

# **THETA LEGENDS XL FUND**

8 October 2014

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## SUMMARY

*Definitions, i.e. words starting with capitals, used in this Prospectus have the meaning as set forth in the Chapter 'Definitions'.*

This section constitutes the summary of the prospectus pursuant to article 5:14 Wft. This summary follows the strict rules pursuant the Wft that apply to content, lay out and presentation of a summary. The elements of this summary are numbered A.1 to E.7. Certain elements may not apply to the Fund which explains why the numbering is not continuing. Also where elements may apply but no relevant information can be provided. In such case the wording 'not applicable' will be inserted.

### Section A – Introduction and warnings

A.1	Warnings	<p>This summary must be read as an introduction to this prospectus.</p> <p>Any decision to invest in the participations should be based only on consideration of this prospectus as a whole.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before legal proceedings are initiated.</p> <p>Civil liability attaches only to the persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Participations .</p>
A.2	Intermediaries	Not applicable

### Section B – Disclosure Requirement

B.1	Trade name	The (trade) name of the Fund is Theta Legends XL Fund.
B.2	Domicile, legal form, applicable legislation	The Fund is domiciled in Amsterdam, The Netherlands and is structured as a common contractual fund under Dutch law.
B.3	Nature of operations, principal activities	The Fund is an investment fund that invests in hedge funds.
B.4	Trends	Not applicable
B.5	Description group	The Fund is not part of a group.
B.6	Major holders of Participations, voting rights	Major holdings of Participations are not required to be notified under Dutch law. Each Participation represents one vote.

B.7	Historic key financial Information	30 June 2014 (unaudited)	30 June 2013 (unaudited)	2013	2012	2011
	Equity	14,974,490	25,077,943	19,858,120	28,505,653	13,563,389
	Number of participations	161,211	269,080	200,505	320,248	164,387
	Participation per share	101.12	93.20	98.91	88.53	83.26
	Ongoing charges ratio (including incentive fee)	2.25%	2.72%	2.68%	2.04%	2.40%
	Turnover ratio	23.0%	12.53%	22.11%	8.44%	11.40%
	Weighted average number of participations	149,148	289,114	271,483	372,197	165,393
	<b>Net profit/(loss)</b>					
	Investment income	5	0	192	1,943	2,611
	Indirect investment result	470,495	1,635,588	3,229,118	1,756,191	(2,421,993)
	Expenses	(230,146)	(341,834)	(660,267)	(618,060)	(481,814)
	<b>Net profit/ (loss)</b>	<b>240,354</b>	<b>1,293,754</b>	<b>2,569,043</b>	<b>1,140,074</b>	<b>(2,901,196)</b>
	<b>Net profit/(loss) per participation</b>					
	Investment income	0.00	0.00	0.00	0.01	0.02
	Indirect investment result	2.92	6.08	16.10	5.48	-14.73
	Expenses	-1.43	-1.27	-3.29	-1.93	-2.93
	<b>Net profit/(loss) per participation</b>	<b>2.21</b>	<b>4.19</b>	<b>10.38</b>	<b>5.27</b>	<b>-16.74</b>
		MTD Perf. August 2014 1.65% 2014, until and including +2.98% August 31st				
B.8	Pro forma financial information	Not applicable				
B.9	Profit forecast	Not applicable				
B. 10	Qualifications in audit report	Not applicable				
B. 11	Insufficient working capital	Not applicable				
B. 34	Investment policy, restrictions	The Fund invests in hedge funds (collective investment vehicles) that have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles. The Fund has a wide investment mandate, enabling the Manager to take advantage of investment opportunities that offer significant potential returns. Therefore, the investments of the Fund are not restricted to hedge funds and may include all other sorts of investments.				

