 3 corporate bonds, if necessary.]***

Fixed Income Securities

[The following may be used as an alternative in lieu of listing valuation techniques for individual types of fixed-income securities:] The fair value of fixed income securities (government bonds, municipal bonds, corporate bonds) is estimated using ***[Include as applicable:]*** recently executed transactions, market price quotations (where observable), matrix pricing, or an income approach that factors in, where applicable, interest rates and bond or credit default swap spreads. ***[If applicable:]*** The Fund may also use independent pricing services to determine the

value of its fixed income securities. ***[In addition, describe the methods used by the pricing services to determine the value of the Fund's fixed income securities:]*** Fixed income securities that are not traded in active markets are generally categorized in Level 2 of the fair value hierarchy. In instances where significant inputs are unobservable, fixed income securities are categorized in Level 3 of the fair value hierarchy.

Bank Debt

The fair value of bank debt is generally valued using recently executed transactions, market price quotations (where observable) and market observable credit default swap levels. ***[Example of valuation technique disclosure:]*** When quotations are unobservable, proprietary valuation models and default recovery analysis methods are employed. ***[If applicable:]*** The Fund may also use independent pricing services to determine the value of its bank debt ***[In addition, describe the methods used by the pricing services to determine the value of the Fund's bank debt:]***. Bank debt is generally categorized in Level 2 or 3 of the fair value hierarchy, depending on the use and availability of observable inputs.

Commercial Mortgage-Backed Securities and Asset-Backed Securities

Commercial Mortgage-Backed Securities ("CMBS") and Asset-Backed Securities ("ABS") may be valued based on prices of comparable securities or cash flow models that consider inputs including default rates, conditional prepayment rates, loss severity, expected yield to maturity, and other inputs specific to each security. Included in this category are certain interest-only securities, which in the absence of market prices are valued as a function of observable whole bond prices and cash flow values of principal-only bonds using current market assumptions at the measurement date. ***[If applicable:]*** The Fund may also use independent pricing services to determine the value of its CMBS and ABS ***[In addition, describe the methods used by the pricing services to determine the value of the Fund's CMBS and ABS:]***. CMBS and ABS are categorized in Level 2 of the fair value hierarchy when inputs are observable and in Level 3 when inputs are unobservable.

1. Nature of operations and summary of significant accounting policies (continued)

[Example disclosure of the nature of the items measured at fair value:] At December 31, 20XX, the Fund had investments in ABS with a fair value of approximately \$XX,XXX,000 which are included in Level 2 of the fair value hierarchy. These securities represent mezzanine and equity tranches in various securitization trusts. The underlying loans for these securities include small business loans and credit card receivables that were originated between 20XX and 20XX. The underlying loans have a weighted average coupon rate of X.X% and a weighted-average maturity of XX months. **[Additional relevant information may include weighted averages of inputs for yield to maturity, default rates, loss severities and prepayment rates.]**

Collateralized Loan Obligations

Investments in this category represent direct ownership in the **[equity] [debt]** tranche of a Collateralized Loan Obligation ("CLO"). A CLO is a form of securitization where payments from multiple small, middle, and large business loans are pooled together and passed on to different classes of owners in various tranches; generally referred to as senior, mezzanine, and equity tranches. Generally, these securities provide periodic payments to the senior and mezzanine tranches which consist of interest and principal. Once the contractual obligations regarding the periodic payments are met, all remaining flow-through cash is paid to the equity tranche investors in the form of a dividend. CLOs may be valued based on prices of comparable securities or cash flow models that consider inputs including default rates, conditional prepayment rates, loss severity, expected yield to maturity, and other inputs specific to each security.

[If applicable:] The Fund may also use independent pricing services to determine the value of its CLOs **[In addition, describe the methods used by the pricing services to determine the value of the Fund's CLOs:]** CLOs are categorized in Level 2 of the fair value hierarchy when inputs are observable and in Level 3 when inputs are unobservable.

Investments in Private Operating Companies

Investments in private operating companies may consist of common stock, preferred stock, and debt investments in privately-owned portfolio companies. The transaction price, excluding transaction costs, is typically the Fund's best estimate of fair value at acquisition. At each subsequent measurement date, the Fund reviews the valuation of each investment and records adjustments as necessary to reflect the expected exit value of the investment under current market conditions. Ongoing reviews by the Fund's management are based on an assessment of the type of investment, the stage in the lifecycle of the portfolio company, and of trends in the performance and credit profile of each portfolio company as of the measurement date.

When observable prices are not available for the Fund's investments, the fair value at the measurement date is determined using the income approach or the market approach. The income approach measures the present value of anticipated future economic benefits (i.e., net cash flows). The estimated net cash flows are forecast over the expected remaining economic life and discounted to present value using a discount rate commensurate with the level of risk associated with the expected cash flows. The market approach consists of utilizing observable market data (e.g., current trading and/or acquisition multiples) of comparable companies and applying the data to key financial metrics of the portfolio company. The comparability (as measured by size, growth profile, and geographic concentration, among other factors) of the identified set of comparable companies to the portfolio company is considered in the application of the market approach. In certain instances, the Fund may use multiple valuation techniques for a particular investment and estimate its fair value based on a weighted average or a selected outcome within a range of multiple valuation results. **[If applicable:]** The Fund may also use independent pricing services to determine the value of its private operating companies **[In addition, describe the methods used by the used**

1. Nature of operations and summary of significant accounting policies (continued)

by the pricing services to determine the value of the Fund's private operating companies:] When applying valuation techniques used in the determination of fair value, the Fund assumes a reasonable period of time for estimating cash flows and takes into consideration the financial condition and operating results of the portfolio company, the nature of the investment, restrictions on marketability, market conditions, foreign currency exposures, and other factors. When determining the fair value of investments, the Fund exercises significant judgment and uses the best information available as of the measurement date. Due to the inherent uncertainty of valuations, the fair values reflected in the financial statements as of the measurement date may differ materially from: 1) values that would have been used had a readily available market existed for such investments, and 2) the values that may ultimately be realized.

[Examples of income approach input technique disclosures:] [If applicable:] Inputs used under an income approach may include annual projected cash flows for each investment through their estimated cash flow period discounted to present value using appropriate risk-adjusted discount rates. These cash flow assumptions may be probability-weighted to reflect the risks associated with achieving expected performance levels across various business scenarios. **[If applicable:]** Inputs used under an income approach may include an assessment of the credit profile of the portfolio company as of the measurement date, the operating performance of the portfolio company, trends in the liquidity and financial leverage ratios as of the measurement date, as well as an assessment of the portfolio company's business enterprise value, liquidation value, and debt repayment capacity of each subject debt investment. In addition, inputs may include an assessment of potential yield adjustments for each debt investment based on trends in the credit profile of the portfolio company and trends in the interest rate environment as of the measurement date.

[Examples of market approach input technique disclosures:] Inputs used under a market approach may include valuation multiples applied to corresponding performance metrics such as earnings before interest, taxes, depreciation, and amortization ("EBITDA"), revenues, or net earnings. The selected valuation multiples were estimated through a comparative analysis of the performance and characteristics of each investment within a range of comparable companies or transactions in the observable marketplace. In addition, recent merger and acquisition transactions of comparable companies may be used as a basis to develop implied valuation multiples. Investment valuations using the market approach may also take into consideration factors such as liquidity, credit, and market-risk factors of the portfolio company.

Investments in private operating companies are generally included in Level 3 of the fair value hierarchy.

Investments in Restricted Securities of Public Companies

Investments in restricted securities of public companies cannot be offered for sale to the public until the issuer complies with certain statutory requirements. The valuation of the securities by management takes into consideration the type and duration of the restriction, to the extent the restriction is specific to the security, but in no event does the valuation exceed the listed price on any major securities exchange. Investments in restricted securities of public companies are generally categorized in Level 2 of the fair value hierarchy. However, to the extent that significant inputs used to determine liquidity discounts are not observable, investments in restricted securities in public companies may be categorized in Level 3 of the fair value hierarchy.

Investments in Physical Commodities

Investments in physical commodities are valued using the most recent prices from established commodity exchanges, less estimated transportation costs. Investments in physical commodities are generally categorized in Level 2 of the fair value hierarchy.

1. Nature of operations and summary of significant accounting policies (continued)

Investments in Private Investment Companies

Investments in private investment companies are valued utilizing the net asset values provided by the underlying private investment companies as a practical expedient. The Fund applies the practical expedient to its investments in private investment companies on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset value of the investment.

[Refer to Appendix B for additional disclosures if the Fund had investments in private investment companies that were not valued using net asset value as a practical expedient.]

Investments in private investment companies are classified in Level 2 or 3 of the fair value hierarchy. In determining the level, the Fund considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. The Fund also considers the nature of the portfolios of the underlying private investment companies and their ability to liquidate their underlying investments. If the Fund has the ability to redeem its investment at the reported net asset valuation as of the measurement date, or in the near term, the investment is generally included in Level 2 of the fair value hierarchy. ***[Note: This paragraph does not apply to investments valued using net asset value as a practical expedient for funds early adopting ASU 2015-07. Refer to Appendix G for additional guidance.]***

If the Fund does not know when it will have the ability to redeem the investment or it does not have the ability to redeem its investment in the near term, the investment is included in Level 3 of the fair value hierarchy. In addition, investments which are not valued using the practical expedient are included in Level 3 in the fair value hierarchy. ***[Note: This paragraph does not apply to investments valued using net asset value as a practical expedient for funds early adopting ASU 2015-07. Refer to Appendix B and Appendix G for additional guidance.]***

Investments in Special Purpose Vehicles

Investments in special purpose vehicles consist of ***[common stock, limited partnership interests, etc.]*** in unconsolidated entities that invest directly or indirectly in private equity or debt securities, real estate or intangible property. The valuation of the Fund's investments in a special purpose vehicle ("SPV") may depend on whether the SPV is required to be accounted for as an investment company under GAAP.

If an investment in a SPV is accounted for as an investment company, the Fund generally values the investment, as a practical expedient, utilizing the net asset values provided by the SPV when the net asset value is calculated in a manner consistent with GAAP for investment companies. The Fund applies the practical expedient to eligible investments in SPVs on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset value of the investment.

If an investment in a SPV is not accounted for as an investment company, the SPV may be valued in its entirety using an income approach or a market approach. In certain instances, an investment in a SPV may be valued based on the evaluation of the net assets of the SPV, whereby the assets and liabilities of the SPV are valued based on each underlying investment within the SPV, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, and performance multiples, among other factors. ***[Include/modify the description of the valuation techniques and the inputs used in valuation of investments in SPVs, if necessary.]***

Investments in SPVs are generally categorized in Level 3 of the fair value hierarchy. ***[Note: This paragraph does not apply to investments in SPVs valued using net asset value as a practical expedient for funds early adopting ASU 2015-07. Refer to Appendix G.]***

1. Nature of operations and summary of significant accounting policies (continued)

Fair Value – Valuation Processes

[This note should be tailored to reflect the Fund's specific policies and procedures:]

The Fund establishes valuation processes and procedures to ensure that the valuation techniques are fair and consistent, and valuation inputs are verifiable. The Fund designates a Valuation Committee (the "Committee") to oversee the entire valuation process of the Fund's investments. The Committee is comprised of various Fund personnel, including those that are separate from the Fund's portfolio management and trading functions, and reports to the Fund's Board of Directors. The Committee is responsible for developing the Fund's written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies.

The Committee meets on a monthly basis, or more frequently as needed, to determine the valuations of the Fund's Level 3 investments. Valuations determined by the Committee are required to be supported by market data, third-party pricing sources, industry accepted pricing models, counterparty prices, or other methods the Committee deems to be appropriate, including the use of internal proprietary pricing models.

The Fund periodically tests its valuations of Level 3 investments by performing back testing of the sales of such investments by comparing the amounts realized against the most recent fair values reported, and if necessary, uses the findings to recalibrate its valuation procedures. On an ***[monthly] [quarterly] [annual]*** basis, the Fund engages the services of a nationally recognized third-party valuation firm to perform an independent review of the valuation of the Fund's Level 3 investments, and may adjust its valuations based on the recommendations from the valuation firm.

[The following paragraph is an example of valuation processes for Investments in Private Investment Companies. This note should be tailored to the Fund's specific policies and procedures:]

The valuations of investments in private investment companies are supported by information received from the investee funds such as monthly net asset values, investor reports, and audited financial statements, when available. If it is probable that the Fund will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, or when the Fund believes alternative valuation techniques are more appropriate, the Committee may consider other factors, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

[Note: This paragraph does not apply to investments valued using net asset value as a practical expedient for funds early adopting ASU 2015-07. Refer to Appendix G.]

Fair Value of Financial Instruments

[Include if the Fund is subject to disclosures of fair values of financial instruments under ASC 825-10-50:]

The fair value of certain of the Fund's financial instruments carried at cost, including ***[list specific receivables and payables]***, approximates the carrying amounts presented in the statement of assets and liabilities due to the short term nature of these instruments.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into U.S. dollar amounts on the date of such transactions. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

[Include if the Fund does not separately report foreign currency exchange effects from realized and unrealized gains and losses from investments:]

1. Nature of operations and summary of significant accounting policies (continued)

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included with net realized and unrealized gain or loss from investments and derivatives in the statement of operations.

Reported net realized gain (loss) from foreign currency transactions arise from sales of foreign currencies; currency gains or losses realized between the trade and settlement dates on securities transactions; and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies arise from changes in the fair values of assets and liabilities, other than investments in securities at the end of the period, resulting from changes in exchange rates.

[Include if the Fund separately reports foreign currency exchange effects from realized and unrealized gains and losses from investments:]

The Fund isolates that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held.

Reported net realized gain (loss) from foreign currency transactions arise from sales of portfolio securities; sales and maturities of short term securities; sales of foreign currencies; currency gains or losses realized between the trade and settlement dates on securities transactions; and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies arise from changes in the fair values of assets and liabilities, including investments in securities at the end of the period, resulting from changes in exchange rates.

Offsetting of Assets and Liabilities

[The following are examples of offsetting language which may apply to the Fund:]

Amounts due from and to brokers are presented on a net basis, by counterparty, to the extent the Fund has the legal right to offset the recognized amounts and intends to settle on a net basis.

The Fund presents on a net basis the fair value amounts recognized for OTC derivatives executed with the same counterparty under the same master netting agreement.

[Or:]

The Fund presents on a gross basis the fair value amounts recognized for OTC derivatives executed with the same counterparty under the same master netting agreement, even though such positions may qualify for net presentation.

Fair value amounts recognized for exchange traded futures contracts executed with the same broker are presented on a net basis when the Fund has the legal right to offset the recognized amounts, and intends to settle on a net basis.

The Fund has elected not to offset fair value amounts recognized for cash collateral receivables and payables against fair value amounts recognized for derivative positions executed with the same counterparty under the same master netting arrangement.

[Or:]

The Fund has elected to offset fair value amounts recognized for cash collateral receivables and payables against fair value amounts recognized for derivative positions executed with the same counterparty under the same master netting arrangement.

Securities Lending

The Fund may lend securities to various financial institutions, principally to broker-dealers (the "Borrower"). Such transactions are secured by collateral, such as cash, securities, or standby letters of credit, at least equal, at all times, to the fair value of the securities loaned plus accrued interest. If the collateral is cash, the Fund normally earns a return by investing that cash typically in short-term,

1. Nature of operations and summary of significant accounting policies (continued)

high-quality debt instruments. Investments of cash collateral are subject to the Fund's investment restrictions. A rebate for a portion of the interest earned on the cash collateral is paid to the security lending agent for arranging the transaction. If the collateral is other than cash, the Fund typically receives a fee. The Fund receives amounts from the Borrower equivalent to dividends and interest on the securities loaned. The Fund accounts for the receipt of cash collateral and/or securities received as collateral as a secured borrowing whereby the Fund records an asset for cash collateral received and a corresponding liability for the obligation to return the collateral to the Borrower. The Fund has the right under its securities lending agreement to recover the securities from the Borrower on demand if the Borrower fails to deliver the securities on a timely basis. The Fund could experience delays or loss on recovery. In addition the Fund is subject to risk of loss on the investment of the cash collateral.

Income Taxes

[Refer to Appendix C for alternative income tax disclosures when the Fund has recognized a liability for unrecognized tax benefits.]

The Fund does not record a provision for U.S. federal, state, or local income taxes because the partners report their share of the Fund's income or loss on their income tax returns. ***[If applicable:]*** However, certain U.S. dividend income and interest income may be subject to a maximum

30% withholding tax for those limited partners that are foreign entities or foreign individuals. ***[If applicable:]*** Further, certain non-U.S. dividend income and interest income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states ***[If applicable:]*** and foreign jurisdictions. Generally, the Fund is no longer subject to income tax examinations by major taxing authorities for years before 20XX.

The Fund is required to determine whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a "more-likely-than-not" threshold would be recorded as a tax expense in the current year. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

Capital Withdrawals Payable

Withdrawals are recognized as liabilities when the amount requested in the withdrawal notice becomes fixed, which generally occurs on the last day of a fiscal quarter. As a result, withdrawals paid after the end of the year, based on partners' capital balances at year-end, are included in withdrawals payable at December 31, 20XX. Withdrawal notices received for which the dollar amount is not fixed remain in partners' capital until the amount is determined.

2. Fair value measurements

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1.

The following table presents information about the Fund's assets measured at fair value as of December 31, 20XX (in thousands):

	Level 1	Level 2	Level 3	Total
Investments in securities, at fair value				
Common stocks				
United States				
Banking	\$ 117,089	\$ –	\$ –	\$ 117,089
Manufacturing	94,447	–	–	94,447
Consumer discretionary	87,491	2,191	–	89,682
Healthcare	81,038	–	–	81,038
Real estate	44,961	–	–	44,961
United Kingdom				
Manufacturing	38,571	–	–	38,571
Telecommunications	33,642	462	–	34,104
Preferred stocks	96,000	600	–	96,600
Exchange traded funds	19,567	–	–	19,567
Private preferred stocks	–	–	19,937	19,937
Corporate bonds	–	59,481	2,584	62,065
Government bonds	22,391	–	–	22,391
Municipal bonds	–	31,534	–	31,534
Asset-backed securities				
Senior debt	–	1,273	19,159	20,432
Mezzanine debt	–	–	9,518	9,518
Total investments in securities, at fair value	\$ 635,197	\$ 95,541	\$ 51,198	\$ 781,936
Investments in private investment companies, at fair value				
Value	\$ –	\$ 72,424	\$ –	\$ 72,424
Growth	–	53,909	1,191	55,100
Merger arbitrage	–	1,460	23,339	24,799
Private equity	–	–	38,223	38,223
Total investments in private investment companies, at fair value	\$ –	\$ 127,793	\$ 62,753	\$ 190,546
Derivative contracts, at fair value				
Interest rate swaps	\$ –	\$ 60,439	\$ –	\$ 60,439
Warrants purchased	–	44,911	1,879	46,790
Total return swaps	–	30,111	–	30,111
Swaptions	–	282	–	282
Call options	23,807	–	–	23,807
Put options	2,159	–	–	2,159
Credit default swaps	–	–	–	–
Gross total	25,966	135,743	1,879	163,588
Less: Effect of netting provisions	–	–	–	–
Total derivative contracts, at fair value	\$ 25,966	\$ 135,743	\$ 1,879	\$ 163,588
Repurchase agreements, at fair value	\$ –	\$ 12,450	\$ –	\$ 12,450

2. Fair value measurements (continued)

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 20XX (in thousands):

	Level 1	Level 2	Level 3	Total
Securities sold short, at fair value				
Common stocks				
United States	\$ 402,260	\$ –	\$ –	\$ 402,260
United Kingdom				
Banking	27,275	4,653	–	31,928
Other	81,046	–	–	81,046
Corporate bonds	–	35,197	–	35,197
Total securities sold short, at fair value	\$ 510,581	\$ 39,850	\$ –	\$ 550,431
Derivative contracts, at fair value				
Credit default swaps	\$ –	\$ 23,839	\$ 1,838	\$ 25,677
Total return swaps	–	24,660	–	24,660
Interest rate swaps	–	23,112	–	23,112
Contracts for differences	–	22,384	–	22,384
Forward contracts	–	22,072	–	22,072
Futures contracts	21,879	–	–	21,879
Call options	9,960	–	–	9,960
Put options	5,691	–	–	5,691
Gross total	37,530	116,067	1,838	155,435
Less: Effect of netting provisions	–	–	–	–
Total derivative contracts, at fair value	\$ 37,530	\$ 116,067	\$ 1,838	\$ 155,435

Domestic Fund, L.P.