B. 35	Borrowing and/or leverage limits	The Manager may borrow for the account, and at the expense, of the Fund to finance Fund Assets, Fund Obligations and other costs. The sum borrowed at any time (not including costs in relation to the establishment of the Fund) shall not exceed 30% of the Net Asset Value of a Class. Beyond that, Fund Investments may not be financed with any funding (including but not limited to debt funding) other than subscription proceeds received by the Administrator. The Manager does not intend to use leverage for the purpose of enhancing the Fund's returns.
B.36	Regulatory status, applicable regulator	The Fund and the Manager are subject to supervision of both the AFM and the Dutch Central Bank ( <i>De Nederlandsche Bank N.V.</i> ). The Manager is licensed by the AFM under article 2:65 Wft as a manager of investment institutions ( <i>beheerder van beleggingsinstellingen</i> ).
B. 37	Investor profile	The Fund is suitable for investors who are prepared to accept a higher level of volatility and a longer investment horizon.
B. 38	Investments exceeding 20% of gross assets	Not applicable
B. 39	Investments exceeding 40% of gross assets	Not applicable
B. 40	Service providers, maximum fees	The Manager provides services to the Fund and is entitled to a Management Fee of 1.25% per annum of the Net Asset Value of each Class. The Incentive Fee is 5% of the difference between the total return and the benchmark return of each Class. Darwin Depositary Services B.V. will be acting as depositary ( <i>bewaarder</i> ) of the Fund Estate. Stichting Bewaarbedrijf Legends XL will be the legal title holder ( <i>juridisch eigenaar</i> ) of the Fund Estate. Furthermore, the general administration of the Fund is delegated by the Manager to TMF Fund Administrators B.V. as third party administrator. The current fee charged by the Administrator for the Fund's general administration and the services of the Depositary is based on the Net Asset Value of the Fund (0.12% up to €100 million, 0.1% on next 100 million, and 0.08% on Net Asset Value above €200 million) with a minimum fee of €40,000 per year.
B. 41	Supervision Investment manager, Depositary	The Manager is subject to supervision of both the AFM and the Dutch Central Bank. The Manager is licensed by the AFM under article 2:65 Wft as a manager of investment institutions. The Depositary is required to comply with certain requirements under the AIFMD and the Wft in order to perform its activities as depositary.
B. 42	Net asset value calculation, communication	The Net Asset Value of a Participation will be calculated daily by the Administrator. The Administrator calculates the Net Asset Value of a Participation by dividing the aggregate fair market value, according to International Financial Reporting Standards, of the total assets attributable to the relevant Class minus the debts, obligations and liabilities attributable to that Class by the number of Participations outstanding in that Class. The Net Asset Value is published on the Website.
B. 43	Sub funds, cross liability	The Fund is not an umbrella fund but may issue Participations in various Classes. All Classes will be subject to the same investment objectives and strategy but will have a currency hedge strategy linked to the currency of the Class. The related hedging costs and the gains and losses attributable to the hedging transactions will be credited or charged to the Class on behalf of which such transactions are effected.
B. 44	No financial	Not applicable

	statements	
B. 45	Description of portfolio	The Fund's portfolio consists of between 5 and 15 Investee Funds with no single investment in a fund representing 20% or more of the book value of the Fund Assets. Diversification is sought through the underlying markets, securities, investment strategies, trading styles and regions, rather than the number of Investee Funds.
B. 46	Most recent net asset value	The most recent Net Asset Value of a Class A Participation is €101.86 (7 October 2014).

### Section C – Securities

C. 1	Type and class of securities	Only Class A Participation have been issued and admitted to trading. The international securities identification number (ISIN) for the Class A Participations is NL0009692839.
C. 2	Currency	Class A Participations are issued in euro.
C. 3	Number of Shares, par value	As of the date of this Prospectus, 231.682 Participations are issued. The Participations have no par value.
C. 4	Rights of securities	Each Participation of a certain Class will have one vote in the meeting of Participants of that Class. Each Participation denominated in Euro gives, without any exception, an entitlement to one vote in a meeting of Participants of the Fund. Participations denominated in another currency than the euro will have a voting power in a meeting of Participants depending on the relevant exchange rate against the euro on the most recent Business Day prior to the day on which the votes are cast.
C.5	Restrictions on transfer of securities	Not applicable
C. 6	Admission to trading	The Participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. since March 1, 2011.
C. 7	Dividend Policy	The Manager does not intend to distribute any income of the Fund to its Participants. All investment gains, paid out dividends or other distributions by Investee Funds will be reinvested by the Fund. However, in case investment opportunities which meet the requirements of the Fund are limited, the Manager may decide to make distributions to Participants on a pro-rata basis.

### Section D - Risks

D. 1	Key risks	<p>The value of a Participation may fluctuate and investors may receive less than what they have invested.</p> <p>All hedge fund investments risk the loss of capital. No guarantee or representation is made either that the Fund will achieve its investment objectives or that Participants will not suffer loss. An investment in the Fund is highly speculative and involves certain risks and conflicts of interest, which prospective Participants should consider before subscribing.</p>
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		<p>Furthermore, certain investments in Investee Funds may be extremely difficult to value and provisional valuations sometimes have to be applied. Therefore, the estimated Net Asset Value does not have to correspond with the actual net asset value. However, the Fund does not make retroactive adjustments in the Net Asset Value previously used for subscriptions and redemptions. Such transactions are final and binding.</p> <p>Participants may lose more than their initial investment.</p>
D. 3	Risks securities	Redemption of Participations may under certain circumstances not be possible.

### Section E - Offer

E. 1	Net proceeds, expenses	The Class A Participations have been issued at an initial subscription price of €100 per Participation and thereafter at the Net Asset Value plus a subscription charge with a maximum of 3%, payable to the Fund and/or the Manager.
E. 2a	Reasons, use of proceeds, estimated net amount	The Fund issues and redeems Participations in its capacity as an investment fund under the terms of the Conditions. The proceeds of the Offer will be used for investments as described under ‘Key Objectives and Investment Strategy.’ The total proceeds of the Offer are estimated to be EUR 100,000,000. The total costs of the offering are estimated to be EUR 125,000.
E. 3	Description of terms and conditions of the offer	<p>This Prospectus relates to the offering of 1,000,000 Class A Participations (the “<b>Offer</b>”).</p> <p>The Class A Participations will be issued at the Net Asset Value of such Participations. Subscriptions for Participations should be made through an application form provided on the website of the Manager (www.thetacapital.com) (the “<b>Website</b>”), which should be delivered or mailed to TMF Fund Administrators B.V. (the “<b>Administrator</b>”).</p> <p>Participations will be held through the book-entry system of Euroclear Nederland (<i>Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.</i>) (“<b>Euroclear Nederland</b>”). Euroclear Nederland will be the registered holder of all Participations and the exercise of rights of Participants will be subject to the rules and procedures issued by or in connection with Euroclear Nederland.</p> <p>Dutch law applies to the Offer.</p>
E. 4	Material interest, conflicts of interest	The Manager and its affiliates are engaged or may be engaged in the management and the advisory of other funds or portfolios of hedge funds, where their interests or the interests of the clients may conflict with the interests of the Participants. The Manager will be entitled to incentive compensation from the Fund and such compensation arrangement may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect.
E. 5	Persons offering to sell	Not applicable



	securities, lock up	
E. 6	Dilution	Not applicable
E. 7	Estimated expenses for investor	Subscription charge with a maximum of 3%.

## **RISK FACTORS**

*The value of a Participation may fluctuate and investors may receive less than what they have invested.*

*All hedge fund investments risk the loss of capital. No guarantee or representation is made either that the Fund will achieve its investment objectives or that Participants will not suffer loss. An investment in the Fund is highly speculative and involves certain risks and conflicts of interest. A prospective Participant should consider carefully the risks described below, together with the other information contained in this prospectus, before making a decision to invest in the Participations. Although it is believed that the risks set forth below are the material risks of the Fund, they are not the only risks the Fund faces. Additional risks not presently known to the Fund or that currently are deemed immaterial may also have an effect on the Fund and the value of its Participations.*

### ***Risks***

#### ***Investments***

Investment in the Fund is speculative and entails significant risks. The environment for hedge fund investments is increasingly competitive and an investor should only invest in the Fund if the investor can withstand a total loss of its investment. No guarantee or representation is given that the Fund will achieve its investment objectives.

The Manager asserts that certain investments made by hedge funds may experience financial difficulties, which may never be overcome. Hedge funds may utilize highly speculative investment techniques, including but not limited to leverage and highly concentrated portfolios.

The Fund and its Participants will not have the ability to direct the management of Investee Funds or their underlying portfolio investments. As a result, the returns of the Fund will primarily depend on the performance of independent fund managers and could suffer substantial adverse effects by the unfavourable performance of such fund managers.

There are no assurances that the Fund will be able to invest its capital fully, or that sufficient suitable investment opportunities will be identified. For example as a result of market fluctuations, the Fund may at any time invest a substantial amount in a single Investee Fund so that investment concentration occurs. If the Fund receives distributions in kind from any investment, it may incur additional costs and risks to dispose of such assets.

#### ***Volatility***

The Fund's investment policy is to operate through Investee Funds whose investment approach may be broadly based, speculative and aggressive. The Fund permits borrowing to increase investment performance, as well as high risk investments (including but not limited to investments in options, other high yield securities, etc.) While this may enhance investment performance, as intended, under unfavorable conditions, they can also increase volatility and the risk of loss under other conditions which can and do occur from time to time. Because of the inherently speculative nature of the Fund's intended investment activities, the results of the Fund may be expected to fluctuate from month to month. Accordingly, Participants should understand that the results of a particular period will not necessarily be indicative of results in future periods.

### *Illiquidity of Portfolio*

The redemption of Participations may be limited to 10% per Class in issue on any Redemption Day and the right to redeem may be suspended in the event of market disruption or a breakdown in the means employed to value the assets of the Fund. The Fund's interests in Investee Funds and the investments made by those funds may in certain circumstances be difficult to realize and may be subject to restrictions on transfer. As some of the Investee Funds may offer only limited redemption opportunities, this may adversely impact the means available to meet the redemption of Participations. A (global) market collapse or financial crises may in particular affect the liquidity of the Fund Investments.