Notes to Financial Statements

2. Fair value measurements (continued)

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 20XX (in thousands):

	Beginning Balance January 1, 20XX	Realized Gains (Losses) ⁽¹⁾	Unrealized Gains (Losses) ⁽¹⁾	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance December 31, 20XX	Change in Unrealized Gains (Losses) for the Period Still Held at December 31, 20XX ⁽²⁾
Investments in securities, at fair value									
Private preferred stocks	\$ -	\$ -	\$ (63)	\$ 20,000	\$ -	\$ -	\$ -	\$ 19,937	\$ (63)
Corporate bonds	-	-	-	-	-	4,510	(1,926)	2,584	547
Asset-backed securities	17,319	20,946	13,964	2,451	(26,003)	-	-	28,677	12,481
Total investments in securities, at fair value	\$ 17,319	\$ 20,946	\$ 13,901	\$ 22,451	\$ (26,003)	\$ 4,510	\$ (1,926)	\$ 51,198	\$ 12,965
Investments in private investment companies, at fair value									
	\$ 109,672	\$ (9,024)	\$ (5,500)	\$ 34,000	\$ (4,000)	\$ -	\$ (62,395)	\$ 62,753	\$ 1,391
Derivative contracts, at fair value									
Warrants purchased	\$ 2,934	\$ -	\$ 4,094	\$ -	\$ -	\$ 1,467	\$ (6,616)	\$ 1,879	\$ (562)
Total derivative contracts, at fair value	\$ 2,934	\$ -	\$ 4,094	\$ -	\$ -	\$ 1,467	\$ (6,616)	\$ 1,879	\$ (562)

(1) Realized and unrealized gains and losses are all included in net gain (loss) from investments, derivatives, and foreign currency in the statement of operations.

(2) The change in unrealized gains (losses) for the year ended December 31, 20XX for investments still held at December 31, 20XX is reflected in net change in unrealized gains and losses on investments and derivatives in the statement of operations

Domestic Fund, L.P.

Notes to Financial Statements

2. Fair value measurements (continued)

The following table presents information about the Fund's liabilities measured at fair value as of December 31, 20XX (in thousands):

	Beginning Balance January 1, 20XX	Realized Gains (Losses) ⁽¹⁾	Unrealized Gains (Losses) ⁽¹⁾	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance December 31, 20XX	Change in Unrealized Gains (Losses) for the Period for Investments Still Held at December 31, 20XX ⁽²⁾
Derivative contracts, at fair value									
Credit default swaps	\$ 8,719	\$ –	\$ (\$7,443)	\$ –	\$ –	\$ 562	\$ –	\$ 1,838	\$ (7,443)
Total derivative contracts, at fair value	\$ 8,719	\$ –	\$ (\$7,443)	\$ –	\$ –	\$ 562	\$ –	\$ 1,838	\$ (7,443)

(1) Realized and unrealized gains and losses are all included in net gain (loss) from investments, derivatives, and foreign currency in the statement of operations.

(2) The change in unrealized gains (losses) for the year ended December 31, 20XX for investments still held at December 31, 20XX is reflected in the net change in unrealized gains and losses on investments and derivatives in the statement of operations.

2. Fair value measurements (continued)

[If applicable, when a Level 3 rollforward is presented:]

All transfers are recognized by the Fund at the **[beginning]** **[end]** of each reporting period. Transfers between Levels 2 and 3 generally relate to whether significant unobservable inputs are used for the fair value measurements. See Note 1 for additional information related to the fair value hierarchy and valuation techniques and inputs.

[For investments in private investment companies, replace the second sentence in the above paragraph with the following:] Transfers between Levels 2 and 3 generally relate to a change in the liquidity restrictions of

the private investment companies. **[Note: This does not apply to investments valued using net asset value as a practical expedient for funds early adopting ASU 2015-07. Refer to Appendix G for additional guidance.]**

[If applicable:] During the year ended December 31, 20XX, the Fund did not have any significant transfers between any of the levels of the fair value hierarchy.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Fund's investments that are categorized within Level 3 of the fair value hierarchy as of December 31, 20XX:

(in thousands)	Fair Value at December 31, 20XX	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)
Assets				
Investments in securities, at fair value				
Private preferred stocks	\$ 18,541	Market comparable companies	Adjusted valuation multiples (EBITDA) Discounts for lack of marketability Control premiums	8x–10x (9x) 15%–20% (17.5%) 2%–5% (3.5%)
	1,396	Recent transaction price	N/A	N/A
Corporate bonds	2,584	Consensus pricing	Discounts for lack of marketability	10%
Asset-backed securities	28,677	Discounted cash flow model	Loss severities Probabilities of default Prepayment rates	2%–5% (3.5%) 10%–15% (13%) 8%–10% (9%)
Investments in private investment companies, at fair value				
	62,753	Net asset value ⁽¹⁾	N/A	N/A
Derivative contracts, at fair value				
Call warrants	1,879	Black-Scholes model	Historical volatility	15%–20% (17.5%)
Total assets	\$ 115,830			
Liabilities				
Derivative contracts, at fair value				
Credit default swaps	\$ 1,838	Consensus pricing	N/A	N/A

(1) Not applicable for funds early adopting ASU 2015-07. Refer to Appendix G for additional guidance.

2 Fair value measurements (continued)

[If a portion of Level 3 investments did not have internally developed unobservable inputs, include language to reconcile the difference such as the following if not included in the preceding table:] Certain of the Fund's Level 3 investments have been valued using unadjusted third party transactions and quotations, or the unadjusted net asset value of investments in private investment companies. As a result, fair value assets of approximately \$64,149,000 and fair value liabilities of approximately \$1,838,000 have been excluded from the preceding table.

[Consider including the following language if not already addressed in the preceding Fair Value – Valuation Techniques and Inputs section:] The Fund's Level 3 investments have been valued using unadjusted third-party transactions and quotations, or the unadjusted net asset value of investments in private investment companies. As a result, there were no unobservable inputs that have been internally developed by the Fund in determining the fair values of its investments as of December 31, 20XX.

3. Investments in private investment companies

[Refer to Appendix B for required disclosures when the Fund invests in private investment companies.]

4. Due from/to brokers

[This disclosure should be tailored to include additional information which is not presented separately in the statement of assets and liabilities.]

Due from/to brokers includes cash balances held with brokers, receivables and payables from unsettled trades, margin borrowings, and collateral on derivative transactions. Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold short. In addition, margin borrowings of \$X,XXX,000

are collateralized by certain securities and cash balances held by the Fund. The Fund is subject to interest on margin accounts based on **[Describe the provisions by which margin interest is charged to the Fund]**.

[Include if not presented separately on the statement of assets and liabilities:] At December 31, 20XX, due from/to brokers includes receivables of \$X,XXX,000 and payables of \$X,XXX,000 related to unsettled trades.

[If applicable:] In addition, at December 31, 20XX, the Fund pledged collateral to counterparties to OTC derivative contracts of \$X,XXX,000 and received collateral from counterparties to OTC derivative contracts of \$X,XXX,000.

[If applicable:] Also, at December 31, 20XX, due from brokers includes \$X,XXX,000 of initial and variation margin related to its futures trading activities.

In the normal course of business, substantially all of the Fund's securities transactions, money balances, and security positions are transacted with the Fund's brokers: Prime Broker 1, LLC and Prime Broker 2, Ltd. **[For funds with separate clearing brokers, include the following sentence:]** Accounts with Prime Broker 1, LLC are cleared by Prime Broker 3, LLC. The Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

[If applicable, for tri-party collateral agreements:]

The Fund entered into collateral account control agreements with **[List name of counterparty]** (the "Secured Party") and Prime Broker 4, LLC (the "Securities Intermediary") in order to mitigate the risk associated with its derivative counterparties. Upon entering derivative contracts, the Fund posts collateral to the Secured Party which is held in custody by the Securities Intermediary. The Fund does not have the ability to transfer the collateral unless certain contingent events occur. As of December 31, 20XX, approximately \$XX,XXX,000 of collateral receivables posted to the Secured Party are held by the Securities Intermediary, which are included in due from brokers on the statement of assets and liabilities.

5. Derivative contracts

In the normal course of business, the Fund uses derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund's derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: interest rate, credit, foreign currency exchange rate, commodity price, and equity price. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

Options

The Fund is subject to equity and commodity price risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund enters into options to ***[Include a description of the Fund's objectives for entering or holding the type of derivative contract]***. Options purchased give the Fund the right, but not the obligation, to buy or sell, within a limited time, a financial instrument, commodity, or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Options written obligate the Fund to buy or sell, within a limited time, a financial instrument, commodity, or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from derivatives. The difference between the premium and the amount paid to settle the exercise of the option is also treated as a realized gain, or if the premium is less than the amount paid, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised,

the premium reduces the cost basis of the securities purchased by the Fund. Options written by the Fund may expose the Fund to market risk of an unfavorable change in the financial instrument underlying the written option.

For some OTC options, the Fund may be exposed to counterparty risk from the potential that a seller of an option does not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum risk of loss from counterparty risk to the Fund is the fair value of the contracts and the premiums paid to purchase its open options. In these instances, the Fund considers the credit risk of the intermediary counterparty to its option transactions in evaluating potential credit risk.

Futures Contracts

The Fund may use futures to ***[Include a description of the Fund's objectives for entering or holding the type of derivative contract]***. A futures contract represents a commitment for the future purchase or sale of an asset or index at a specified price on a specified date.

The purchase and sale of futures requires margin deposits with a Futures Commission Merchant ("FCM") equal to a certain percentage of the contract amount. Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract. The Fund recognizes a gain or loss equal to the daily variation margin. Futures have minimal counterparty risk since futures contracts are exchange-traded and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Fund's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

5. Derivative contracts (continued)

Warrants

The Fund may purchase warrants **[Include a description of the Fund's objectives for entering or holding the type of derivative contract]**. The warrants provide the Fund with exposure and potential gains upon equity appreciation of the portfolio company's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant has a limited life and expires on a certain date. As time to the expiration date of a warrant approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for the Fund to lose its entire investment in a warrant.

The Fund is exposed to counterparty risk from the potential failure of an issuer of warrants to settle its exercised warrants. The maximum risk of loss from counterparty risk to the Fund is the fair value of the contracts. The Fund considers the effects of counterparty risk when determining the fair value of its investments in warrants.

Contracts for Differences

The Fund enters into contracts for differences **[Include a description of the Fund's objectives for entering or holding the type of derivative contract]**. Contracts for differences arrangements involve an agreement by the Fund and a counterparty to exchange the difference between the opening and closing price of the position underlying the contract, which is generally an equity security. Therefore, amounts required for the future satisfaction of the contracts for differences may be greater or less than the amount recorded.

Forward Contracts

The Fund enters into forwards to **[Include a description of the Fund's objectives for entering or holding the type of derivative contract]**.

Forward currency and commodity transactions are contracts or agreements for delayed delivery of specific currencies and commodities in which the seller agrees to make delivery at a specified future date of specified currencies and commodities. Risks associated with forward currency and commodity contracts are the inability of counterparties to meet the terms of their respective contracts and movements in fair value and exchange rates.

Swap Contracts

The Fund enters into various swaps, including interest rate swaps, total return swaps, and credit default swaps as part of its investment strategies, to hedge against unfavorable changes in the value of investments, and to protect against adverse movements in interest rates or credit performance with counterparties. Generally, a swap contract is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified notional amount of the underlying assets. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Swap agreements may also be centrally cleared through a clearinghouse, where initial margins are posted, and daily changes in the fair value are recorded as a payable or receivable on the statement of assets and liabilities as variation margin on derivative contracts and settled daily.

During the term of the swap contract, changes in value are recognized as unrealized gains or losses by marking the contracts at fair value. Additionally, the Fund records a realized gain or loss when a swap contract is terminated and when periodic payments (excluding collateral payments) are received or made at the end of each measurement period. Accruals related to periodic payments are reflected within unrealized gains or losses.

The fair value of open swaps reported in the statement of assets and liabilities may differ from that which would be realized in the event the Fund terminated its position in the contract. Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure

5. Derivative contracts (continued)

of a counterparty is generally limited to the aggregate fair value of swap contracts in an unrealized gain position as well as any collateral posted with the counterparty. The risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty. The Fund considers the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying investments.

Interest Rate Swaps

The Fund is exposed to interest rate risk when there is an unfavorable change in the value of investments as a result of adverse movements in the market interest rates. The Fund enters into interest rate swaps to ***[Include a description of the Fund's objectives for entering or holding the type of derivative contract].***

Interest rate swaps are contracts whereby counterparties exchange different rates of interest on a specified notional amount for a specified period of time. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Fund's interest rate swap contracts are scheduled to terminate from 20XX through 20XX.

Total Return Swaps

The Fund is subject to equity price risk in the normal course of pursuing its investment objectives. The Fund may enter into total return swaps to ***[Include a description of the Fund's objectives for entering or holding the type of derivative contract].***

Total return swap contracts involve the exchange by the Fund and a counterparty of their respective commitments to pay or receive a net amount based on the change in the fair value of a particular security or index, specified interest rates for fixed rate payments, and the notional amount of the swap contract. The Fund's total return swap contracts are scheduled to terminate from 20XX through 20XX.

Credit Default Swaps

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swaps to ***[Include a description of the Fund's objectives for entering or holding the type of derivative contract].***

Credit default swap contracts involve an arrangement between the Fund and a counterparty which allows one party to protect against losses incurred as a result of default by a specified reference entity. Generally, the Fund pays or receives a premium up front and continues to pay periodic interest payments while the counterparty agrees to make a payment to compensate the Fund for losses upon the occurrence of a specified credit event ("protection purchased").

[If applicable:] Alternatively, when the Fund sells a credit default swap ("protection written"), it receives premium payments in exchange for assuming the credit risk of the specified reference entity. Generally, the counterparty pays or receives a premium up front and continues to pay periodic interest payments while the Fund agrees to make a payment to compensate the counterparty for losses upon the occurrence of a specified credit event.

Although contract-specific, credit events generally include bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium. Upon the occurrence of a defined credit event, the difference between the value of the reference obligation and the swap's notional amount is recorded as realized gain (for protection purchased) or loss (for protection written) in the statement of operations.

In the event that certain specified credit events occur, the maximum potential amount of future undiscounted payments that the Fund would be required to pay under its credit default swaps for protection written would be approximately \$XX,XXX,000. However, if the Fund was required to make payments under its credit default swaps for protection written, it would be entitled to certain assets owned by the entities that collateralize the reference obligations.

5. Derivative contracts (continued)

[Refer to Appendix D for additional disclosures if the Fund enters into credit default swaps for protection written.]

The Fund's credit default swap contracts are scheduled to terminate from 20XX through 20XX.

Swaptions

The Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The Fund may enter into swaptions to ***[Include a description of the Fund's objectives for entering or holding the type of derivative contract]***.

Swaptions represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed-upon swap contract on a future date. When the Fund writes a swaption, the premium received is recorded as a liability and is subsequently adjusted to the current fair value of the swaption. A realized gain or loss is recognized when the swaption contract expires or is closed.

Premiums received from writing swaptions that expire are treated by the Fund as realized gains from swaptions written. The writer of the swaption bears the market risk arising from any change in index values or interest rates. The Fund's swaption contracts are scheduled to terminate from 20XX through 20XX.

Credit-Risk-Related Contingent Features

[This note should be tailored to the Fund's specific credit-risk-related contingent features:] [Describe the circumstances in which credit-risk-related contingent features could be triggered, such as the following:]

The Fund's derivative contracts are subject to International Swaps and Derivatives Association ("ISDA") Master Agreements which contain provisions for events of default that, if violated, allow the counterparty to the derivative contracts to request immediate payment or demand

additional collateral if the Fund is in a net liability position with the counterparty. Additionally, the counterparty may elect to immediately terminate and settle all outstanding derivative transactions if the Fund fails to maintain sufficient asset coverage for its contracts or upon a decline in the Fund's net assets below specified percentages or amounts. As of December 31, 20XX, no such termination events have occurred.

The aggregate fair value of all derivative contracts with credit-risk-related contingent features that are in a net liability position at December 31, 20XX is \$X,XXX,000, for which the Fund has posted \$X,XXX,000 as collateral in the normal course of business. ***[If applicable:]*** If the credit-risk-related contingent features underlying these agreements were triggered as of December 31, 20XX, the Fund would have been required to post additional collateral of \$X,XXX,000 to its counterparties. ***[If applicable:]*** If the credit-risk-related contingent features underlying these agreements were triggered as of December 31, 20XX, the Fund would have been required to transfer assets with a fair value of \$X,XXX,000 to its counterparties to settle the derivative contracts immediately.

5. Derivative contracts (continued)

Volume of Derivative Activities

[The following illustrative disclosures provide examples of the use of notional amounts to describe the volume of a fund's derivative activities. However, the appropriate disclosures of volume of derivative activities should consider the individual facts and circumstances of the fund, and may differ from the illustrative disclosures.]

The Fund considers the average quarter-end notional amounts during the year, categorized by primary underlying risk, to be representative of the volume of its derivative activities during the year ended December 31, 20XX.

[The following alternative language may be used if representative of the volume of derivative activities:]

The Fund considers the notional amounts at December 31, 20XX, categorized by primary underlying risk, to be representative of the volume of its derivative activities during the year ended December 31, 20XX.