### *Valuation Risk*

To the extent that the investments of Investee Funds may in certain circumstances be difficult to realize and may be subject to restrictions on transfer, the sale of any investments may sometimes be possible only at substantial discounts. Further, such investments may be extremely difficult to value. It should be noted that in preparing the Net Asset Value, and the reports of the Fund, the Manager and the Administrator depend on the Investee Funds and their managers and administrators, both in respect of timing and the contents of the reports. Provisional valuations may sometimes have to be applied. The Investee Funds may engage in privately placed less-liquid investment for which no proper valuation may exist until a transaction is executed.

The Net Asset Valuation calculations done by the Administrator, for the reasons noted above, are estimates according to its best judgment (following the method described under 'Portfolio Valuation/Determination of Results') which may not necessarily correspond with the actual net asset value on the relevant date. However, the Fund does not make retroactive adjustments in the Net Asset Values previously used for subscriptions and redemptions. Therefore, such transactions are final and binding when made notwithstanding any different later determination (See also 'Errors in the calculation of the Net Asset Valuation').

### *Concentration Risk*

The Fund may have significant exposure to a limited number of Investee Funds which, in turn, may have significant exposure to a limited number of positions. As a consequence, the value of the Fund may display a high sensitivity to adverse developments in any particular Investee Fund. A high degree of concentration in a limited number of Investee Funds may also lead to a higher level of volatility.

### *Limitations to redemption*

Redemption of Participations may under certain circumstances not be possible. Investment in the Fund should therefore only be considered by persons financially able to maintain their investment for an extended period of time and who can afford a loss of all or a substantial part of their investment. A Participant generally may redeem Participations on a Redemption Day, upon at least 90 calendar days written notice to the Administrator, subject to the conditions and limitations set forth in this Prospectus.

### *Limited liquidity of Participations on the secondary market*

As more fully set out in 'Transactions through Liquidity Providers' for the convenience of investors, to create a market with orderly trading and to promote liquidity of the Participations, the Fund has designated two liquidity providers as referred to in and subject to the applicable rules of the Euronext Rule Book. The Fund has agreed to accept redemptions from the liquidity providers up to a maximum amount per Business Day, as announced by the Fund from time to time on the Website. Participants should note, however, that

there is no guarantee that they will be able to sell their Participations on a daily basis. Transactions between Participants and the liquidity providers or among themselves are the responsibility of those parties and not of the Fund. In general, Participants may not be able to sell Participations subscribed for but which have not yet been delivered to the Participants. It may take up to 12 Business Days until a deal confirmation has been sent to a subscriber. See paragraph Offer and Subscriptions on page 36.

#### *Effects of substantial redemptions*

Substantial redemptions may affect the value of a Participant's investment. Such redemptions may require the Manager to liquidate the Fund Investments rapidly, which may adversely affect the value of both the Participations being redeemed and the remaining Participations. In addition, the Fund Assets may be substantially reduced, which may make it more difficult for the Fund to generate investment profits or recoup losses and may even cause the Fund to liquidate positions prematurely.

#### *Possibility of fraud, misappropriation or other misconduct*

Misconduct by the advisors to the Investee Funds, service providers to the Fund or the Investee Funds and/or their respective affiliates could cause significant losses to the Fund. Misconduct may include binding the Investee Fund or the Fund to transactions that exceed authorized limits or present unacceptable risks, unauthorized trading activities, concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses) and fraud. Losses could also result from actions by service providers, including, without limitation, failing to recognize trades and misappropriating assets. In addition, employees of Investee Funds may trade on the basis of material non-public information or otherwise improperly use or disclose confidential information, which could result in litigation or cause financial harm, including limiting the Fund's or an Investee Fund's business prospects or future marketing activities. No assurances can be given that the Manager or the advisors to the Investee Funds, as applicable, will be able to identify or prevent such misconduct.

Custody of an Investee Fund's assets will typically rest with the Investee Fund's broker-dealer or custodian but may also, in some instances, rest with the relevant investor manager of the Investee Fund or its affiliates. Therefore, there is the risk that the party with custody of an Investee Fund's assets could abscond with, or misappropriate, those assets. In addition, information supplied by an Investee Fund's advisor or another party with custody of an Investee Fund's assets may be inaccurate or even fraudulent.

Pursuant to article 6.10 of the Conditions, neither the Manager nor any of its respective directors, employees or affiliates shall be liable towards the Participants for a loss suffered by them as a result of any act or omission of a third party. Moreover, they will not be liable towards the Participants for a loss suffered by them in connection with the performance of its respective duties and responsibilities, unless and to the extent that such loss is directly caused by the gross negligence (*grove schuld*) or willful misconduct (*opzet*) of the Manager.

#### *Various legal forms of hedge funds*

The Investee Funds may be organized in various legal forms, including but not limited to, partnerships, corporations and managed accounts. These different legal forms may have different impacts on the liabilities the Fund may incur in relation to investments in these Investee Funds. The Fund may, depending on the legal form of an Investee Fund, be required to pay up additional capital or return profits already distributed to the Fund, thereby negatively influencing the Net Asset Value.

### *Foreign Exchange Risk*

Many of the Investee Funds may be exposed to foreign exchange risk. For Class A Participations, the Fund hedges the currency risk of Fund Assets not denominated in Euro. For all other Classes, the Fund hedges the currency risk of Fund Assets not denominated in the currency of the relevant Class. There can be no assurance that such hedging transactions will be effective.

### *Debt financing*

The Manager may borrow for the account, and at the expense, of the Fund, to finance Fund Assets and Fund Obligations (which include amongst other redemptions). The sum outstanding at any time (excluding the costs in relation to the establishment of the Fund, as mentioned in the section *Establishment Costs*) shall not exceed 30% of the book value of the Fund Assets. The interest rate at which the Fund can borrow affects the operating results of the Fund. Moreover, to the extent that the Fund holds heavily leveraged investments, fluctuations in the market value of those investments may have a disproportionately severe negative impact on the Net Asset Value, as the leverage may cause losses greater than the value of the investments.

### *International Investments*

The Fund anticipates to invest in several Investee Funds which may have different geographical locations and are expected to invest in various geographical locations. As a result, the occurrence of any negative international political, economic or geographical event, such as the unexpected change in a regulatory environment, international tax issues and political and economic instability, may have a negative result on the performance of the Investee Funds and as such influence the Net Asset Value negatively.

### *Market collapse*

Although hedge funds generally aim for a market neutral investment, a global market collapse will affect the Fund. As a result of disrupted market conditions such as rapid and catastrophic price movement in markets in which the Fund or the Investee Funds invest, determination of the Net Asset Value, the possibility to redeem Participations and the liquidity providers facility could be disrupted, resulting in illiquidity of the Participations during such conditions. Furthermore, a market collapse may have a negative impact on the performance of the Investee Funds and the market value of the other investments of the Fund and therefore may negatively influence the Net Asset Value.

### *Default of counterparty or issuing institution*

Part of the general investment risk includes default of the counterparty of the Investee Funds and/or default of the issuer in whose securities the Investee Funds invest. Furthermore, the Fund has a counterparty risk on (custody) banks when securities and / or monies are placed on an (securities) account with such banks.

### *Counterparty creditworthiness*

To the extent that the Fund engages in principal transactions, including, but not limited to, swap transactions, forward foreign currency transactions, transactions in bonds or other fixed income securities and/or to the extent that the Fund makes use of the services of a counterparty for the custody of its assets, the Fund must rely on the creditworthiness of its counterparty. The Fund must also rely on counterparties in connection with settlement and clearing through banking payment systems. Insolvency of, gross negligence, willful misconduct and/or fraud by the counterparty may prevent payment in part or in full or on time, and may cause losses.

### *Custodial arrangements*

The assets of the Fund will be held via one or more custodians who may only be liable toward the Fund in case of culpable non-performance (*verwijtbare niet-nakoming*) or defective performance (*gebrekkige nakoming*) of their obligations. Failure of the custodial arrangements for example via fraud or theft, if not covered by contractual provisions protecting the Fund, may result in a loss to Participants.

### *No Management Participation by the Participants*

Participants will have no right or power to participate in the management or control of the Fund and thus must depend solely on the ability of the Manager with respect to making investments. In addition, Participants will not have an opportunity to evaluate the specific investments made by the Fund or the terms of any investment made by the Fund.

### *Participant may lose more than initial investment*

The Fund is structured as a common contractual fund (*fonds voor gemene rekening*). The Conditions provide that the terms and conditions and the arrangements made in connection thereto do not establish a partnership (*maatschap* or *vennootschap onder firma*) or limited partnership (*commanditaire vennootschap*). Also, a Participant's obligation to pay a consideration for Participations to be issued is a commitment (*verbintenis*) to the Manager and the Depositary only.

In case the Fund is deemed to be a (separate) partnership, it is not certain whether what has been specified under Article 6.4 of the Conditions, which inter alia states that Participants will not be liable to contribute any sum to the Fund Estate beyond the subscription price for the Participations, can be invoked against third parties. In case Article 6.4 of the Conditions cannot be invoked against third parties, Participants may be liable to contribute any sum to the Fund Estate beyond the subscription price for the Participations.

### *Risk of changes in legislation*

Financial and fiscal legislation and regulation are subject to change. Such changes may be unfavorable to the Fund or the Participants and may negatively influence the results of their investment. For example, a higher level of financial regulation, may lead to higher costs borne by the Fund, which will have a negative impact on the Net Asset Value.