(in thousands)	Long exposure	Short exposure
Primary underlying risk	Notional amounts ⁽¹⁾	Notional amounts ⁽¹⁾
Interest rate		
Interest rate swaps	\$ 341,000	\$ 234,000
Swaptions	286,000	–
Foreign currency exchange rate		
Forward contracts	1,910,001	941,044
Equity price		
Total return swaps	45,190	19,840
Futures contracts	44,900	–
Options ⁽²⁾	134,910	51,019
Warrants ⁽²⁾	241,049	–
Contracts for differences	42,190	19,831
Commodity price		
Forward contracts	–	45,000
Futures contracts	–	1,839
Credit		
Protection purchased:		
Credit default swaps	–	
Protection written:		
Credit default swaps	140,000	–
Other risks	–	–

(1) *[If applicable:]* Notional amounts are presented net of identical offsetting derivative contracts.

(2) Notional amounts presented for options and warrants are based on the fair value of the underlying shares as if the options and warrants were exercised at December 31, 20XX

5. Derivative contracts (continued)

[The following represents an alternative presentation of the volume of the Fund's derivative activities:]

(in thousands)	Primary underlying risk	Notional amounts ⁽¹⁾
Interest rate		
Interest rate swaps – pay fixed, receive floating	\$	341,000
Interest rate swaps – pay floating, receive fixed		234,000
Swaptions – long exposure		286,000
Foreign currency exchange rate		
Forward contracts – Purchase foreign currency/Sell United States Dollars		1,910,001
Forward contracts – Purchase United States Dollars/Sell foreign currency		941,044
Equity price		
Total return swaps – long exposure		45,190
Total return swaps – short exposure		19,840
Futures contracts – long exposure		44,900
Purchased call options ⁽²⁾		134,910
Written call options ⁽²⁾		51,019
Warrants – long exposure ⁽²⁾		241,049
Contracts for differences – long exposure		42,190
Contracts for differences – short exposure		19,831
Commodity price		
Forward contracts – short exposure		45,000
Futures contracts – short exposure		1,839
Credit		
Credit default swaps – protection purchased		
Credit default swaps – protection written		140,000
Other risks		
Event-driven – long exposure		–

(1) *[If applicable:]* Notional amounts are presented net of identical offsetting derivative contracts.

(2) Notional amounts presented for options and warrants are based on the fair value of the underlying shares as if the options and warrants were exercised at December 31, 20XX.

5. Derivative contracts (continued)

Impact of Derivatives on the Statement of Assets and Liabilities and Statement of Operations

The following table identifies the fair value amounts of derivative contracts included in the statement of assets and liabilities, categorized by primary underlying risk, at December 31, 20XX. Balances are presented on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements and have been adjusted by the application of cash collateral receivables and payables with its counterparties. The following table also identifies the realized and unrealized gain and loss amounts included in the statement of operations, categorized by primary underlying risk, for the year ended December 31, 20XX:

(in thousands)					
Primary underlying risk	Derivative assets	Derivative liabilities	Realized gain (loss)	Unrealized gain (loss)	
Interest rate					
Interest rate swaps	\$ 60,439	\$ 23,112	\$ 26,959	\$ 17,918	
Swaptions	282	–	–	54	
	60,721	23,112	26,959	17,972	
Foreign currency exchange rate					
Forward contracts	–	11,900	(7,139)	(4,759)	
Equity price					
Total return swaps	30,111	24,660	–	10,003	
Futures contracts	–	21,645	–	(3,391)	
Options	25,966	15,651	23,460	15,640	
Warrants	46,790	–	–	3,810	
Contracts for differences	–	22,384	(21,494)	(14,330)	
	102,867	84,340	1,966	11,732	
Commodity price					
Forward contracts		10,172	(4,760)	(3,173)	
Futures contracts	–	234	(234)	–	
	–	10,406	(4,994)	(3,173)	
Credit					
Protection purchased:					
Credit default swaps	–	–	–	–	
Protection written:					
Credit default swaps	–	25,677	(14,346)	(9,564)	
	–	25,677	(14,346)	(9,564)	
Other risks	–	–	–	–	
Gross total	163,588	155,435	2,446	12,208	
Less: Effect of netting provisions	–	–	–	–	
Less: Cash collateral applied	–	–	–	–	
Total	\$ 163,588	\$ 155,435	\$ 2,446	\$ 12,208	

[If applicable – for derivative types that were traded during the year and are included on the gain/loss table but are not held at year-end:] The Fund may utilize certain types of derivative contracts from time to time to create, or hedge, exposures relative to unique circumstances in the market. As such, the Fund has excluded these derivative types from the above table, as they are not representative of the Fund's regular trading activity throughout the year.

5. Derivative contracts (continued)

[If applicable – for Funds that traded derivatives during the year but are not holding any at year-end:] At December 31, 20XX, the Fund did not hold any derivative contracts. The Fund's volume of derivative trading during the year was de minimis. As a result, no quantitative volume disclosure has been added to the financial statements.

6. Securities sold short

The Fund is subject to certain inherent risks arising from selling securities short. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements. The Fund is not exposed to this risk to the extent it holds offsetting long positions which have a fair value of approximately \$X,XXX,000 at December 31, 20XX.

7. Collateralized financing arrangements

Repurchase and Reverse Repurchase Agreements

[If applicable:] Transactions involving repurchase agreements and reverse repurchase agreements are treated as collateralized financing transactions, and are recorded at their contracted resell or repurchase amounts, which approximates fair value. Interest on repurchase agreements and reverse repurchase agreements is included in interest receivable and interest payable, respectively.

[If applicable:] In connection with repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase agreements, including accrued interest, at all times. At December 31, 20XX, securities with a fair value of approximately \$XX,XXX,000 were received as collateral for repurchase agreements. If the counterparty defaults under repurchase agreements, and the fair value of the collateral declines, the realization of the collateral by the Fund may be delayed or limited.

[If applicable:] At December 31, 20XX, securities with a fair value of approximately \$XX,XXX,000, which are included in investments in securities in the statement of assets and liabilities, were pledged to collateralize reverse repurchase agreements.

[If applicable:] At December 31, 20XX, reverse repurchase agreements had interest rates of X.X% through X.X% and maturity dates of [Month, Year] through [Month, Year].

Securities Lending Agreements

As of December 31, 20XX, the Fund entered into a securities lending agreement with its prime broker and loaned common stocks having a fair value of approximately \$520,000 and received \$530,000 of cash collateral for the loan. This cash was invested in U.S. Treasury bills with maturities ranging from January to April 20XX, which are included in the condensed schedule of investments.

Disclosures for Secured Borrowing Arrangements

[Note: ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, requires the following disclosures for reverse repurchase agreements, securities lending, and similar transactions accounted for as secured borrowings: 1) a disaggregation of the gross obligation by the class of collateral pledged, 2) the remaining contractual maturities of the agreements, and 3) a discussion of the potential risks associated with the agreements and the related collateral pledged, including obligations arising from a decline in the fair value of the collateral pledged and how those risks are managed. These disclosures are required for annual periods beginning after December 15, 2014. The following is an example of how such disclosures may be presented.]

In connection with its secured borrowing arrangements, the Fund is required to pledge collateral to its counterparties of amounts in excess of amounts borrowed plus accrued interest. If the fair value of the collateral declines, the Fund may be required to post additional collateral to the counterparty. To mitigate this risk, the Fund pledges financial instruments as collateral that are 1) issued by entities with strong creditworthiness to meet their obligations when they come due, and 2) sufficiently liquid to be sold at their carrying amounts in the ordinary course of operations.

7. Collateralized financing arrangements (continued)

The following table provides information regarding the gross obligations from secured borrowing arrangements, presented by classes of collateral pledged and remaining contractual maturities of the Fund's secured borrowings as of December 31, 20XX.

	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Reverse repurchase agreements					
Government bonds	\$ 2,500,000	\$ 2,500,000	\$ –	\$ –	\$ 5,000,000
Corporate bonds	–	–	5,000,000	–	5,000,000
Total reverse repurchase agreements	\$ 2,500,000	\$ 2,500,000	\$ 5,000,000	\$ –	\$ 10,000,000
Securities lending agreements					
Common stock	\$ 530,000	\$ –	\$ –	\$ –	\$ 530,000
Total secured borrowings	\$ 3,030,000	\$ 2,500,000	\$ 5,000,000	\$ –	\$ 10,530,000
Gross amount of recognized liabilities for reverse repurchase agreements in Note 8					\$ 10,000,000
Amounts related to agreements not included in the offsetting disclosure in Note 8					
Reverse repurchase agreements					\$ –
Securities lending agreements					\$ 530,000

8. Offsetting assets and liabilities

The Fund is required to disclose the impact of offsetting assets and liabilities presented in the statement of assets and liabilities to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities. These recognized assets and liabilities include financial instruments and derivative contracts that are either subject to an enforceable master netting arrangement or similar agreement or meet the following right of set-off criteria: each of the two parties owes the other determinable amounts, the Fund has the right to set-off the amounts owed with the amounts owed by the other party, the Fund intends to set off, and the Fund's right of set-off is enforceable at law.

[Include a description of the rights of setoff associated with the Fund's enforceable master netting arrangements or similar agreements, including the nature of those rights, such as illustrated in the following. This note should be tailored to the Fund's specific agreements:] The Fund is subject to enforceable master netting agreements with certain counterparties.

These agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at pre-arranged exposure levels. Since different types of transactions have different mechanics and are sometimes traded out of different legal entities of a particular counterparty organization, each type of transaction may be covered by a different master netting arrangement, possibly resulting in the need for multiple agreements with a single counterparty. Master netting agreements may not be specific to each different asset type; in such instances, they would allow the Fund to close out and net its total exposure to a specified counterparty in the events of default or early termination with respect to any and all the transactions governed under a single agreement with the counterparty. **[For financial collateral received or pledged, include a description of the terms of the collateral agreement.]**

[Alternatively, the following language may be used when the Fund's derivatives consist only of equity options NOT traded on margin:]

As of December 31, 20XX, the Fund's financial instruments and derivative contracts are not subject to a master netting arrangement.

Domestic Fund, L.P.

Notes to Financial Statements

8. Offsetting assets and liabilities (continued)

[The following table represents a basic example disclosure. Consider the need to provide additional detail when there is significant derivative activity (e.g., credit default swaps, total return swaps, etc.). In addition, consider the level of detail presented on the statement of assets and liabilities. Refer to Appendix E for an example disclosure.]

The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities for amounts that the Fund either elected not to offset, or did not meet all of the criteria for offsetting:

As of December 31, 20XX

Description	Gross Amounts Offset in the Statement of Assets and Liabilities	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Assets Presented in the Statement of Assets and Liabilities ⁽¹⁾	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount
				Financial Instruments (policy election) ⁽²⁾	Financial Instruments (accounting criteria not met) ⁽³⁾	Financial Collateral Received ⁽⁴⁾	
Derivative contracts	\$ 90,832,000	\$ -	\$ 90,832,000	\$ (47,772,000)	\$ (33,826,000)	\$ -	\$ 9,234,000
Repurchase agreements	12,450,000	-	12,450,000	-	-	(12,450,000)	-
Total	\$ 103,282,000	\$ -	\$ 103,282,000	\$ (47,772,000)	\$ (33,826,000)	\$ (12,450,000)	\$ 9,234,000

(1) The amounts of derivative contracts presented in the preceding table differ from the amounts reported in the statement of assets and liabilities as the result of option contracts and warrants in the amount of \$72,756,000, which are not subject to enforceable master netting arrangements.

(2) Amounts relate to master netting agreements (for example, ISDA) which have been determined by the Fund to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance, but were not offset due to management's accounting policy election.

(3) Amounts relate to master netting agreements which have been determined by the Fund to be legally enforceable in the event of default, but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

(4) Amounts relate to master netting agreements and collateral agreements which have been determined by the Fund to be legally enforceable in the event of default, but where certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the statement of assets and liabilities. Where this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

8. Offsetting assets and liabilities (continued)

The following table provides disclosure regarding the potential effect of offsetting of recognized liabilities presented in the statement of assets and liabilities for amounts that the Fund either elected not to offset, or did not meet all of the criteria for offsetting:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities ⁽¹⁾	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount
				Financial Instruments (policy election) ⁽²⁾	Financial Instruments (accounting criteria not met) ⁽³⁾	Financial Collateral Pledged ⁽⁴⁾	
Derivative contracts	\$ 139,784,000	\$ –	\$ 139,784,000	\$ (47,772,000)	\$ (33,826,000)	\$ (10,000,000)	\$ 48,186,000
Reverse repurchase agreements	10,000,000	–	10,000,000	–	–	(10,000,000)	–
Total	\$ 149,784,000	\$ –	\$ 149,784,000	\$ (47,772,000)	\$ (33,826,000)	\$ (20,000,000)	\$ 48,186,000

(1) The amounts of derivative contracts presented in the preceding table differ from the amounts reported in the statement of assets and liabilities as the result of option contracts in the amount of \$15,651,000 which are not subject to enforceable master netting arrangements.

(2) Amounts relate to master netting agreements (for example, ISDA) which have been determined by the Fund to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance, but were not offset due to management's accounting policy election.

(3) Amounts relate to master netting agreements which have been determined by the Fund to be legally enforceable in the event of default, but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

(4) Amounts relate to master netting agreements and collateral agreements which have been determined by the Fund to be legally enforceable in the event of default, but where certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the statement of assets and liabilities. Where this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

9. Commitments and contingencies

[The following disclosures are examples of long-term commitments and contingencies which may occur for an investment company. The appropriate disclosures to be included should be tailored based on the facts and circumstances of the Fund:]

[If applicable:] The Fund is contractually required to provide financial support in the form of capital commitments to certain investees as part of the conditions for entering into such investments. During the year ended December 31, 20XX, the Fund funded capital calls of \$X,XXX,000. At December 31, 20XX, the Fund has unfunded capital commitments in the amount of \$XX,XXX,000.

[If applicable:] The Fund is a guarantor of a loan payable entered into by a related party in the amount of approximately \$XXX,000, which matures on ***[Date, Year]***. If the related party defaults on its loan payments, the Fund may be required to perform under the guarantee to the extent of any unpaid loan principal and interest amounts remaining outstanding.

[If applicable:] In the normal course of operations, the Fund enters into derivative transactions which are cross-collateralized between related funds under common management that enter into similar transactions with the same counterparty. In the event any related funds are unable to fulfill their obligations

with the counterparty, the Fund may be required to perform to the extent the related funds have outstanding obligations. At December 31, 20XX, outstanding obligations amounted to approximately \$X,XXX,000.

[If applicable:] The Fund entered into a line of credit agreement with a financial institution that provides for borrowings up to \$X,XXX,000, and expires on ***[Date, Year]***. The line of credit is collateralized by certain assets of the Fund. Any outstanding line of credit balance bears interest at the prime rate plus one percent. At December 31, 20XX, outstanding borrowings under the line of credit amounted to approximately \$X,XXX,000.

[If applicable:] In the normal course of business, the Fund has been named as a defendant in various matters. Management of the Fund, after consultation with legal counsel, believes that the resolution of these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Fund.

[If applicable:] The Fund has provided general indemnifications to the General Partner, any affiliate of the General Partner and any person acting on behalf of the General Partner or such affiliate when they act, in good faith, in the best interest of the Fund. The Fund is unable to develop an estimate of the maximum potential amount of future payments that could potentially result from any hypothetical future claim, but expects the risk of having to make any payments under these general business indemnifications to be remote.

[If applicable:] The Fund provides financial support to its investees ***[Note: Examples of financial support to investees may include loans, capital commitments, and guarantees]*** in the normal course of executing its investment strategies. The following tables summarize financial support provided to the Fund's investees during the year ended December 31, 20XX:

Financial support the Fund was contractually required to provide:

Type	Amount	Reasons for providing support
<i>[Describe the type of financial support provided, including situations in which the Fund assisted the investee in obtaining financial support.]</i>	\$ —	<i>[Include a description of the primary reasons for providing financial support to investees.]</i>

9. Commitments and contingencies (continued)

Financial support the Fund was not contractually required to provide:

Type	Amount	Reasons for providing support
<i>[Describe the type of financial support provided.]</i>	\$ —	<i>[Include a description of the primary reasons for providing financial support to investees.]</i>

The following table summarizes the amount of financial support the Fund will be contractually required to provide to investees subsequent to December 31, 20XX:

Type	Amount	Reasons for providing support
<i>[Describe the type of financial support provided.]</i>	\$ —	<i>[Include a description of the primary reasons for providing financial support to investees.]</i>

10. Partners' capital

[The following disclosures are examples of the pertinent rights and privileges of the Fund's capital structure. These disclosures should be tailored to reflect the provisions in the Fund's legal documents:]

Contributions

The minimum initial investment in the Fund is currently \$X,XXX,000, and the minimum additional subscription is \$X,XXX,000. The General Partner, in its sole discretion, may accept investments of a lesser amount. The Fund may accept such amounts as of the first business day of any calendar month or at such other times as the General Partner may permit.

[If applicable:] Advance capital contributions represents amounts received from limited partners for contributions with an effective date after December 31, 20XX.

Withdrawals

Class A limited partners may generally withdraw all or part of their limited partner interest in the Fund at the end of each calendar quarter following at least a 45 day prior written notice to the Fund (or at such other times as the General Partner, in its sole discretion, may permit), following a 36 month lock-up period on initial investments.

[If applicable:] The Fund charges an early withdrawal

fee of X.X% of the withdrawal amount to Class A limited partners withdrawing capital prior to expiration of the lock-up period.

Class B limited partners may generally withdraw all or part of their limited partner interest in the Fund at the end of each calendar quarter following at least a 45 day prior written notice to the Fund (or at such other times as the General Partner, in its sole discretion, may permit), following a 24 month lock-up period on initial investments.

[If applicable:] The Fund charges an early withdrawal fee of X.X% of the withdrawal amount to Class B limited partners withdrawing capital prior to expiration of the lock-up period.

[If applicable:] Early withdrawal fees are allocated on a pro-rata basis to the remaining partners.

[If applicable:] The General Partner may limit aggregate withdrawals of interests invested in the Fund to a maximum of 25% of the Fund's net assets immediately prior to effecting such withdrawal. If withdrawal requests exceed the amount of withdrawals to be processed for any withdrawal date, each partner who has submitted a timely request will receive a pro rata portion of the requested withdrawal. Any unsatisfied withdrawals will remain invested in the Fund and will have equal priority at each subsequent withdrawal date with other partners wishing to withdraw their interests at that time.

10. Partners' capital (continued)

[If applicable:] The General Partner may also suspend, in whole, or in part, withdrawal rights, the payment of withdrawal proceeds or the determination of the Fund's net asset value in certain extraordinary circumstances including, without limitation, when there exists a state of affairs as a result of which, in the General Partner's opinion, disposal of a portion or all of the Fund's net asset would not be reasonably practicable, or where permitting withdrawals would, in the General Partner's opinion, be seriously prejudicial to the non-withdrawing partners.

[If applicable:] Capital withdrawals payable represent amounts due to partners based on withdrawals effective through December 31, 20XX.