### *Conflicts of interest*

In the ordinary course of business, the Manager and its affiliates are engaged or may be engaged in the management and the advisory of other funds or portfolios of hedge funds, where their interests or the interests of the clients may conflict with the interests of the Participants. Neither the Manager nor its affiliates are under any obligation to share any investment opportunity, idea, or strategy for the benefit of the Fund, and may compete with the Fund for appropriate investment opportunities. Furthermore, the Manager will be entitled to incentive compensation from the Fund and such compensation arrangement may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. The Fund has no specific arrangements to deal with conflicts of interest.

### *Manager not full time*

The Manager may provide investment management, management or advisory services to other funds or clients. The Manager is not obliged to devote its resources exclusively to the Fund. This might influence the

performance of the Fund negatively compared to the situation where the Manager devotes all its resources to the Fund.

*Achievement of returns*

The success of the Fund will depend on the ability of the Manager to identify appropriate Investee Funds and on the ability of the managers of those funds to identify, develop and realize profitable investments. There is no guarantee that the Fund's investments will be successful or that the target rates of return will be achieved and investment results may vary substantially over time and from period from period.

*Multiple Layers of Expense*

The Fund and the Investee Funds each have expenses and management costs that will be borne, directly or indirectly, by the Fund. As a result of this, the fee structure imposed by the Fund is higher than if a Participant directly invested in the Investee Funds.

## **IMPORTANT INFORMATION**

**The Manager accepts responsibility for the information contained in this Prospectus. The Manager declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.**

**The information included in this Prospectus reflects the position of the Fund at the date of this Prospectus and under no circumstances should the issue and distribution of this Prospectus after the date of its publication be interpreted as implying that the information included herein will continue to be correct and complete at any later date.**

**This Prospectus is governed by and construed in accordance with the laws of the Netherlands.**

**Any representation or information not contained herein must not be relied upon as having been authorized by the Manager since no person has been authorized to make any such representation or to provide any such information.**

**Prospective Participants should not construe the contents of this Prospectus as investment, legal, tax, accounting or other advice. In making an investment decision, Participants must rely on their own examination of the Fund, including the merits and risks involved, and on their own representatives, including, but not limited to, their own investment adviser, legal counsel, tax counsel and accountants.**

**This Prospectus does not constitute an offer to sell or solicitation of an offer to buy Participations in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The Manager is licensed and subject to supervision in The Netherlands. The Fund is registered for public distribution in The Netherlands only.**

**The Fund has not been registered in any other jurisdiction than in The Netherlands. This Prospectus may not be distributed, or Participations otherwise offered, directly or indirectly, in any jurisdiction where such action is unlawful. In general, and without limiting the generality of the foregoing, Participations may not be directly or indirectly offered or sold, or for the benefit of, any US persons (as such terms are defined in the rules and regulations under the U.S. Securities Act of 1933) unless such offer or sale is exempt from the applicable rules or regulations.**



## INVESTMENT STRATEGY AND POLICY

### KEY OBJECTIVES AND INVESTMENT STRATEGY

The Fund aims to provide individual and institutional investors with an investment vehicle which targets average returns of around 10% per annum. The Manager will attempt to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures, which employ diverse investment styles and strategies. No guarantee is given as to the Fund actually achieving this objective.

The Fund is suitable for investors who are prepared to accept a higher level of volatility and a longer investment horizon.

The Fund focuses on hedge funds that have an outstanding investment history and proven adaptiveness to changing market environments through various economic cycles. Many of these hedge funds have a minimum investment amount of more than EUR 10 million and therefore are not easily accessible for private investors. It is expected that a manager of an Investee Fund will have a track record of at least 10 years.

The Fund aims to achieve consistent high absolute returns on investment, irrespective of the direction of comparable publicly traded securities, i.e. to have limited correlation to general market risks. There is no restriction as to the type or concentration of investments that the Fund may acquire or retain. The Fund has a wide investment mandate, enabling the Manager to take advantage of investment opportunities that offer significant potential returns. Therefore, the investments of the Fund are not restricted to hedge funds and may include all other sorts of investments. However, the Fund will not invest directly in physical commodities.

The Fund's portfolio will contain participations in between 5 and 15 hedge funds with no single investment in a fund representing 20% or more of the book value of the Fund Assets. Diversification is sought through the underlying markets, securities, investment strategies, trading styles and regions, rather than the number of hedge funds.

The Manager may borrow for the account, and at the expense, of the Fund to finance Fund Assets, Fund Obligations and other costs. The sum borrowed at any time (not including costs in relation to the establishment of the Fund, please see section *Establishment Costs*) shall not exceed 30% of the Net Asset Value of a Class. Beyond that, Fund Investments may not be financed with any funding (including but not limited to debt funding) other than subscription proceeds received by the Administrator. The Manager does not intend to use leverage for the purpose of enhancing the Fund's returns.

If the Fund breaches abovementioned investment restrictions, it will inform the Participants through the Website.

The Fund envisages an equally-weighted portfolio across the hedge fund investment strategies 'Equity Hedge', 'Event-Driven', 'Relative Value' and 'Macro'. A description of these investment strategies is included in this Prospectus under *Description of basic strategies*. The Fund aims to achieve this objective by means of quarterly rebalancing, which means that each calendar quarter the Manager will review the Fund Investments to assess whether the portfolio is still equally-weighted as mentioned above. If such is not the case, the portfolio will be rebalanced to the extent it is practicable.

The Fund intends to invest primarily in hedge funds based in established on- and offshore financial centers, but will retain the flexibility to invest in funds established in other developing hedge fund markets if and when suitable opportunities arise. The Fund will, in principle, invest in funds established by hedge fund managers with strong and consistent track records.

The Manager has substantial experience with many hedge funds established by leading fund managers, several of which may be included in the Fund. The Fund will seek access to the most attractive hedge funds, which are often closed for new subscriptions. There can be no guarantee, however, that the Fund will actually have access to a hedge fund in which it may seek to invest.

The overall success of the Fund depends on (i) the ability of the Manager to select and gain access to successful hedge funds and to build a diversified investment portfolio of them, (ii) the selected hedge fund managers' ability to remain successful in their strategies.

## **DESCRIPTIONS OF BASIC STRATEGIES**

Absolute return investing may encompass a wide variety of the investment styles, which hedge fund managers may employ. Furthermore, the hedge fund managers may use a number of basic strategies, with different risk/return characteristics. Please note that there are no scientific or industry-uniform definitions for these strategies. The Fund will invest in Investee Funds of which the basic strategies are summarized below.

### ***Equity Hedge Strategy***

Equity hedge strategies maintain positions both long and short primarily in equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.

### ***Event-Driven Strategy***

Hedge funds maintaining positions in equity or debt of companies currently or prospectively involved in corporate transactions or situations of a wide variety, including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event driven funds are exposed to a combination of equity markets-, credit markets- and company specific developments. Investments are typically based on the fundamental research of a company and its securities, with the realization of the investment hypothesis dependent on a specific forecasted development.

### ***Relative Value Strategy***

Hedge funds who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. A relative value position may be involved in corporate transactions also, but as opposed to event driven exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

### ***Macro Strategy***

Hedge funds which trade a broad range of strategies in which the investments are aimed at movements in underlying economic variables and the impact these have on equity, fixed income, currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ relative value techniques, Macro strategies are distinct from relative value strategies in that the primary investment thesis is based on predicted future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both macro- and equity hedge managers may hold equity securities, the overriding investment thesis is founded on the impact that movements in underlying macroeconomic variables may have on securities prices, as opposed to equity hedge, in which the fundamental characteristics of the company in which shares are bought or sold are the most important and integral to investment decisions.

## **INVESTMENT PROCESS**

In its investment process, the Manager takes a predominantly bottom-up approach reflecting its belief that hedge fund managers are well equipped to capitalize on varying market conditions. In other words, the Manager does not actively manage its portfolios according to pre-formulated return expectations for the different hedge fund investment strategies. Rather, the Manager strives to select managers that have proven the ability to successfully exploit investment opportunities in varying market environments and the Manager aims to compose portfolios of hedge funds with fundamentally different risk-return profiles to maximize the benefit of diversification. This approach endeavors to provide the Participants with capital appreciation and downside protection, at all times.

## **MANAGER SELECTION AND DUE DILIGENCE**

The objective of the Manager's selection process is to identify hedge fund managers with superior investment skills that have proven to operate successfully also in adverse market environments. The selection process entails three levels of analysis, each with its own information requirements, documents and criteria. The selection process is supported by several databases, a qualitative information system and various tools (some proprietary) for quantitative fund analysis and stress-testing. The three levels of analysis consist of:

- a qualitative due diligence process;
- a quantitative analysis; and
- an operational due diligence.

In the *qualitative* due diligence process the Manager focuses on:

- independent mind, potential to generate uncorrelated returns, flexibility of investment approach;
- competitive edge in investment strategy, trading style;
- investment process;
- risk management; and
- background and experience.

The objective of performing *quantitative* analysis of a hedge fund track record is twofold: risk analysis and relative return analysis. To allow for the dynamism inherent in a fund's investment strategy, quantitative techniques cannot be applied in a strict and rigid manner, but a healthy dose of common sense and expert judgment is required.