Allocations of Profits and Losses

Profits and losses of the Fund are allocated to partners at the end of each monthly period in proportion to their capital accounts as of the beginning of the month. To the extent the Fund receives any gains or losses with respect to equity securities in initial public offerings, such gains or losses will be allocated solely to the capital accounts of those partners of the Fund who are not prohibited from participating in such allocations under Rule 3520 of the Financial Industry Regulatory Authority. **[If applicable:]** Profits or losses attributable to a side-pocket account shall be allocated only to those partners participating in the side-pocket account in proportion to the total partners' capital designated as side pocket accounts at the time the side pocket accounts were created.

[Other disclosures – include if applicable:]

Capital Commitments

[If applicable:] At December 31, 20XX, the Fund has total capital commitments of \$XX,XXX,000, of which \$XX,XXX,000 is from the limited partners with respect to their partnership interests in the aggregate of \$XX,XXX,000. The General Partner may make capital calls up to the amount of unfunded capital commitments to enable the Fund to make investments, pay fees and expenses, or to provide reserves. No limited partner is required to fund an

amount in excess of their unfunded capital commitments. At December 31, 20XX, the Fund's unfunded limited partner capital commitments amounted to \$XX,XXX,000, of which \$XX,XXX,000 is unfunded from the limited partners. The ratio of total contributed capital to total committed capital is XX.X%.

Side Pocket Capital Accounts

[If applicable:] The General Partner, in its sole discretion, may designate certain investments that lack a readily available market value, or are not freely transferable as "Special Investments." At the discretion of the General Partner, a portion of a limited partner's share of a Special Investment may be transferred to a side pocket capital account, which is not redeemable until such Special Investments are sold or deemed to be freely transferrable. Only the partners who are invested in the Fund at the time Special Investments are designated shall participate in the Special Investments. At December 31, 20XX, the Fund had Special Investments of approximately \$XX,XXX,000.

[If applicable:] Transfers of capital presented in the statement of changes in partners' capital represent transfers of capital balances between the General Partner's capital account and limited partner accounts affiliated with the General Partner.

11. Related-party transactions

The Fund considers the General Partner and the Investment Manager, their principal owners, members of management, and members of their immediate families, and entities under common control to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

The Fund pays the Investment Manager a management fee, calculated and payable **[monthly] [quarterly]** in advance, to be paid at an annual rate of X.XX% of the capital account balances of Class A limited partners and X.XX% of the capital account balances of Class B limited partners, determined as of the beginning of each calendar **[month] [quarter]**.

11. Related-party transactions (continued)

The General Partner is entitled to receive an annual incentive allocation equal to XX% for Class A limited partners and XX% for Class B limited partners, of the net profits, if any, allocated to each limited partner's capital account for the current period, subject to a loss carryforward provision.

[If applicable:] Due to related parties represents amount payable to the General Partner for expenses paid on behalf of the Fund.

[If applicable:] Certain limited partners are related parties of the General Partner. The aggregate value of limited partners' capital owned by related parties at December 31, 20XX is approximately \$X,XXX,000.

[If applicable:] At the discretion of the General Partner and Investment Manager, certain limited partners may have special management fee arrangements, incentive allocation arrangements, or withdrawal rights.

[If applicable:] Certain members of the General Partner serve as members of the Board of Directors of certain investments aggregating approximately XX% of total capital in which the Fund holds investment positions.

[If applicable:] The General Partner generally allocates investments between the Fund and other entities for which it serves as the General Partner on a pro rata basis based on assets under management. In order to maintain pro rata allocations, the Fund may sell securities to, or purchase securities from, these other entities. Such transactions are generally executed at the closing price on the date prior to the trade date, or in the case of restricted yet tradable securities, at fair value as determined by the General Partner.

[If applicable:] During 20XX, the Fund entered into purchase and sale transactions with an affiliated entity which is also managed by the General Partner. Total purchases and sales at fair value of approximately \$X,XXX,000 and \$X,XXX,000, respectively, were made with this related party. Transactions with related parties resulted in net gains (losses) of \$XX,XXX and are included in net realized gain (loss) from investments and derivatives in the statement of operations. The terms, conditions, and execution of each such purchase and sale transactions were conducted on what the General Partner believes to be an arm's-length basis.

[If applicable:] Additionally, the Fund may co-invest with other entities with the same General Partner as the Fund. **[If applicable:]** At December 31, 20XX, the Fund held an investment with a fair value of \$X,XXX,000 that was co-invested with affiliated funds. **[If applicable:]** At December 31, 20XX, the Fund did not have any investments that were co-invested with affiliated funds.

12. Administrative services

Administrator Fund Services Ltd. (the "Administrator") serves as the Fund's administrator and performs certain administrative and accounting services on behalf of the Fund. **[If applicable:]** The Administrator is also affiliated with a broker through which the Fund transacts operations. At December 31, 20XX, there is a balance of approximately \$X,XXX,000 due from/to this broker. **[If applicable:]** At December 31, 20XX, cash balances in the amount of approximately \$X,XXX,000 are held by an affiliate of the Administrator.

13. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

	Class A Limited Partners	Class B Limited Partners
Total return		
Total return before incentive allocation to General Partner	27.0 %	27.4 %
Incentive allocation to General Partner	(5.4)	(4.6)
Total return after incentive allocation to General Partner	21.6 %	22.8 %
Ratios to average limited partners' capital:		
Expenses (including interest and dividends)	5.6 %	5.1 %
Incentive allocation to General Partner	5.2	4.3
Expenses and incentive allocation to General Partner	10.8 %	9.4 %
Net investment loss	(1.4) %	(0.9) %

Financial highlights are calculated for each limited partner class taken as a whole. An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions. The net investment loss ratio does not reflect the effects of the incentive allocation to the General Partner.

[If applicable, for investments in private investment companies:] The expense and net investment loss ratios do not reflect the income and expenses incurred by the underlying private investment companies.

[For periods greater than or less than one year:] The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.

14. Subsequent events

[If applicable:] From January 1, 20XX through **[Month, Date, Year]**, the Fund accepted additional capital contributions of approximately \$X,XXX,000 (of which approximately \$X,XXX,000 is included in advance capital contributions as of December 31, 20XX) and had additional capital withdrawals of approximately \$X,XXX,000.

[If applicable:] As of **[Month, Date, Year]**, the Fund has received limited partner withdrawal requests that are anticipated to be effective on June 30, 20XX. The limited partner interests for these requests were approximately XX% of the partners' capital of the Fund as of December 31, 20XX. The ultimate amounts withdrawn for these requests may vary based upon the performance of the Fund and the amount of withdrawals declared effective by the Fund and its limited partners.



Offshore Fund, Ltd.



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Offshore Fund, Ltd.

Statement of Assets and Liabilities

December 31, 20XX

(Expressed in United States Dollars)

Assets

Investments in securities, at fair value (cost \$662,033,000)	\$ 81,936,000
Investments in private investment companies, at fair value (cost \$184,491,000) ⁽¹⁾	190,546,000
Derivative contracts, at fair value (cost \$69,051,000) ⁽²⁾	163,588,000
Repurchase agreements, at fair value (cost \$12,450,000)	12,450,000
Cash and cash equivalents	8,952,000
Cash denominated in foreign currencies (cost \$592,000)	543,000
Due from brokers	43,182,000
Receivable for pending investment transactions	178,000
Variation margin receivable on derivative contracts ⁽²⁾	284,000
Advance subscriptions to private investment companies	50,000
Dividends and interest receivable	1,167,000
Redemptions receivable from private investment companies	32,000
Other assets	218,000
Total assets	1,203,126,000

Liabilities

Securities sold short, at fair value (proceeds \$583,633,000)	550,431,000
Derivative contracts, at fair value (proceeds \$19,052,000 and up-front premiums received \$4,828,000) ⁽²⁾	155,435,000
Due to brokers	18,432,000
Payable for pending investment transactions	559,000
Variation margin payable on derivative contracts ⁽²⁾	200,000
Reverse repurchase agreements	10,000,000
Payable upon return of securities loaned	530,000
Due to related parties	150,000
Redemptions payable	5,879,000
Advance subscriptions	1,000,000
Performance fee payable	18,239,000
Management fee payable	930,000
Deferred performance and management fees	26,483,000
Dividends and interest payable	598,000
Accrued expenses and other liabilities	95,000
Total liabilities	788,961,000
Net assets	\$ 414,165,000

⁽¹⁾ Refer to Appendix B for sample presentation of condensed schedule of investments for investments in private investment companies.

⁽²⁾ Consider disaggregating by type of derivative contract.

[Refer to Domestic Fund, L.P. for an illustrative example of the Condensed Schedule of Investments. References to "Partners' Capital" should be replaced with "Net Assets", where applicable.]

See accompanying notes to financial statements.

Offshore Fund, Ltd.

Statement of Operations

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Investment income

Interest	\$ 9,039,000
Dividends (net of foreign withholding taxes of \$218,000)	7,039,000
Income from securities loaned – net	12,000
Other income	444,000
Total investment income	16,534,000

Expenses

Management fee	7,540,000
Dividends on securities sold short	10,448,000
Interest on securities sold short	1,161,000
Interest expense ⁽¹⁾	59,000
Performance fee	18,239,000
Appreciation attributable to deferred fees	5,341,000
Administrative fee	248,000
Professional fees and other	356,000
Total expenses	43,392,000
Net investment loss	(26,858,000)

Realized and unrealized gain (loss) from investments, derivatives, and foreign currency

Net realized gain from investments and derivatives (including realized gain of \$16,000 from distribution of securities to shareholders) ⁽²⁾	36,573,000
Net realized gain from foreign currency transactions ⁽³⁾	165,000
Net change in unrealized gains and losses on investments and derivatives ⁽²⁾	66,448,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies ⁽⁴⁾	(65,000)
Net gain from investments, derivatives, and foreign currency	103,121,000
Net increase in net assets resulting from operations	\$ 76,263,000

⁽¹⁾ Represents interest expense related to the Fund's financing arrangements.

⁽²⁾ Consider disaggregating by type of derivative contract.

⁽³⁾ Represents net gains or losses from assets or liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on realized gains or losses from investments and derivatives is elected, those amounts should be included in this caption.

⁽⁴⁾ Represents the net change during the period from translating assets and liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on net change in unrealized gains and losses on investments and derivatives is elected, those amounts should be included in this caption.

See accompanying notes to financial statements.

Offshore Fund, Ltd.

Statement of Changes in Net Assets

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Operations

Net investment loss	\$ (26,858,000)
Net realized gain from investments and derivatives	36,573,000
Net realized gain from foreign currency transactions	165,000
Net change in unrealized gains and losses on investments and derivatives	66,448,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies	(65,000)
Net increase in net assets resulting from operations	76,263,000

Capital share transactions

Issuance of shares	45,000,000
Redemption of shares	(35,872,000)
Early redemption fees	200,000
Net increase in net assets resulting from capital share transactions	9,328,000

Net increase in net assets	85,591,000
Net assets, beginning of year	328,574,000
Net assets, end of year	\$ 414,165,000

See accompanying notes to financial statements.

Offshore Fund, Ltd.

Statement of Cash Flows

Year Ended December 31, 20XX

(Expressed in United States Dollars)

[Refer to Appendix A for the alternative “net method” of presenting operating cash flows.]

Cash flows from operating activities

Net increase in net assets resulting from operations	\$ 76,263,000
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net realized gain from investments and derivatives	(36,557,000)
Net realized gain from foreign currency transactions	(165,000)
Net realized gain from distribution of securities to shareholders	(16,000)
Net change in unrealized gains and losses on investments and derivatives	(66,448,000)
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies	65,000
Purchases of investments in securities	(123,785,000)
Proceeds from sales of investments in securities	147,169,000
Purchases of repurchase agreements	(12,450,000)
Payments for derivative contracts	(24,062,000)
Proceeds from derivative contracts	102,801,000
Proceeds from securities sold short	54,678,000
Payments to cover securities sold short	(159,685,000)
Repayments of collateral for securities loaned	(300,000)
Amortization and accretion of premiums and discounts on debt securities	(145,000)
Changes in operating assets and liabilities:	
Due from brokers	(17,817,000)
Dividends and interest receivable	(532,000)
Variation margin receivable on derivative contracts	(67,000)
Other assets	(42,000)
Payable upon return of securities loaned	530,000
Due to brokers	(15,000,000)
Due to related parties	100,000
Performance fee payable	18,000,000
Management fee payable	359,000
Deferred performance and management fees	5,341,000
Dividends and interest payable	148,000
Variation margin payable on derivative contracts	85,000
Accrued expenses and other liabilities	39,000
Net cash used in operating activities	(51,493,000)

See accompanying notes to financial statements.

Offshore Fund, Ltd.

Statement of Cash Flows (continued)

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Cash flows from financing activities

Proceeds from issuance of shares, net of change in advance subscriptions	\$ 46,000,000
Payments for redemption of shares, net of change in redemptions payable	(39,793,000)
Proceeds from reverse repurchase agreements	10,000,000
Net cash provided by financing activities	16,207,000

Effect of exchange rate changes on cash

	35,000
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Net decrease in cash and cash equivalents

	(35,251,000)
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Cash and cash equivalents, beginning of year

	44,746,000
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Cash and cash equivalents, end of year

	\$ 9,495,000
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Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 54,000
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Supplemental disclosure of noncash financing activities

Contribution of securities, at fair value (cost basis of \$231,000)	\$ 347,000
Distribution of securities, at fair value (cost basis of \$638,000)	\$ 654,000

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

Nature of Operations

[This note should be tailored to the Fund's specific nature of operations:] Offshore Fund, Ltd. (the "Fund") is an exempted investment company which was formed under the laws of the Cayman Islands on **[Month, Date, Year]**. The Fund was organized for the purpose of **[Include a description of the Fund's investment objectives]**. Pursuant to an investment management agreement, the Fund is managed by Investment Manager, LLC (the "Investment Manager"). **[If applicable:]** The Investment Manager is registered with the United States Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Basis of Presentation

The financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946.

[If applicable for consolidated financial statements. If consolidated financial statements are presented, then "financial statements" should be referred to as "consolidated financial statements" throughout:]

The consolidated financial statements include the accounts of the Fund and Subsidiary A. Subsidiary A is an investment company wholly owned by the Fund, which was established for the general purpose of executing specific investment transactions on behalf of the Fund. All significant intercompany balances and transactions have been eliminated in consolidation.

These financial statements were approved by management and available for issuance on **[Month, Date, Year]**. Subsequent events have been evaluated through this date.

[Refer to Domestic Fund, L.P. for examples of the following significant accounting policies:]

Use of Estimates
Cash and Cash Equivalents
Investment Transactions and Related Investment Income
Derivative Contracts
Fair Value – Definition and Hierarchy
Fair Value – Valuation of Net Risk Exposures
Fair Value – Valuation Techniques and Inputs
Fair Value – Valuation Processes
Fair Value of Financial Instruments
Foreign Currency Translation
Offsetting of Assets and Liabilities
Securities Lending
Income Taxes

[Refer to Appendix C for alternative income taxes disclosures when the Fund has recognized a liability for unrecognized tax benefits.]

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. **[If applicable:]** Further, certain non-U.S. dividend income and interest income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Fund is required to determine whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a "more-likely-than-not" threshold would be recorded as a tax expense in the current year. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 20XX.

Redemptions Payable

Redemptions are recognized as liabilities when the amount requested in the redemption notices becomes fixed, which generally occurs on the last day of a fiscal quarter.

1. Nature of operations and summary of significant accounting policies (continued)

As a result, redemptions paid after the end of the year, based on the net asset value of the Fund at year-end, are included in redemptions payable at December 31, 20XX. Redemption notices received for which the dollar amount is not fixed remain in net assets until the net asset values used to determine the redemption and share amounts is determined.

[Refer to Domestic Fund, L.P. for the following disclosure examples. References to “limited partners” and “partners’ capital” should be changed to “shareholders” and “net assets”, where applicable:]

Fair value measurements

Investments in private investment companies

Due from/to brokers

Derivative contracts

Securities sold short

Collateralized financing arrangements

Offsetting assets and liabilities

Commitments and contingencies

2. Capital share transactions

As of December 31, 20XX there are XXX,XXX redeemable shares of \$0.01 par value authorized. There are two classes of shares, Class A and Class B. Shareholders who may be restricted from receiving certain types of income are issued Class B shares. All other shareholders are issued Class A shares. For purposes of accounting for the performance fee, shares issued at different times are issued in series, a different series being issued on each subscription date. Series 1 shares within each class are issued on the first subscription date in each calendar year and the remaining series are issued on any other subscription dates during the calendar year. After the close of each calendar year,

all such series are converted into Series 1 shares of such class unless a loss carryforward attributable to such other series or to Series 1 of such class remains outstanding.

[The following disclosures are examples of the pertinent rights and privileges of the Fund’s capital structure. These disclosures should be tailored to reflect the provisions in the Fund’s legal documents:]

Subscriptions

The minimum initial subscription in the Fund is currently \$X,XXX,000, and the minimum additional subscription is \$XXX,000. Though the Investment Manager in its sole discretion, may accept subscriptions of a lesser amount. The Fund may accept such amounts as of the first business day of any calendar month or at such other times as the Investment Manager may permit.

[If applicable:] Advance subscriptions represents amounts received from shareholders for subscriptions with an effective date after December 31, 20XX.

Redemptions

Class A shareholders may generally redeem all or part of their shares in the Fund at the end of each calendar quarter following at least a 45 day prior written notice to the Fund (or at other such times as the Investment Manager, in its sole discretion, may permit), following a 36 month lock-up period on initial investments. ***[If applicable:]*** The Fund charges an early redemption fee of X.X% of the redemption amount to Class A shareholders redeeming shares prior to expiration of the lock-up period.

Class B shareholders may generally redeem all or part of their shares in the Fund at the end of each calendar quarter following at least a 45 day prior written notice to the Fund (or at other such times as the Investment Manager, in its sole discretion, may permit), following a 24 month lock-up period on initial investments. ***[If applicable:]*** The Fund charges an early redemption fee of X.X% of the redemption amount to Class B shareholders redeeming shares prior to expiration of the lock-up period.

2. Capital share transactions (continued)

[If applicable:] Early redemption fees are allocated on a pro-rata basis to the remaining shareholders.

[If applicable:] The Investment Manager may limit aggregate redemptions of interests invested in the Fund to a maximum of 25% of the Fund's net assets immediately prior to effecting such redemption. If redemption requests exceed the amount of redemptions to be processed for any redemption date, each shareholder who has submitted a timely request will receive a pro rata portion of the requested redemption. Any unsatisfied redemptions will remain invested in the Fund and will have equal priority at each subsequent redemption date with other shareholders wishing to redeem their interests at that time.

[If applicable:] The Investment Manager may also suspend, in whole, or in part, redemption rights, the payment of redemption proceeds or the determination of the Fund's net asset value in certain extraordinary circumstances including, without limitation, when there exists a state of affairs as a result of which, in the Investment Manager's opinion, disposal of a portion or all of the Fund's net assets would not be reasonably practicable, or where permitting redemptions would, in the Investment Manager's opinion, be seriously prejudicial to the non-redeeming shareholders.

[If applicable:] Redemptions payable represent amounts due to shareholders based on redemptions effective through December 31, 20XX.

Allocations of Profits and Losses

Profits and losses of the Fund are allocated to each series of shares at the end of each monthly period in proportion to its net assets relative to the Fund as a whole as of the beginning of the month. To the extent the Fund receives any gains or losses with respect to equity securities in initial public offerings, such gains or losses will be allocated solely to the share classes of the Fund who are not prohibited from participating in such

allocations under Rule 3520 of the Financial Industry Regulatory Authority. **[If applicable:]** Profits or losses attributable to a side-pocket account shall be allocated only to those shareholders participating in the side-pocket account in proportion to the total net assets designated as side pocket accounts at the time the side pocket accounts were created.

[Other disclosures – include if applicable:]

Capital Commitments

[If applicable:] At December 31, 20XX, the Fund has total capital commitments of \$XX,XXX,000, of which \$XX,XXX,000 is from the shareholders with respect to their net assets in the aggregate of \$XX,XXX,000. The Investment Manager may make capital calls up to the amount of unfunded capital commitments to enable the Fund to make investments, pay fees and expenses, or to provide reserves. No shareholder is required to fund an amount in excess of their unfunded capital commitments. At December 31, 20XX, the Fund's unfunded capital commitments amounted to \$XX,XXX,000, of which \$XX,XXX,000 is uncalled from the shareholders. The ratio of total contributed capital to total committed capital is XX.X%.

Side Pocket Share Classes

[If applicable:] The Investment Manager, in its sole discretion, may designate certain investments that lack a readily available market value, or are not freely transferable as "Special Investments." At the discretion of the Investment Manager, a portion of a shareholder's net assets attributed to a Special Investment may be converted to shares in a side pocket share class, which is not redeemable until such Special Investments are sold or deemed to be freely transferrable. Only the shareholders who are invested into the Fund at the time Special Investments are designated shall participate in the Special Investments. At December 31, 20XX, the Fund had Special Investments of approximately \$XX,XXX,000.

2. Capital share transactions (continued)

[Note: The following is generally applicable to all unitized funds:]

Transactions in capital shares during the period, and the shares outstanding and the net asset value ("NAV") per share as of December 31, 20XX, for each class and series of shares are as follows:

	Beginning Shares	Transfers/ Conversion of Shares	Shares Issued	Shares Redeemed	Ending Shares
Class A					
Series 1	125,000.00	134,036.55	–	(28,663.70)	230,372.85
Series 2	75,000.00	(75,000.00)	10,000.00	–	10,000.00
Series 3	56,000.00	(56,000.00)	5,000.00	–	5,000.00
Class B					
Series 1	65,000.00	–	–	(4,593.65)	60,406.35
Series 2	–	–	25,000.00	–	25,000.00
Series 3	–	–	5,000.00	–	5,000.00

	Beginning Net Assets	Transfers/ Conversion of Shares	Amounts Issued	Amounts Redeemed	Ending Net Assets
Class A					
Series 1	\$ 127,804,000	\$ 137,043,600	\$ –	\$ (30,318,000)	\$ 287,390,000
Series 2	78,460,000	(78,460,000)	10,000,000	–	12,481,000
Series 3	58,583,000	(58,583,000)	5,000,000	–	5,939,000
Class B					
Series 1	63,727,000	–	–	(5,354,000)	72,491,000
Series 2	–	–	25,000,000	–	29,345,000
Series 3	–	–	5,000,000	–	6,519,000
	\$ 328,574,000	\$ –	\$ 45,000,000	\$ (35,672,000)	\$ 14,165,000

	Ending NAV Per Share
Class A	
Series 1	\$ 1,247.50
Series 2	1,248.10
Series 3	1,187.80
Class B	
Series 1	1,200.06
Series 2	1,173.80
Series 3	1,303.80

3. Related-party transactions

The Fund considers the Investment Manager, its principal owners, members of management, and members of their immediate families, and other entities under common control to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

The Fund pays the Investment Manager a management fee, calculated and payable **[quarterly] [monthly]** in advance, to be paid at an annual rate of X.XX% of the net asset value of Class A shares and X.XX% of the net asset value of Class B shares, determined as of the beginning of each calendar **[quarter] [month]**.

The Investment Manager is also entitled to a performance fee, payable on an annual basis, which will generally be equal to XX% for Class A shareholders and XX% for Class B shareholders, of the amount by which the net asset value per share on the last day of each year for each series exceeds the higher of the original issue price or highest net asset value of such shares as of the close of any prior year.

[If applicable:] At the discretion of the Investment Manager, certain shareholders may have special management fee arrangements, performance fee arrangements, or redemption rights.

[If applicable:] One of the directors of the Fund is a member of the Investment Manager.

[Refer to Domestic Fund, L.P. for other examples of related party transactions disclosures.]

4. Deferred performance and management fees

Prior to January 1, 2009, in accordance with the provisions of the deferred performance and management agreement, the Investment Manager was able to elect to defer receipt of all or a portion of the performance or management fees earned for a particular fiscal year. Such amounts are invested in the same manner as the investments made by the Fund. In the event of liquidation of the Fund, any deferred amount, as adjusted for the appreciation/depreciation on the deferred fee, has a priority claim over the interests of the shareholders of the Fund.

Cumulative deferred performance and management fees as of December 31, 20XX totaled \$12,352,000 and cumulative net appreciation on such amounts totaled \$14,131,000. The net change in appreciation or depreciation attributable to deferred fees is recorded on a separate line item under "expenses" within the statement of operations.

Distributions of 2008 and prior year deferred performance and management fees are scheduled for the period from 20XX through 20XX. During the year ended December 31, 20XX, the distribution of previously deferred performance and management fees amounted to \$0.

Deferred performance and management fees payable are classified as Level 3 in the fair value hierarchy. The deferred performance and management fees payable balance as of December 31, 20XX is comprised of the following:

Deferred performance and management fees payable at January 1, 20XX	\$ 21,142,000
Appreciation on deferred performance and management fees for the year ended December 31, 20XX	5,341,000
Deferred performance and management fees paid for the year ended December 31, 20XX	–
Deferred performance and management fees payable at December 31, 20XX	<u>\$ 26,483,000</u>

5. Administrative services

Administrator Fund Services Ltd. (Cayman Islands) (the “Administrator”) serves as the Fund’s administrator and performs certain administrative and accounting services on behalf of the Fund. **[If applicable:]** The Administrator is also affiliated with a broker through which the Fund transacts operations. At December 31, 20XX, there is a balance of approximately \$X,XXX,000 due from/to this broker. **[If applicable:]** At December 31, 20XX, cash balances in the amount of approximately \$X,XXX,000 are held by an affiliate of the Administrator.

6. Financial highlights

Financial highlights for the year ended December 31, 20XX are as follows:

	Class A Shares Series 1	Class B Shares Series 1
Per share operating performance:		
Net asset value, beginning of year	\$ 1,022.43	\$ 980.41
Income from investment operations:		
Net investment loss	(56.86)	(51.45)
Net gain from investments	281.93	271.10
Total from investment operations	225.07	219.65
Early redemption fees	—	—
Net asset value, end of year	\$ 1,247.50	\$ 1,200.06
Total return		
Total return before performance fee	27.5 %	27.3 %
Performance fee	(5.5)	(4.9)
Total return after performance fee	22.0 %	22.4 %
Ratios to average net assets:		
Expenses other than performance fee	6.9 %	6.7 %
Performance fee	5.4	5.0
Total expenses	12.3	11.7
Less: appreciation attributable to deferred fees	1.5	1.5
Total expenses excluding appreciation attributable to deferred fees	10.8 %	10.2 %
Net investment loss	(7.4) %	(7.2) %

6. Financial highlights (continued)

Financial highlights are calculated for each permanent, nonmanaging class or series of common shares. An individual shareholder's financial highlights may vary based on participation in new issues, private investments, different performance fee and/or management fee arrangements, and the timing of capital share transactions.

[If applicable, for investments in private investment companies:] The expense and net investment loss ratios do not reflect the income and expenses incurred by the underlying private investment companies.

[For periods greater than or less than one year:]

The ratios, excluding nonrecurring expenses and the performance fee, have been annualized. Total return has not been annualized.

7. Subsequent events

[If applicable:] From January 1, 20XX through **[Month, Date, Year]**, the Fund accepted additional subscriptions of approximately \$X,XXX,000 (of which approximately \$X,XXX,000 is included in advance subscriptions as of December 31, 20XX) and had additional redemptions of approximately \$X,XXX,000.

[If applicable:] As of **[Month, Date, Year]**, the Fund has received shareholder redemption requests that are anticipated to be effective on June 30, 20XX. The shareholder interests for these requests were approximately XX% of the net assets of the Fund as of December 31, 20XX. The ultimate amounts redeemed for these requests may vary based upon the performance of the Fund and the amount of redemptions declared effective by the Fund and its shareholders.

Master Fund, L.P.



Please refer to the conditions of use on the inside cover of this publication.

Master Fund, L.P.

Statement of Assets and Liabilities

December 31, 20XX

(Expressed in United States Dollars)

Assets

Investments in securities, at fair value (cost \$662,033,000)	\$ 781,936,000
Investments in private investment companies, at fair value (cost \$184,491,000) ⁽¹⁾	190,546,000
Derivative contracts, at fair value (cost \$69,051,000) ⁽²⁾	163,588,000
Repurchase agreements, at fair value (cost \$12,450,000)	12,450,000
Cash and cash equivalents	8,952,000
Cash denominated in foreign currencies (cost \$592,000)	543,000
Due from brokers	17,540,000
Receivable for pending investment transactions	178,000
Variation margin receivable on derivative contracts ⁽²⁾	284,000
Advance subscriptions to private investment companies	50,000
Dividends and interest receivable	1,167,000
Redemptions receivable from private investment companies	32,000
Other assets	218,000
Total assets	1,177,484,000

Liabilities

Securities sold short, at fair value (proceeds \$583,633,000)	550,431,000
Derivative contracts, at fair value (proceeds \$19,052,000 and up-front premiums received \$4,828,000) ⁽²⁾	155,435,000
Due to brokers	18,432,000
Payable for pending investment transactions	559,000
Variation margin payable on derivative contracts ⁽²⁾	200,000
Reverse repurchase agreements	10,000,000
Payable upon return of securities loaned	530,000
Due to related parties	150,000
Capital withdrawals payable	5,879,000
Advance capital contributions	1,000,000
Management fee payable	930,000
Dividends and interest payable	598,000
Accrued expenses and other liabilities	95,000
Total liabilities	744,239,000

Partners' capital	\$ 433,245,000
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[Refer to Domestic Fund, L.P. for illustrative examples of the Condensed Schedule of Investments and Statement of Cash Flows.]

⁽¹⁾ Refer to Appendix B for sample presentation of condensed schedule of investments for investments in private investment companies.

⁽²⁾ Consider disaggregating by type of derivative contract.

See accompanying notes to financial statements.

Master Fund, L.P.

Statement of Operations

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Investment income

Interest	\$ 9,039,000
Dividends (net of foreign and U.S. withholding taxes of \$218,000)	7,039,000
Income from securities loaned – net	12,000
Other income	444,000
Total investment income	16,534,000

Expenses

Management fee	7,540,000
Dividends on securities sold short	10,448,000
Interest on securities sold short	1,161,000
Interest expense ⁽¹⁾	59,000
Administrative fee	248,000
Professional fees and other	356,000
Total expenses	19,812,000
Net investment loss	(3,278,000)

Realized and unrealized gain (loss) from investments, derivatives, and foreign currency

Net realized gain from investments and derivatives ⁽²⁾	37,269,000
Net realized gain from foreign currency transactions ⁽³⁾	165,000
Net change in unrealized gains and losses on investments and derivatives ⁽²⁾	61,239,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies ⁽⁴⁾	(52,000)
Net gain from investments, derivatives, and foreign currency	98,621,000
Net income ⁽⁵⁾	\$ 95,343,000

⁽¹⁾ Represents interest expense related to the Fund's financing arrangements.

⁽²⁾ Consider disaggregating by type of derivative contract.

⁽³⁾ Represents net gains or losses from assets or liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on realized gains or losses from investments and derivatives is elected, those amounts should be included in this caption.

⁽⁴⁾ Represents the net change during the period from translating assets and liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on net change in unrealized gains and losses on investments and derivatives is elected, those amounts should be included in this caption.

⁽⁵⁾ ASC 946-225-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency shall be shown as "net increase or decrease in net assets resulting from operations." Funds may describe this line item as "net increase or decrease in net assets resulting from operations" or "net income or loss."

See accompanying notes to financial statements.

Master Fund, L.P.

Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

(Expressed in United States Dollars)

	General Partner	Domestic Feeder	Offshore Feeder	Total
Partners' capital , beginning of year	\$ 5,879,000	\$ 108,135,000	\$ 219,614,000	\$ 333,628,000
Capital contributions	–	22,500,000	23,325,000	45,825,000
Capital withdrawals	(5,879,000)	(22,628,000)	(13,044,000)	(41,551,000)
Allocation of net income				
Pro rata allocation	–	39,672,000	55,671,000	95,343,000
Incentive allocation to General Partner	16,612,000	(6,026,000)	(10,586,000)	–
	16,612,000	33,646,000	45,085,000	95,343,000
Partners' capital , end of year	\$ 16,612,000	\$ 141,653,000	\$ 274,980,000	\$ 433,245,000

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

[Note: For master funds organized as offshore corporations, refer to Offshore Fund, Ltd. for additional presentation and disclosure considerations when preparing the financial statements of the Master Fund.]

Nature of Operations

[This note should be tailored to the Master Fund's specific nature of operations:] Master Fund, L.P. (the "Master Fund") is an investment partnership which was formed under the laws of the Cayman Islands and commenced operations on ***[Month, Date, Year]***. The Master Fund was organized for the purpose of ***[Include a description of the Master Fund's investment objectives]***. The Master Fund has two limited partners: Domestic Feeder, L.P. (the "Domestic Feeder Fund"), a U.S. investment limited partnership, and Offshore Feeder, Ltd. (the "Offshore Feeder Fund"), a Cayman Islands exempted investment company (collectively, the "Feeder Funds"). The Feeder Funds invest substantially all of their assets in the Master Fund. The Master Fund is managed by General Partner, LLC (the "General Partner") and Investment Manager, LLC (the "Investment Manager"). ***[If applicable:]*** The Investment Manager is registered with the United States Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Basis of Presentation

The financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Master Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Boards ("FASB") Accounting Standards Codification Topic 946.

These financial statements were approved by management and available for issuance on ***[Month, Date, Year]***.

Subsequent events have been evaluated through this date.

[Refer to Domestic Fund, L.P. for examples of the following significant accounting policies. References to "Fund" should be changed to "Master Fund" where applicable:]

Use of Estimates
Cash and Cash Equivalents
Investment Transactions and Related Investment Income
Derivative Contracts
Fair Value – Definition and Hierarchy
Fair Value – Valuation of Net Risk Exposures
Fair Value – Valuation Techniques and Inputs
Fair Value – Valuation Processes
Fair Value of Financial Instruments
Foreign Currency Translation
Offsetting of Assets and Liabilities
Securities Lending
Income Taxes
Capital Withdrawals Payable

[Refer to Domestic Fund, L.P. for the following disclosure examples. References to "Fund" should be changed to "Master Fund", where applicable:]

Fair value measurements
Investments in private investment companies
Due from/to brokers
Derivative contracts
Securities sold short
Collateralized financing arrangements
Offsetting assets and liabilities
Commitments and contingencies
Administrative services

2. Partners' capital

[Refer to Domestic Fund, L.P. or Offshore Fund, Ltd. for applicable disclosures of the pertinent rights and privileges of the Master Fund's capital structure.]

Profits and losses of the Master Fund are allocated to the General Partner and Feeder Funds according to their respective interests in the Master Fund.

[If applicable:] Advance capital contributions represent amounts received from the Feeder Funds for contributions with an effective date after December 31, 20XX.

[If applicable:] Capital withdrawals payable represent amounts due to the Feeder Funds based on withdrawals effective through December 31, 20XX.

[Note: For master funds organized as offshore corporations, refer to Offshore Fund, Ltd. for example disclosures of capital share transactions.]

3. Related-party transactions

The Master Fund considers the General Partner and Investment Manager, their principal owners, members of management, and members of their immediate families, and other entities under common control to be related parties to the Master Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

[If applicable:] The Master Fund pays the Investment Manager a management fee, calculated and payable ***[quarterly] [monthly]*** in advance, to be paid at annual rates ranging from X.XX% to X.XX% based on the net asset values at the respective Feeder Fund level, determined as of the beginning of each calendar ***[month] [quarter]***. Refer to the financial statements of the Feeder Funds for additional information.

[If applicable:] The General Partner is entitled to receive an annual incentive allocation ranging from XX% to XX%, of the net profits, if any, at the respective Feeder Fund level, subject to a loss carryforward provision. Refer to the financial statements of the Feeder Funds for additional information.

[Refer to Domestic Fund, L.P. for other examples of related party transactions disclosures.]

4. Financial highlights

[Note: For master funds organized as offshore corporations, refer to Offshore Fund, Ltd. for an example presentation of financial highlights of a unitized entity.]

[Note: The below presentation was prepared based on the assumption that the incentive allocation is charged at the master fund level:]

Financial highlights for the year ended December 31, 20XX are as follows:

	Domestic Feeder	Offshore Feeder
Total return		
Total return before incentive allocation to General Partner	27.2 %	26.8 %
Incentive allocation to General Partner	(4.1)	(5.1)
Total return after incentive allocation to General Partner	23.1 %	21.7 %
Ratios to average limited partners' capital:		
Expenses (including interest and dividends)	5.1 %	5.4 %
Incentive allocation to General Partner	4.3	4.9
Expenses and incentive allocation to General Partner	9.4 %	10.3 %
Net investment loss	(0.6) %	(0.9) %

Financial highlights are calculated for the limited partner class taken as a whole. An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions. The net investment loss ratios do not reflect the effects of the incentive allocation to the General Partner. *[If applicable, for investments in private investment companies:]* The expense and net investment loss ratios do not reflect the income and expenses incurred by the underlying private investment companies.

[For periods greater than or less than one year:] The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.

5. Subsequent events

[Note: For master funds organized as offshore corporations, references to “limited partners” and “partners’ capital” should be changed to “shareholders” and “net assets”, where applicable.]

[If applicable:] From January 1, 20XX through ***[Month, Date, Year]***, the Master Fund accepted additional capital contributions of approximately \$XX,000,000 (of which approximately \$X,XXX,000 is included in advance capital contributions as of December 31, 20XX) and had additional capital withdrawals of approximately \$XX,XXX,000.

[If applicable:] As of ***[Month, Date, Year]***, the Domestic Feeder Fund has received limited partner withdrawal requests that are anticipated to be effective on June 30, 20XX. The limited partner interests for these requests were approximately XX% of the partners’ capital of the Domestic Feeder Fund and XX% of the partners’ capital of the Master Fund as of December 31, 20XX. The ultimate amounts withdrawn for these requests may vary based upon the performance of the Master Fund and the amount of withdrawals declared effective by the Domestic Feeder Fund and its limited partners.

[If applicable:] As of ***[Month, Date, Year]***, the Offshore Feeder Fund has received shareholder redemption requests that are anticipated to be effective on June 30, 20XX. The shareholder interests for these requests were approximately XX% of the net assets of the Offshore Feeder Fund and XX% of the partners’ capital of the Master Fund as of December 31, 20XX. The ultimate amounts redeemed for these requests may vary based upon the performance of the Master Fund and the amount of redemptions declared effective by the Offshore Feeder Fund and its shareholders.



Domestic Feeder, L.P.



Please refer to the conditions of use on the inside cover of this publication.



Domestic Feeder, L.P.

Statement of Assets and Liabilities

December 31, 20XX

Assets

Investment in Master Fund, L.P.	\$ 141,653,000
Cash and cash equivalents	7,042,000
Withdrawals receivable from Master Fund, L.P.	2,628,000
Other assets	38,000
Total assets	151,361,000

Liabilities

Advance capital contributions	1,150,000
Due to related parties	56,000
Capital withdrawals payable	2,628,000
Accrued expenses and other liabilities	45,000
Total liabilities	3,879,000

Partners' capital	\$ 147,482,000
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See accompanying notes to financial statements.

Domestic Feeder, L.P.

Statement of Operations

Year Ended December 31, 20XX

Investment income and expenses allocated from Master Fund, L.P.

Interest income	\$ 3,238,000
Dividend income (net of foreign withholding taxes of \$68,000)	2,592,000
Income from securities loaned – net	4,000
Other income	160,000
Management fee	(2,714,000)
Dividends on securities sold short	(3,803,000)
Interest on securities sold short	(402,000)
Interest expense ⁽¹⁾	(21,000)
Administrative fee	(96,000)
Professional fees and other	(138,000)
Incentive allocation to the General Partner of Master Fund, L.P.	(6,026,000)
Total net investment loss allocated from Master Fund, L.P.	(7,206,000)
Fund expenses	
Administrative fee	125,000
Professional fees and other	251,000
Total Fund expenses	376,000
Net investment loss	(7,582,000)

Realized and unrealized gain (loss) from investments allocated from Master Fund, L.P.

Net realized gain from investments and derivatives ⁽²⁾	13,566,000
Net realized gain from foreign currency transactions ⁽³⁾	58,000
Net change in unrealized gains and losses on investments and derivatives ⁽²⁾	27,251,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies ⁽⁴⁾	(23,000)
Net gain from investments allocated from Master Fund, L.P.	40,852,000
Net income ⁽⁵⁾	\$ 33,270,000

⁽¹⁾ Represents interest expense related to the Fund's financing arrangements.

⁽²⁾ Consider disaggregating by type of derivative contract.

⁽³⁾ Represents net gains or losses from assets or liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on realized gains or losses from investments and derivatives is elected, those amounts should be included in this caption.

⁽⁴⁾ Represents the net change during the period from translating assets and liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on net change in unrealized gains and losses on investments and derivatives is elected, those amounts should be included in this caption.

⁽⁴⁾ ASC 946-225-45-7 defines the sum of net investment income or loss and net realized and unrealized gain or loss on investments and foreign currency shall be shown as "net increase or decrease in net assets resulting from operations." Funds may describe this line item as "net increase or decrease in net assets resulting from operations" or "net income or loss."

See accompanying notes to financial statements.

Domestic Feeder, L.P.

Statement of Changes in Partners' Capital

Year Ended December 31, 20XX

	General Partner		Class A Limited Partners		Class B Limited Partners		Total
Partners' capital , beginning of year	\$	–	\$	80,038,000	\$	34,302,000	\$ 114,340,000
Capital contributions		–		15,000,000		7,500,000	22,500,000
Capital withdrawals		–		(16,971,000)		(5,657,000)	(22,628,000)
Allocation of net income		–		21,958,000		11,312,000	33,270,000
Partners' capital , end of year	\$	–	\$	100,025,000	\$	47,457,000	\$ 147,482,000

See accompanying notes to financial statements.

Domestic Feeder, L.P.

Statement of Cash Flows

Year Ended December 31, 20XX

Cash flows from operating activities	
Net income	\$ 33,270,000
Adjustments to reconcile net income to net cash provided by operating activities:	
Net income allocated from Master Fund, L.P.	(33,646,000)
Contributions to Master Fund, L.P.	(22,500,000)
Withdrawals from Master Fund, L.P.	22,628,000
Changes in operating assets and liabilities:	
Withdrawals receivable from Master Fund, L.P.	3,572,000
Other assets	16,000
Due to related parties	96,000
Accrued expenses and other liabilities	13,000
Net cash provided by operating activities	3,449,000
Cash flows from financing activities	
Proceeds from capital contributions, net of change in advance capital contributions	23,650,000
Payments for capital withdrawals, net of change in capital withdrawals payable	(24,990,000)
Net cash used in financing activities	(1,340,000)
Net increase in cash and cash equivalents	2,109,000
Cash and cash equivalents, beginning of year	4,933,000
Cash and cash equivalents, end of year	\$ 7,042,000

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

Nature of Operations

[This note should be tailored to the Fund's specific nature of operations:] Domestic Feeder, L.P. (the "Fund"), a Delaware investment limited partnership, commenced operations on **[Month, Date, Year]**. The Fund was organized for the purpose of **[Include a description of the Fund's investment objectives]**. The Fund is managed by General Partner, LLC (the "General Partner") and Investment Manager, LLC (the "Investment Manager"). **[If applicable:]** The Investment Manager is registered with the United States Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

The Fund invests substantially all of its assets through a master-feeder structure in Master Fund, L.P. (the "Master Fund"), an investment company that has the same investment objectives as the Fund. The financial statements of the Master Fund, including the condensed schedule of investments, are included elsewhere in this report and should be read with the Fund's financial statements. The Fund owns approximately 32.7% of the Master Fund at December 31, 20XX.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946.

These financial statements were approved by management and available for issuance on **[Month, Date, Year]**. Subsequent events have been evaluated through this date.

Valuation of Investment in Master Fund, L.P.

The Fund records its investment in the Master Fund at its proportionate share of net assets. Valuation of investments held by the Master Fund, including, but not limited to, the valuation techniques used and categorization within the fair value hierarchy of investments are discussed in the notes to the Master Fund financial statements included elsewhere in this report.

Investment Income and Expenses

The Fund records its proportionate share of the Master Fund's income, expenses, and realized and unrealized gains and losses. **[If applicable:]** In addition, the Fund incurs and accrues its own expenses.

[Refer to Domestic Fund, L.P. for examples of the following significant accounting policies:]

Use of Estimates

Cash and Cash Equivalents

Income Taxes

Capital Withdrawals Payable

[Refer to Domestic Fund, L.P. for the following disclosure examples:]

Commitments and contingencies

Partners' capital

Administrative services

Subsequent events

2. Related-party transactions

The Fund pays the Investment Manager a management fee, calculated and payable **[quarterly]** **[monthly]** in advance, to be paid at an annual rate of X.XX% of the capital account balances of Class A limited partners and X.XX% of the capital account balances of Class B limited partners, determined as of the beginning of each calendar **[quarter]** **[month]**.

2. Related-party transactions (continued)

The General Partner is entitled to receive an annual incentive allocation equal to XX% for Class A limited partners and XX% for Class B limited partners, of the net profits, if any, allocated to each limited partner's capital account for the current period, subject to a loss carryforward provision.

[Or:]

The Master Fund pays the Investment Manager a management fee, calculated and payable *[quarterly]* *[monthly]* in advance, to be paid at an annual rate of X.XX% of the Fund's capital account balances of Class A limited partners and X.XX% of the Fund's capital account balances of Class B limited partners, determined as of

the beginning of each calendar *[quarter]* *[month]*. To the extent that management fees are charged at the Master Fund level, no management fees will be charged at the Fund level.

The General Partner of the Master Fund is entitled to receive an incentive allocation, payable on an annual basis, which will generally be equal to XX% for Class A limited partners and XX% for Class B limited partners, of the Fund's net profits, if any, allocated to each limited partner's capital account for the current period, subject to a loss carryforward provision. To the extent the incentive allocation is charged at the Master Fund level, no incentive allocation will be charged at the Fund level.

[Refer to Domestic Fund, L.P. for other examples of related party transactions disclosures.]

3. Financial highlights

[Note: The below presentation was prepared based on the assumption that the incentive allocation is charged at the master fund level. Refer to Domestic Fund, L.P. for presentation considerations when the incentive allocation is charged at the feeder fund level:]

Financial highlights for the year ended December 31, 20XX are as follows:

	Class A Limited Partners	Class B Limited Partners
Total return		
Total return before incentive allocation to General Partner of Master Fund, L.P.	27.1 %	26.9 %
Incentive allocation to General Partner of Master Fund, L.P.	(4.5)	(4.0)
Total return after incentive allocation to General Partner of Master Fund, L.P.	22.6 %	22.9 %
Ratios to average limited partners' capital:		
Expenses other than incentive allocation to General Partner of Master Fund, L.P.	5.3 %	4.9 %
Incentive allocation to General Partner of Master Fund, L.P.	4.6	4.1
Total expenses	9.9 %	9.0 %
Net investment loss	(5.2) %	(4.6) %

Financial highlights are calculated for each limited partner class taken as a whole. An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different incentive allocation and/or management fee arrangements, and the timing of capital transactions.

[For periods greater than or less than one year:] The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner, have been annualized. Total return has not been annualized.



Offshore Feeder, Ltd.



Please refer to the conditions of use on the inside cover of this publication.

Offshore Feeder, Ltd.

Statement of Assets and Liabilities

December 31, 20XX

(Expressed in United States Dollars)

Assets

Investment in Master Fund, L.P.	\$ 274,980,000
Cash and cash equivalents	10,427,000
Withdrawals receivable from Master Fund, L.P.	3,251,000
Other assets	42,000
Total assets	288,700,000

Liabilities

Advance subscriptions	11,151,000
Deferred performance and management fees ⁽¹⁾	6,919,000
Redemptions payable	3,251,000
Due to related parties	81,000
Accrued expenses and other liabilities	74,000
Total liabilities	21,476,000
Net assets	\$ 267,224,000

⁽¹⁾ If applicable, when deferred performance and management fee liabilities have been incurred at the offshore feeder.

See accompanying notes to financial statements.

Offshore Feeder, Ltd.

Statement of Operations

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Investment income and expenses allocated from Master Fund, L.P.

Interest income	\$ 5,801,000
Dividend income (net of foreign and U.S. withholding taxes of \$150,000)	4,447,000
Income from securities loaned – net	8,000
Other income	284,000
Management fee	(4,826,000)
Dividends from securities sold short	(6,645,000)
Interest from securities sold short	(759,000)
Interest expense ⁽¹⁾	(38,000)
Administrative fee	(152,000)
Professional fees and other	(218,000)
Incentive allocation to the General Partner of Master Fund, L.P.	(10,586,000)
Total net investment loss allocated from Master Fund, L.P.	(12,684,000)

Fund expenses

Appreciation (depreciation) attributable to deferred fees	750,000
Administrative fee	123,000
Professional fees and other	148,000
Total Fund expenses	1,021,000
Net investment loss	(13,705,000)

Realized and unrealized gain (loss) from investments allocated from Master Fund, L.P.

Net realized gain from investments and derivatives ⁽²⁾	23,703,000
Net realized gain from foreign currency transactions ⁽³⁾	107,000
Net change in unrealized gains and losses on investments and derivatives ⁽⁴⁾	33,988,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies ⁽⁵⁾	(29,000)
Net gain from investments allocated from Master Fund, L.P.	57,769,000
Net increase in net assets resulting from operations	\$ 44,064,000

⁽¹⁾ Represents interest expense related to the Fund's financing arrangements.

⁽²⁾ Consider disaggregating by type of derivative contract.

⁽³⁾ Represents net gains or losses from assets or liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on realized gains or losses from investments and derivatives is elected, those amounts should be included in this caption.

⁽⁴⁾ Represents the net change during the period from translating assets and liabilities denominated in foreign currencies. If separate reporting of foreign currency effects on net change in unrealized gains and losses on investments and derivatives is elected, those amounts should be included in this caption.

See accompanying notes to financial statements.

Offshore Feeder, Ltd.

Statement of Changes in Net Assets

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Operations

Net investment loss	\$ (13,705,000)
Net realized gain from investments and derivatives	23,703,000
Net realized gain from foreign currency transactions	107,000
Net change in unrealized gains and losses on investments and derivatives	33,988,000
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies	(29,000)
Net increase in net assets resulting from operations	44,064,000
Capital share transactions	
Issuance of shares	23,325,000
Redemption of shares	(13,044,000)
Net increase in net assets resulting from capital share transactions	10,281,000
Net increase in net assets	54,345,000
Net assets , beginning of year	212,879,000
Net assets , end of year	\$ 267,224,000

See accompanying notes to financial statements.

Offshore Feeder, Ltd.

Statement of Cash Flows

Year Ended December 31, 20XX

(Expressed in United States Dollars)

Cash flows from operating activities

Net increase in net assets resulting from operations	\$ 44,064,000
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net income allocated from Master Fund, L.P.	(45,085,000)
Contributions to Master Fund, L.P.	(23,325,000)
Withdrawals from Master Fund, L.P.	13,044,000
Changes in operating assets and liabilities:	
Withdrawals receivable from Master Fund, L.P.	549,000
Other assets	14,000
Deferred performance and management fees	1,702,000
Due to related parties	7,000
Accrued expenses and other liabilities	18,000
Net cash used in operating activities	(9,012,000)
Cash flows from financing activities	
Proceeds from issuance of shares, net of change in advance subscriptions	29,237,000
Payments for redemption of shares, net of change in redemptions payable	(13,593,000)
Net cash provided by in financing activities	15,644,000
Net increase in cash and cash equivalents	6,632,000
Cash and cash equivalents, beginning of year	3,795,000
Cash and cash equivalents, end of year	\$ 10,427,000

See accompanying notes to financial statements.

1. Nature of operations and summary of significant accounting policies

Nature of Operations

[This note should be tailored to the Fund's specific nature of operations:] Offshore Feeder, Ltd. (the "Fund") is an exempted investment company which was formed under the laws of the Cayman Islands on **[Month, Date, Year]**. The Fund was organized for the purpose of **[Include a description of the Fund's investment objectives]**. Pursuant to an investment management agreement, the Fund is managed by Investment Manager, LLC (the "Investment Manager"). **[If applicable:]** The Investment Manager is registered with the United States Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

The Fund invests substantially all of its assets through a master-feeder structure in Master Fund, L.P. ("Master Fund"), an investment company that has the same investment objectives as the Fund. The financial statements of the Master Fund, including the condensed schedule of investments, are included elsewhere in this report and should be read with the Fund's financial statements. The Fund owns approximately 63.5% of the Master Fund at December 31, 20XX.

Basis of Presentation

The financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946.

These financial statements were approved by management and available for issuance on **[Month, Date, Year]**. Subsequent events have been evaluated through this date.

Valuation of Investment in Master Fund, L.P.

The Fund records its investment in the Master Fund at its proportionate share of net assets. Valuation of investments held by the Master Fund, including, but not limited to, the

valuation techniques used and categorization within the fair value hierarchy of investments, are discussed in the notes to the Master Fund financial statements included elsewhere in this report.

Investment Income and Expenses

The Fund records its proportionate share of the Master Fund's income, expenses, and realized and unrealized gains and losses. **[If applicable:]** In addition, the Fund incurs and accrues its own expenses.

[Refer to Domestic Fund, L.P. or Offshore Fund, Ltd. for examples of the following significant accounting policies:]

Use of Estimates

Cash and Cash Equivalents

Income Taxes

Redemptions Payable

[Refer to Domestic Fund, L.P. or Offshore Fund, Ltd. for the following disclosure examples:]

Commitments and contingencies

Capital share transactions

Deferred performance and management fees

Administrative services

Subsequent events

2. Related-party transactions

The Fund pays the Investment Manager a management fee, calculated and payable **[quarterly] [monthly]** in advance, to be paid at an annual rate of X.XX% of the net asset value of Class A shares and X.XX% of the net asset value of Class B shares, determined as of the beginning of each calendar **[quarter] [month]**.

The Investment Manager is also entitled to a performance fee, payable on an annual basis, which will generally be equal to XX% for Class A shareholders and XX% for Class B shareholders, of the amount by which the net asset value per share on the last day of each year for each series exceeds the higher of the original issue price or highest net asset value of such shares as of the close of any prior year.

2. Related-party transactions (continued)

[Or:]

The Master Fund pays the Investment Manager a management fee calculated and payable **[quarterly]** **[monthly]** in advance, to be paid at an annual rate of X.XX% of the Fund's net asset value of Class A shares and X.XX% of the Fund's net asset value of Class B shares, determined as of the beginning of each calendar **[quarter]** **[month]**. To the extent that management fees are charged at the Master Fund level, no management fees will be charged at the Fund level.

The General Partner of the Master Fund is entitled to receive an incentive allocation, payable on an annual basis, which will generally be equal to XX% for Class A shareholders and XX% for Class B shareholders, of the amount by which the Fund's net asset value per share on the last day of each year for each series exceeds the higher of the original issue price or highest net asset value of such shares as of the close of any prior year. To the extent the incentive allocation is charged at the Master Fund level, no performance fee will be charged at the Fund level.

[Refer to Domestic Fund, L.P. and Offshore Fund, Ltd. for other examples of related party transactions disclosures.]

3. Financial highlights

[Note: The below presentation was prepared based on the assumption that the incentive allocation is charged at the master fund level. Refer to Offshore Fund, Ltd. for presentation considerations when a performance fee is charged at the feeder fund level:]

Financial highlights for the year ended December 31, 20XX, are as follows

	Class A Shares Series 1	Class B Shares Series 1
Per share operating performance:		
Net asset value, beginning of year	\$ 1,040.45	\$ 1,049.61
Income from investment operations:		
Net investment loss	(64.42)	(74.15)
Net gain from investments	284.88	310.31
Total from investment operations	220.46	236.16
Net asset value, end of year	\$ 1,260.91	\$ 1,285.77
Total return		
Total return before incentive allocation to General Partner of Master Fund, L.P.	26.5 %	27.3 %
Incentive allocation to General Partner of Master Fund, L.P.	(5.3)	(4.8)
Total return after incentive allocation to General Partner of Master Fund, L.P.	21.2 %	22.5 %
Ratios to average net assets:		
Expenses other than incentive allocation to General Partner of Master Fund, L.P.	5.7 %	5.2 %
Incentive allocation to General Partner of Master Fund, L.P.	5.1	4.7
Total expenses	10.8	9.9
Less: Appreciation attributable to deferred fees	0.3	0.3
Total expenses excluding appreciation attributable to deferred fees	10.5 %	9.6 %
Net investment loss	(6.4) %	(5.6) %

3. Financial highlights (continued)

Financial highlights are calculated for each permanent, nonmanaging class or series of common shares. An individual shareholder's financial highlights may vary based on participation in new issues, private investments, different performance and/or management fee arrangements, and the timing of capital share transactions.

[For periods greater than or less than one year:] The ratios, excluding nonrecurring expenses and the incentive allocation to the General Partner of the Master Fund have been annualized. Total return has not been annualized.





Appendix



Please refer to the conditions of use on the inside cover of this publication.

Appendix A

Statement of Cash Flows – Net Method

Year Ended December 31, 20XX

[Consider the below “net method” of cash flow presentation when permitted]⁽¹⁾

Cash flows from operating activities

Net income	\$ 95,343,000
Adjustments to reconcile net income to net cash used in operating activities:	
Net realized gain from investments and derivatives	(37,253,000)
Net realized gain from foreign currency transactions	(165,000)
Net realized gain from distribution of securities to limited partners	(16,000)
Net change in unrealized gains and losses on investments and derivatives	(61,239,000)
Net change in unrealized gains and losses on translation of assets and liabilities in foreign currencies	52,000
Net sales of investments in securities	33,302,000
Net payments for repurchase agreements	(12,450,000)
Net proceeds from derivative contracts	80,321,000
Net payments for securities sold short	(141,452,000)
Net repayments of collateral for securities loaned	(500,000)
Amortization and accretion of premiums and discounts on debt securities	(145,000)
Changes in operating assets and liabilities:	
Due from brokers	18,249,000
Dividends and interest receivable	(532,000)
Variation margin receivable on derivative contracts	(67,000)
Other assets	(42,000)
Payable upon return of securities loaned	530,000
Due to brokers	(25,424,000)
Due to related parties	(50,000)
Management fee payable	120,000
Dividends and interest payable	148,000
Variation margin payable on derivative contracts	85,000
Accrued expenses and other liabilities	39,000
Net cash used in operating activities	(51,146,000)

⁽¹⁾ Permitted presentation if the investment company's trading style and investment objectives are principally for the purpose of selling investments in the near term. Refer to AICPA Technical Questions and Answers Section 6910 for additional guidance.

See accompanying notes to financial statements.

Appendix A

Statement of Cash Flows – Net Method (continued)

Year Ended December 31, 20XX

Cash flows from financing activities

Proceeds from capital contributions, net of change in advance capital contributions	\$ 46,000,000
Payments for capital withdrawals, net of change in capital withdrawals payable	(40,053,000)
Proceeds from reverse repurchase agreements	10,000,000
Net cash provided by financing activities	15,947,000
Effect of exchange rate changes on cash	(52,000)
Net decrease in cash and cash equivalents	(35,251,000)
Cash and cash equivalents, beginning of year	44,746,000
Cash and cash equivalents, end of year	\$ 9,495,000

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 54,000
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Supplemental disclosure of noncash financing activities

Contribution of securities, at fair value (cost basis of \$231,000)	\$ 347,000
Distribution of securities, at fair value (cost basis of \$638,000)	\$ 654,000

See accompanying notes to financial statements.

Appendix B

Investments in Private Investment Companies

December 31, 20XX

	Percentage of <i>[Partners' Capital]</i> <i>[Net Assets]</i>	Fair Value	Unfunded Commitments
Investments in private investment companies, at fair value			
United States Domiciled			
Value			
ABC Fund, L.P. ⁽¹⁾⁽⁴⁾	16.7 %	\$ 72,424,000	
Growth			
JKL Partners, L.P. ⁽²⁾⁽⁵⁾	12.4	53,909,000	
Other	0.3	1,191,000	
Merger arbitrage			
DEF Partners, LLC ⁽³⁾⁽⁶⁾	5.4	23,339,000	
Other	0.4	1,460,000	
Total United States Domiciled (cost \$142,172,000)	35.2	152,323,000	
Cayman Islands Domiciled			
Private Equity			
PE Fund Ltd., Class A, 30,000 shares owned ^{(3) (7)}	8.3	35,920,000	\$ 5,000,000
Other	0.5	2,303,000	9,000,000
Total Cayman Islands Domiciled (cost \$42,319,000)	8.8	38,223,000	14,000,000
Total investments in private investment companies, at fair value (cost \$184,491,000)	44.0 %	\$ 190,546,000	\$ 14,000,000

⁽¹⁾ See page X for disclosure of the Fund's proportionate interest in underlying investments that exceeded 5% of the Fund's *[partners' capital]* *[net assets]* at December 31, 20XX.

⁽²⁾ *[The following is an alternative presentation of Fund's proportionate interest in underlying investments that exceeded 5% of the Fund's [partners' capital] [net assets] at December 31, 20XX:]* JKL Partners, L.P. holds an investment in XYZ common stock with a fair value of \$XX,XXX,000. XYZ is a U.S. company in the banking industry. The Fund's proportionate share of this investment is valued at \$XX,XXX,000 as of December 31, 20XX.

⁽³⁾ Information regarding the investee fund's portfolio is not available.

⁽⁴⁾ The investment objective is to invest in companies whose stock the manager feels has become undervalued because the company is experiencing legal or management difficulties, is in an industry that's out of favor with the broader investment community, or has not yet been discovered or fully understood.

⁽⁵⁾ The investment objective is to obtain capital appreciation over the medium to long term by investing in both well-established companies with above average growth potential and/or in fast-growing industries such as technology and healthcare.

⁽⁶⁾ The investment objective is to achieve positive absolute returns regardless of market conditions over the long-term by investing primarily in securities of companies that are involved in publicly announced mergers and other corporate reorganizations.

⁽⁷⁾ The investment objective is to provide superior, long-term capital growth through investments in privately held portfolio companies, while avoiding undue risk through diversification.

See accompanying notes to financial statements.

Appendix B

Investments in Private Investment Companies (continued)

December 31, 20XX

The following discloses the Fund's proportionate interest in underlying investments of ABC Fund, L.P. that exceeded 5% of the Fund's December 31, 20XX *[partners' capital] [net assets]*.

	Principal Amount or Number of Shares	ABC Fund, L.P. Fair Value	Fund's Proportionate Share
Investments in securities , at fair value			
Common stocks			
United States			
Healthcare			
Health Group	3,490,910	\$ 195,491,000	\$ 30,106,000
XYZ Corporation	4,484,523	178,484,000	27,487,000
Total common stocks		373,975,000	57,593,000
Government debt			
United States			
U.S. Treasury Bill, X.X%, 10/15/20XX	\$ 146,000,000	145,491,000	22,406,000
Securities sold short , at fair value			
Common stocks			
United States			
Healthcare			
Health Group	3,232,125	180,999,000	27,874,000
XYZ Corporation	3,730,930	148,491,000	22,867,000
Total common stocks		329,490,000	50,741,000

See accompanying notes to financial statements.

Appendix B

Investments in Private Investment Companies (continued)

[Include the following paragraph to the Investments in Private Investment Companies section of “Valuation Techniques and Inputs” in Note 1 if the Fund has investments which were not valued using the practical expedient:]

At December 31, 20XX, the Fund had investments in private investment companies of \$X,XXX,000 which did not qualify for the practical expedient since it is probable that the Fund will sell these investments for amounts different than the net asset valuations provided by the underlying private investment companies. ***[Include a description of the remaining actions required to complete the sale of the investments.]*** Investments in private investment companies of approximately \$X,XXX,000 were valued based on the Fund’s estimates of secondary market transactions for those investments, using discounts ranging between X.X% and X.X% of their stated net asset valuations.

Investments in Private Investment Companies

As of December 31, 20XX, the Fund was invested in other private investment companies. Each of these investments has certain restrictions with respect to rights of withdrawal by the Fund as specified in the respective agreements.

Generally, the Fund is required to provide notice of its intent to withdraw after the investment has been maintained for a certain period of time. The management agreements of the private investment companies provide for compensation to the managers in the form of fees ranging from X% to X% annually of net assets and performance incentive allocations or fees ranging from XX% to XX% of net profits earned.

[Include if invested in a related party:]

The Fund had an investment in Related Fund, LP of approximately \$X,XXX,000, an affiliated investment company as of December 31, 20XX. ***[Include a description of any liquidity provisions of the related party fund, such as the following example:]*** The Fund may redeem its investment in Related Fund, L.P. on a quarterly basis following a 30-day notice period. The management agreement of the affiliated investment company provides for compensation to the manager in the form of fees of X.X% annually of net assets and incentive allocation or fees of XX% of net profits earned (subject to a loss carryforward). For the year ended December 31, 20XX, the Fund was charged management and incentive fees of \$XXX,000 and \$XXX,000, respectively.

See accompanying notes to financial statements.

Appendix B

Investments in Private Investment Companies (continued)

The following table summarizes the Fund's investments in other private investment companies as of December 31, 20XX. Other private investment companies in which the Fund invested 5% or more of its net assets, as disclosed in the condensed schedule of investments, are individually identified, while smaller investments are aggregated. The Fund's investments in private investment companies have certain redemption and liquidity restrictions which are described in the following tables.

Investment Strategy	Required for Commodity Pools			Required for all Funds either here or in SOI		
	Income (Loss)	Fees/Allocations Management	Incentive	Redemptions Notice Period	Redemptions Permitted	Liquidity Restrictions
Value						
ABC Fund, L.P.	\$ 3,331,000	\$ 1,376,000	\$ 519,000	45 days	Quarterly	None ⁽¹⁾
Growth						
JKL Partners, L.P.	(3,193,000)	969,000	–	30 days	Semiannually	Lock-up until April XX, 20XX ⁽²⁾
Other	87,000	24,000	15,000	30 days	Quarterly	None
Merger arbitrage						
DEF Partners, LLC	(3,922,000)	466,000	–	30 days	Semiannually	Lock-up until September XX, 20XX ⁽³⁾
Other	234,000	31,000	58,000	30 days	Semiannually	None
Private equity						
PE Fund Ltd.	(2,931,000)	760,000	–	N/A	N/A	See below ⁽⁴⁾
Other	(2,191,000)	64,000	–	N/A	N/A	See below ⁽⁵⁾
Total	\$ (8,585,000)	\$ 3,690,000	\$ 592,000			

⁽¹⁾ Approximately 20% of this private investment company has been placed in a side pocket. It is anticipated that distributions will be made in 2 to 3 years.

⁽²⁾ The private investment company can institute a gate provision if requests for redemptions for any three-month period are in the aggregate more than 20% of the net assets of the underlying fund. The Fund anticipates distributions in [month, year].

⁽³⁾ The private investment company can institute a gate provision if requests for redemptions would cause a decline in assets under management of 10% or greater. Investors would have to resubmit redemption requests each quarter until the intended payout is achieved.

⁽⁴⁾ It is estimated that the underlying assets of the funds would be liquidated over 5 to 8 years.

⁽⁵⁾ It is estimated that the underlying assets of the funds would be liquidated over 3 to 5 years.

See accompanying notes to financial statements.

Appendix B

Investments in Private Investment Companies (continued)

[The following represents example disclosures to summarize the overall risks and any concentration exposures in the aggregate of the investee(s) by geographic regions, industries, and types of securities. This will need to be customized for each Fund of Funds specifically:]

The North America value group disclosed in the preceding table invests solely in the healthcare industry.

The North America merger arbitrage group disclosed in the preceding table consists of investments in hedge funds that invest approximately 60% in equities concentrated in technology and 40% in bonds concentrated in economic, political, and government-driven events.

The private equity categories disclosed in the preceding table invest primarily in foreign technology companies. These investments cannot be voluntarily redeemed. Instead, the investments in this category make distributions of the underlying assets of the funds that have liquidated.

The Fund is subject to credit risk to the extent that the investment managers of the underlying private investment companies are unable to fulfill their obligations according to their organizational documents. The Fund, through its investments in private investment companies, is subject to risk inherent when investing in securities and private investments. In connection with its investments, the Fund is subject to the market and credit risk of those investments held or sold short by the private investment

companies. Due to the nature of the Fund's investments, the risks described above are limited to the Fund's investment balances and unfunded commitments to private investment companies.

[If applicable:] At December 31, 20XX, certain investments in private investment companies were managed by the same underlying investment manager, representing approximately XX% of the Fund's ***[partners' capital] [net assets]***.

[If applicable, additional disclosure is required if a reporting entity determines that it is probable that it will sell an investment(s) for an amount different from net asset value per share (or equivalent). The reporting entity shall disclose the total fair value of all investments that meet the criteria of a possible sale and any remaining actions required to complete the sale.] [Note: This paragraph does not apply to funds early adopting ASU 2015-07. Refer to Appendix G for additional guidance.]

[If applicable, additional disclosure is required if a reporting entity determines that it is probable that it will sell a group of investments, but the individual investments have not been identified (for example, if a reporting entity decides to sell 20% of its investments in private equity funds but the individual investments to be sold have not been identified), the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).]

Appendix C

Liability for Unrecognized Tax Benefits

[Replace the accounting policy for income taxes with the following language if the Fund has recognized a liability for unrecognized tax benefits:]

[Include if the Fund is a domestic entity:]

The Fund does not record a provision for U.S. federal, state, or local income taxes because the partners report their share of the Fund's income or loss on their income tax returns. ***[If applicable:]*** However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax for those limited partners that are foreign entities or foreign individuals. ***[If applicable:]*** Further, certain non-U.S. dividend income and interest income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states ***[If applicable:]*** and foreign jurisdictions. Generally, the Fund is subject to income tax examinations by major taxing authorities during the three-year period prior to the period covered by these financial statements.

The Fund is required to determine whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a "more-likely-than-not" threshold would be recorded as a tax expense in the current year

[Include if the Fund is an offshore entity:]

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum 30% withholding tax. ***[If applicable:]*** Further, certain non-U.S. dividend income and interest income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction. The Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

The Fund is required to determine whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a "more-likely-than-not" threshold would be recorded as a tax expense in the current year.

[Regardless of domestic or offshore, add the following disclosures:]

At December 31, 20XX, the Fund recorded a liability for unrecognized tax benefits of \$XXX,000 related to its tax positions. ***[Include a description of the uncertainty in tax positions, for example, investment gains from certain foreign jurisdictions where the Fund has elected not to file an income tax return.]***

[The following are examples which may apply to the Fund's assessment of possible changes in unrecognized tax benefits over the next 12 months:]

1. The Fund has determined that it is reasonably possible that the total amount of the unrecognized tax benefits will ***[increase] [decrease]*** by approximately ***[Include an amount or a range of the reasonably possible changes in unrecognized tax benefits]*** within the next 12 months as a result of ***[Describe the nature of events that can cause a significant change in unrecognized tax benefits, including but not limited to, settlements, expiration of statutes of limitations, changes in tax law, and new authoritative rulings.]***
2. The Fund has determined that it is reasonably possible that the total amount of the unrecognized tax benefits will ***[increase] [decrease]*** within the next 12 months as a result of ***[Describe the nature of events that can cause a significant change in unrecognized tax benefits, including but not limited to, settlements, expiration of statutes of limitations, changes in tax law, and new authoritative rulings.]*** Until formal resolutions are reached between the Fund and tax authorities, the determination of a possible ultimate settlement with respect to the impact on unrecognized tax benefits is not readily determinable.
3. The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, the nexus of income among various tax jurisdictions; compliance with U.S. federal, U.S. state, and foreign tax laws; and changes in the administrative practices and precedents of the relevant taxing authorities.

The Fund recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. During the year ended December 31, 20XX, the Fund recognized \$XX,XXX and \$XXX,XXX, respectively, related to interest and penalties. At December 31, 20XX, the Fund accrued \$XX,XXX and \$XX,XXX, respectively, for the payment of interest and penalties.

Appendix D

Credit Derivatives – Protection Written

[Additional disclosures when a Fund engages in writing credit protection through credit derivatives:]

At December 31, 20XX, the open credit derivatives written by the Fund were referenced to corporate debt, sovereign debt, and asset-backed securities, and are summarized as follows:

(in thousands)	Single-name credit default swaps		Credit default swap options	Credit default swap indexes	Total
	Corporate debt	Sovereign debt	Corporate debt	Asset-backed securities	
Fair value	\$ 23,761	\$ 1,916	\$ –	\$ –	\$ 25,677
Maximum potential amount of future undiscounted payments	120,000	20,000	–	–	140,000
Recourse provisions with third parties	2,598	121	–	–	2,719
Cash collateral held by the Fund or by third parties	19,361	1,450	–	–	20,811

[The following are examples of presentation methods to disclose the performance risk of the credit derivatives written. The first table categorizes the credit derivatives written by the external credit ratings of the reference entities underlying the credit derivatives. The second table categorizes the credit derivatives written by the prevailing credit spreads of the aforementioned reference entities.]

[Presentation 1] The notional amounts of the credit derivatives written, classified by the expiration terms and the external credit ratings of the reference obligations underlying the credit derivatives written at December 31, 20XX, are summarized as follows:

(in thousands)	Less than 1				Total
	Year	1–3 Years	3–5 Years	Over 5 Years	
Single-name corporate debt					
Investment grade ⁽¹⁾	\$ 20,000	\$ –	\$ –	\$ –	\$ 20,000
Noninvestment grade ⁽²⁾	–	100,000	–	–	100,000
Asset-backed securities					
Investment grade ⁽¹⁾	–	–	20,000	–	20,000
Noninvestment grade ⁽²⁾	–	–	–	–	–
	\$ 20,000	\$ 100,000	\$ 20,000	\$ –	\$ 140,000

⁽¹⁾ The Fund considers ratings of BBB or higher as meeting the definition of investment grade.

⁽²⁾ Includes nonrated credit derivative contracts.

Appendix D

Credit Derivatives – Protection Written (continued)

[Presentation 2] The notional amounts of the credit derivatives written, classified by the expiration terms and the external credit spreads⁽¹⁾ of the reference obligations underlying the credit derivatives written at December 31, 20XX, are summarized as follows:

(in thousands)	Less than 1 Year	1–3 Years	3–5 Years	Over 5 Years	Total
Single-name corporate debt					
0 – 250	\$ –	\$ –	\$ –	\$ –	–
251 – 500	20,000	–	–	–	20,000
501 – 1,000	–	–	–	–	–
1,001 – 1,500	–	–	–	–	–
1,501 – 2,000	–	100,000	–	–	100,000
	\$ 20,000	\$ 100,000	\$ –	\$ –	120,000
Single-name sovereign debt					
0 – 250	\$ –	\$ –	20,000	\$ –	20,000
251 – 500	–	–	–	–	–
501 – 1,000	–	–	–	–	–
1,001 – 1,500	–	–	–	–	–
1,501 – 2,000	–	–	–	–	–
	\$ –	\$ –	20,000	\$ –	20,000

⁽¹⁾ Credit spreads on the underlying contracts obtained from counterparties, together with the period of expiration, are indicators of payment or performance risk. The likelihood of payment or performance risk is generally greater as the credit spread on the underlying and the period of expiration increases.

Appendix E

Offsetting Assets and Liabilities – Alternative Disclosures

[The example offsetting tables below are suggested for Funds with multiple counterparties:]

The following tables provide disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities as of December 31, 20XX:

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Assets Presented in the Statement of Assets and Liabilities ⁽¹⁾
Interest rate swaps	\$ 60,439,000	\$ –	\$ 60,439,000
Total return swaps	30,111,000	–	30,111,000
Swaptions	282,000	–	282,000
Repurchase agreements	12,450,000	–	12,450,000
Total	\$ 103,282,000	\$ –	\$ 103,282,000

Amounts Not Offset in the Statement of Assets and Liabilities

Counterparty	Net Amounts of Assets Presented in the Statement of Assets and Liabilities ⁽¹⁾	Financial Instruments (policy election) ⁽²⁾	Financial Instruments (accounting criteria not met) ⁽³⁾	Financial Collateral Received ⁽⁴⁾	Net Amount
Counterparty A	\$ 33,826,000	\$ –	\$ (33,826,000)	\$ –	\$ –
Counterparty B	57,006,000	(47,772,000)	–	–	9,234,000
Other	12,450,000	–	–	(12,450,000)	–
Total	\$ 103,282,000	\$ (47,772,000)	\$ (33,826,000)	\$ (12,450,000)	\$ 9,234,000

⁽¹⁾ The amounts of derivative contracts presented in the preceding table differ from the amounts reported in the statement of assets and liabilities as the result of option contracts and warrants in the amount of \$72,756,000, which are not subject to enforceable master netting arrangements.

⁽²⁾ Amounts relate to master netting agreements (for example, ISDA) which have been determined by the Fund to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance, but were not offset due to management's accounting policy election.

⁽³⁾ Amounts relate to master netting agreements which have been determined by the Fund to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

⁽⁴⁾ Amounts relate to master netting agreements and collateral agreements which have been determined by the Fund to be legally enforceable in the event of default, but where certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the statement of assets and liabilities. Where this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

Appendix E

Offsetting Assets and Liabilities – Alternative Disclosures (continued)

The following tables provide disclosure regarding the potential effect of offsetting of recognized liabilities presented in the statement of assets and liabilities as of December 31, 20XX:

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities ⁽¹⁾
Credit default swaps	\$ 25,677,000	\$ –	\$ 25,677,000
Total return swaps	24,660,000	–	24,660,000
Interest rate swaps	23,112,000	–	23,112,000
Contracts for differences	22,384,000	–	22,384,000
Forward contracts	22,072,000	–	22,072,000
Futures contracts	21,879,000	–	21,879,000
Reverse repurchase agreements	10,000,000	–	10,000,000
Total	\$ 149,784,000	\$ –	\$ 149,784,000

Amounts Not Offset in the Statement of Assets and Liabilities

Counterparty	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities ⁽¹⁾	Financial Instruments (policy election) ⁽²⁾	Financial Instruments (accounting criteria not met) ⁽³⁾	Financial Collateral Received ⁽⁴⁾	Net Amount
Counterparty A	\$ 92,012,000	\$ –	\$ (33,826,000)	\$ (10,000,000)	\$ 48,186,000
Counterparty B	47,772,000	(47,772,000)	–	–	–
Other	10,000,000	–	–	(10,000,000)	–
Total	\$ 149,784,000	\$ (47,772,000)	\$ (33,826,000)	\$ (20,000,000)	\$ 48,186,000

⁽¹⁾ The amounts of derivative contracts presented in the preceding table differ from the amounts reported in the statement of assets and liabilities as the result of option contracts in the amount of \$15,651,000, which are not subject to enforceable master netting arrangements.

⁽²⁾ Amounts relate to master netting agreements (for example, ISDA) which have been determined by the Fund to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance, but were not offset due to management's accounting policy election.

⁽³⁾ Amounts relate to master netting agreements which have been determined by the Fund to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

⁽⁴⁾ Amounts relate to master netting agreements and collateral agreements which have been determined by the Fund to be legally enforceable in the event of default, but where certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the statement of assets and liabilities. Where this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

Appendix F

Liquidation Basis of Accounting

Statement of Net Assets in Liquidation

December 31, 20XX

Note: ASU No. 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting clarifies when an entity should apply the liquidation basis of accounting, and is effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. This section contains illustrative financial statements prepared under the liquidation basis of accounting. Refer to Domestic Fund, L.P. and Offshore Fund, Ltd. for illustrative financial statements prepared under the going concern basis of accounting for the period prior to liquidation becoming imminent.

Assets

Investments in securities, at liquidation value (cost \$82,714,000)	\$ 85,267,000
Derivative contracts, at liquidation value (cost \$3,312,000)	3,369,000
Receivable for investment securities sold	5,670,000
Cash and cash equivalents	17,449,000
Dividends and interest receivable	562,000
Total assets	112,317,000

Liabilities

Securities sold short, at liquidation value (proceeds \$16,859,000)	24,485,000
Derivative contracts, at liquidation value	5,078,000
Dividends and interest payable	320,000
Variation margin payable on derivative contracts ⁽¹⁾	350,000
Accrued estimated disposal costs	1,924,000
Accrued estimated management fees	332,000
Accrued estimated liquidation costs	285,000
Total liabilities	32,774,000
Net assets in liquidation	\$ 79,543,000

⁽¹⁾ Consider disaggregating by type of derivative contract.

See accompanying notes to financial statements.

Appendix F

Liquidation Basis of Accounting (continued)

Condensed Schedule of Investments in Liquidation

December 31, 20XX

	Number of Shares	Percentage of Net Assets In Liquidation	Liquidation Value
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Investments in securities, at liquidation value

Common stocks

United States

Banking

Public Banking Company 1	1,499,611	50.7 %	\$ 40,343,000
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Consumer discretionary

Public Consumer Company 1	600,000	34.0	27,014,000
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Other

8.5	6,753,000
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Health care

7.2	5,762,000
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Real estate

6.8	5,395,000
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Total – investments in securities , at liquidation value (cost \$82,714,000)	107.2 %	\$ 85,267,000
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Derivative contracts (assets), at liquidation value

Warrants purchased

United Kingdom

Financial

4.2 %	\$ 3,369,000
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Total – derivative contracts (assets) , at liquidation value (cost \$3,312,000)	4.2 %	\$ 3,369,000
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See accompanying notes to financial statements.

Appendix F

Liquidation Basis of Accounting (continued)

Condensed Schedule of Investments in Liquidation (continued)

December 31, 20XX

		Percentage of	
	Number of	Net Assets	Liquidation
	Shares	In Liquidation	Value
Securities sold short , at liquidation value			
Common stocks			
United Kingdom			
Banking			
Public Banking Company 2	374,055	16.9 %	\$ 13,466,000
Other		6.2	4,897,000
Manufacturing		7.7	6,122,000
Total – securities sold short , at liquidation value (proceeds \$16,859,000)		30.8 %	\$ 24,485,000
Derivative contracts (liabilities) , at liquidation value			
Total return swaps			
United States			
Financial		4.4 %	\$ 3,450,000
Manufacturing		2.0	1,628,000
Total – derivative contracts (liabilities) , at liquidation value		6.4 %	\$ 5,078,000

See accompanying notes to financial statements.

Appendix F

Liquidation Basis of Accounting (continued)

Statement of Changes in Net Assets in Liquidation

Year Ended December 31, 20XX

[Partners' capital] [Net assets], at [Month, Date, Year]⁽¹⁾	\$ 433,245,000
Cumulative-effect adjustment for change in basis of accounting⁽²⁾	(45,042,000)
Net assets in liquidation, beginning of period	\$ 388,203,000
Net realized gain from investments and derivatives	127,764,000
Net change in unrealized gains and losses on investments and derivatives	(103,752,000)
Net decrease in estimated liquidation value of other assets	(11,000)
Net decrease in estimated interest and dividend income	(77,000)
Net increase in estimated interest and dividend expense	(290,000)
Net decrease in estimated disposal costs	267,000
Net decrease in estimated management fees	116,000
Net decrease in estimated liquidation costs	17,000
Distributions to [partners] [shareholders]	(332,694,000)
Net decrease in net assets in liquidation	(308,660,000)
Net assets in liquidation, end of period	\$ 79,543,000

[If applicable:] The following is a condensed presentation of changes in net assets in liquidation between the General Partner and the limited partner classes for the period **[Month, Date, Year]** to December 31, 20XX:

	General Partner	Limited Partners	Total
Net assets in liquidation, beginning of period	\$ 56,251,000	\$ 331,952,000	\$ 388,203,000
Net increase in net assets in liquidation, excluding distributions to partners	3,483,000	20,551,000	24,034,000
Incentive allocation to General Partner	4,110,000	(4,110,000)	–
Distributions to partners	(48,207,000)	(284,487,000)	(332,694,000)
Net assets in liquidation, end of period	\$ 15,637,000	\$ 63,906,000	\$ 79,543,000

⁽¹⁾ Represents the ending net assets of the Fund, prior to adoption of the liquidation basis of accounting, and is applicable for the initial period of liquidation if a cumulative-effect adjustment is presented.

⁽²⁾ A cumulative-effect adjustment is recommended to be included in the statement of changes in net assets in liquidation for either of the following circumstances if the effects from the accounting changes are material to the financial statements:

1. Financial statements for the going concern stub period accompanies the liquidation basis financial statements for the current fiscal period.
2. An entity previously in liquidation as of the effective date of ASU 2013-07 adopting the guidance issued in ASC 205-30 in the current year is required to present a cumulative-effect adjustment.

See accompanying notes to financial statements.

Appendix F

Liquidation Basis of Accounting (continued)

Notes to Financial Statements

Note: ASC 205-30-50-1 requires that an entity preparing financial statements under the liquidation basis of accounting shall make all disclosures required by other FASB Accounting Standards Codification Topics that are relevant to understand the statement of net assets in liquidation and the statement of changes in net assets in liquidation. The financial statement disclosures should also convey information about the estimated amount of cash or other consideration the entity expects to collect and the estimated amount the entity is obligated to pay during the course of liquidation. The appropriate disclosures to meet these objectives should be tailored to the entity's individual circumstances, and may vary from entity to entity. Refer to Domestic Fund, L.P. for examples of other disclosures which may be used to meet these objectives.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 946, including liquidation basis adjustments required by ASC Topic 205.

[The following disclosures should be tailored to the Fund's specific circumstances, and should include a description of the facts and circumstances surrounding the plan of liquidation and the manner by which the Fund plans to dispose of its assets and settle its liabilities:]

[Include a description of the facts and circumstances surrounding the adoption of the liquidation basis of accounting, such as the example described in the following:] Due to amount of redemption requests received by the Fund, the **[General Partner] [Investment Manager] [Board of Directors]** decided to cease the operations of the Fund, return the capital balances of the Fund's outside investors, and to convert its operations

to a family office. On **[Month, Date, Year]**, the **[General Partner] [Investment Manager] [Board of Directors]** approved a plan of liquidation to liquidate the Fund in an orderly manner. As a result, liquidation became imminent and the Fund adopted the liquidation basis of accounting, whereby assets are measured at the estimated amount of cash or other consideration that the Fund expects to collect in settling or disposing of those assets and liabilities are measured at their estimated settlement amounts, including costs that the Fund expects to incur through the end of its liquidation ("liquidation value"). These estimated amounts are undiscounted and are recorded to the extent the Fund has a reasonable basis for estimation.

Under the plan of liquidation, the Fund plans to 1) sell its remaining investments, 2) collect receivables as they become due, 3) use available cash to settle the Fund's obligations, and 4) pay out distributions to the **[partners] [shareholders]** of the Fund. The **[General Partner] [Investment Manager] [Board of Directors]** anticipates that the liquidation of the Fund will be completed on or about **[Include the estimated period by when the Fund expects to complete its liquidation, or a range of estimated periods.]** and has determined that the likelihood is remote that the Fund will return from liquidation.

For certain investments, securities sold short and derivatives, fair value may approximate their liquidation values. In addition, the Fund may use other valuation techniques which include assumptions of forced or distressed sales, or when assumptions of exit price conditions are not consistent with market participant assumptions. **[If applicable, refer to Domestic Fund, L.P. for examples of fair value accounting policy language to include when fair value approximates liquidation values.]**

Liabilities are generally recognized in accordance with the measurement and recognition provisions of GAAP applicable for going concern entities. In addition, liabilities

Appendix F

Liquidation Basis of Accounting (continued)

Notes to Financial Statements

include estimated costs to dispose of assets or other items that the Fund expects to sell during the course of liquidation.

[If the adoption of liquidation basis of accounting is material, the following section may be included if not included on the statement of changes in net assets in liquidation:] Upon the adoption of the liquidation basis of accounting, the Fund recorded the following cumulative-effect adjustments to net assets in liquidation as of the date of adoption.

Adjustments of investments and derivatives to liquidation value	\$ (37,363,000)
Adjustments of other assets to liquidation value	(209,000)
Accrual of estimated interest and dividend income	3,825,000
Accrual of estimated interest and dividend expense	(2,902,000)
Accrual of estimated disposal costs	(6,647,000)
Accrual of estimated management fees	(1,444,000)
Accrual of estimated liquidation costs	(302,000)
Cumulative-effect adjustment for change in basis of accounting	\$ (45,042,000)

[If the adoption of liquidation basis of accounting is not material, the following sentence may be included:] The adoption of the liquidation basis of accounting did not have a material effect on the carrying values of the Fund's assets and liabilities as of the date of adoption.

[If applicable:] The Fund's management determined that presentation of financial highlights is not relevant and useful in understanding the liquidation basis financial statements. As a result, the Fund elected to exclude the presentation of financial highlights for the period **[Enter beginning date of liquidation financial statements.]** to December 31, 201X.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, including the estimated liquidation values of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets in liquidation during the reporting period. Actual results could differ from those estimates.

Valuation of other investments

At December 31, 201X, the Fund had investments in securities of \$XX,XXX,000 which were measured using other valuation inputs and techniques when fair value did not approximate the liquidation value for such assets.

[Include a description of other valuation techniques and inputs used to measure assets when fair value does not approximate the amounts expected to be collected for disposing of investments. Examples of valuation techniques and inputs may include discounts to fair value measurements, a description of methods and significant assumptions used to develop such discounts, and the estimated period over which investments are expected to be realized.]

[When fair value is used to approximate the liquidation values of investments, fair value disclosures in accordance with ASC Topic 820 should be included. Refer to Domestic Fund, L.P. for examples of fair value disclosures.]

Estimated liquidation income and costs

[This note should describe the type and amounts of costs and income accrued in the statement of net assets in liquidation and the period over which those costs are expected to be paid or income earned. The following are examples of disclosures of estimated costs and income, however the disclosures should be tailored to the specific facts and circumstances of the Fund:]

Appendix F

Liquidation Basis of Accounting (continued)

Notes to Financial Statements

At December 31, 20XX, the Fund accrued estimated interest and dividend income of \$XXX,000. The Fund's estimates of interest income were based on expected coupon payments on interest-bearing securities and an expected duration for holding the securities through **[Specify the period over which costs are expected to be incurred or income expected to be earned]**. The Fund accrued dividend income from equity securities on the ex-dividend date.

At December 31, 20XX, the Fund accrued estimated disposal costs of \$XXX,000, which include brokerage commissions and other costs expected to be incurred to dispose of assets during liquidation. The Fund estimated its disposal costs based on a range of X% – X% of the reported amounts for investments in securities and securities sold short as of December 31, 20XX.

At December 31, 20XX, the Fund accrued estimated liquidation costs expected to be incurred through **[Specify the period over which costs are expected to be incurred.]** as follows:

Administrative fees	\$	136,000
Professional fees		112,000
Other liquidation expenses		37,000
Accrued estimated liquidation costs	\$	285,000

The estimated liquidation costs were based on prior historical information, expected future events, specified contractual obligations, and the estimated time to complete the plan of liquidation. Other costs of liquidation will be recognized when a reasonable basis of estimation becomes determinable.

[If applicable – include a description of any subsequent adjustments to previous accruals of estimated income or costs expected to be incurred in liquidation resulting from changes in the methods and assumptions used for previous estimates.]

Partners' capital/Capital share transactions

[Refer to either Domestic Fund, L.P. or Offshore Fund, Ltd. for examples of disclosures of the pertinent rights and privileges of the Fund's capital structure. The disclosures should be tailored to reflect the provisions in the Fund's legal documents.]

[If applicable:] The Fund has elected to suspend redemptions as of **[Month, Date, Year]**. Distributions made subsequent to this date are based on proceeds received from the sale of investments and allocated to **[partners] [shareholders]** according to their respective interests in the Fund.

[The following optional disclosure may be included on the statement of changes in net assets in liquidation, or in the notes to the financial statements:] Below is a reconciliation of the net assets in liquidation, as prepared by the Fund's Administrator, to the net assets in liquidation reported in accordance with GAAP as of December 31, 20XX:

Net assets in liquidation, prepared by the Fund's Administrator	\$	83,012,000
Adjustments of investments and derivatives to liquidation value		(1,041,000)
Adjustments of other assets to liquidation value		(11,000)
Accrual of estimated interest and dividend income		348,000
Accrual of estimated interest and dividend expense		(224,000)
Accrual of estimated disposal costs		(1,924,000)
Accrual of estimated management fees		(332,000)
Accrual of estimated liquidation costs		(285,000)
Net assets in liquidation, end of period	\$	79,543,000

Note: ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance in ASU 2015-07 is effective for public business entities for fiscal years beginning after December 15, 2015 (and interim periods within those fiscal years), and for fiscal years beginning after December 15, 2016 (and interim periods within those fiscal years) for all other entities. Earlier application is permitted.

Recently Adopted Accounting Pronouncement

The Fund elected to early adopt the guidance issued in ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its

Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments measured using the net asset value per share practical expedient and related disclosures. The Fund adopted the guidance retrospectively, which removes investments measured using the net asset value per share practical expedient from the fair value hierarchy in all periods presented. The adoption of this accounting guidance did not have a material impact on the Fund's financial statements.

Fair Value Measurements

[Include the following disclosure to reconcile the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of assets and liabilities. Note: certain investment categories have been condensed to simplify the illustration below:]

The following table presents information about the Fund's assets measured at fair value as of December 31, 20XX (in thousands):

	Level 1	Level 2	Level 3	Investments measured at net asset value	Total
Investments in securities, at fair value	\$ 635,197	\$ 95,541	\$ 51,198	\$ –	\$ 781,936
Investments in private investment companies, at fair value					
Value	\$ –	\$ –	\$ –	\$ 72,424	\$ 72,424
Growth	–	–	–	55,100	55,100
Merger arbitrage	–	–	–	24,799	24,799
Private equity	–	–	–	38,223	38,223
Total investments in private investment companies, at fair value	\$ –	\$ –	\$ –	\$ 190,546	\$ 190,546
Derivative contracts, at fair value	\$ 25,966	\$ 135,743	\$ 1,879	\$ –	\$ 163,588
Repurchase agreements, at fair value	\$ –	\$ 12,450	\$ –	\$ –	\$ 12,450

[The following disclosure may be used to reconcile the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of assets and liabilities when all of the Fund's investments are investments in private investment companies measured at net asset value.]

At December 31, 20XX, the Fund had investments in private investment companies of approximately \$XX,XXX,000 measured using net asset value as a practical expedient, which are not categorized in the fair value hierarchy.

Contact Us

Learn more about how KPMG's Alternative Investments practice can help you navigate the most complex business issues affecting your investment and fund decisions.

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