The objective of the Manager's *operational* due diligence process is to provide a transparent overview of the infrastructure supporting the trading strategy in terms of:

- people & organization;
- processes & systems; and
- involvement of third party service providers.

Crucial elements in the operational risk assessment are reference checks, evaluation of portfolio marking-to-market and Net Asset Value calculations, administrators and prime brokers.

In addition to the above the Manager has an arrangement in place with Banque Privée Edmond de Rothschild (BPER) through which the Manager has access to the range of funds approved by BPER as well as the due diligence documentation and research of BPER that relates to these funds and the hedge fund universe in general. With BPER being one of the world's largest and longest established hedge fund investors, this adds a significant layer of skills, diligence, hedge fund relationships and implementation options to the Manager.

## **PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT**

In its portfolio construction, the Manager is driven by the notion that it can only set the level of portfolio risk, and the market will dictate returns. The Manager does not apply top-down (tactical) allocation based on relative return expectations across the various hedge fund strategies. Rather, the Manager takes a bottom-up approach where risk parameters on the portfolio level determine the allocation across individual hedge funds. Allocation limits to certain strategies, managers and market risks are applied to control concentration risk. This approach to portfolio construction complements the manager selection process, where the Manager strives to select managers that are able to produce positive returns in all market environments. The process embodies an optimization of the portfolio in which the Manager aims to minimize concentration risk by focusing on cross-correlations between managers and strategies. The Manager believes this disciplined, quantitative approach enables it to engineer risk-return profiles that match the clients' needs and preferences.

## **HEDGING STRATEGIES**

The Fund will make use of hedging strategies to hedge the currency risk in a particular Class. All Classes will be subject to the same investment objectives and strategy but will have a currency hedge strategy linked to the currency of the Class. The related hedging costs and the gains and losses attributable to the hedging transactions will be credited or charged to the Class on behalf of which such transactions are effected.

## **ANALYSIS OF PORTFOLIO**

As of 30 June 2014, the portfolio of the Fund consisted of nine Investee Funds of which 52% of the Fund's Net Asset Value are denominated in EUR and 48% of the Fund's Net Asset Value is denominated in USD.

The Investee Funds use the following strategies: equity hedge (19.6%), event-driven and relative value (44.1%), and macro (28.4%). Considering the strategies applied by the managers of the Investee Funds, the Manager cannot provide an analysis of the investments of the Investee Funds from a broad industrial, commercial sector or geographical perspective.

The currency exposure of the Fund as of 30 June 2014, is as follows:

Currency	Net position	Notional derivatives	amount	Currency exposure
United States Dollar	10,787,153	(10,764,000)		23,153

## INVESTMENT TEAM

Short biographies of the persons involved with the investment management of the Fund are provided below.

Tijo van Marle obtained a Master of Business Administration (MBA) degree from the Harvard Business School in 1966. He subsequently worked as an investment banker at Pierson, Heldring & Pierson in Amsterdam (1967-1972), J. Henry Schroder Wagg & Co in London as Director International Capital Markets (1972-1982) and in Hong Kong as Managing Director (1982-1984) and from 1984 to 2001 as Managing Director at Credit Suisse First Boston in London and Amsterdam. He has been a director of the Manager since January 2001. Mr van Marle currently is member of the supervisory board of Spotze Media Group B.V. and managing director of Nipbond B.V. Furthermore he is director of Stichting Into Africa, which is the managing partner of Into Africa Fund C.V.

Tjeerd de Vries studied at the University of Twente and obtained a bachelors- and a master's degree in mechanical engineering and business administration (1977), respectively. He subsequently became Treasurer at the Dutch Gasunie (1977-1986), Executive Director at Swiss Bank Corporation International in London and Amsterdam (1986-1989), Director at Bank Labouchère (1990-1993), Assistant Director of Corporate Finance and Capital Markets at Rabobank International (1993-1998) and Director Treasury and Director Corporate Finance at Achmea Bank and Achmea Holding (1998-2001). He has been a director of the Manager since January 2001. Furthermore, Mr De Vries is managing director of Stichting Haarlem Opera.

Ruud Smets joined Theta Capital Management as portfolio manager in 2005. Prior to this Ruud worked at the interest rate derivatives desk of NIBCcapital and at FundPartners, a company focusing on structured product solutions and hedge fund investments for institutional investors. Ruud has obtained his double master's degrees in Business Economics and Information Technology from Tilburg University in 2002 and is a Chartered Alternative Investment Analyst (CAIA).

## **FUND STRUCTURE**

### **THE FUND**

Theta Legends XL Fund is a common contractual fund (*fonds voor gemene rekening*). The Fund was established under Dutch law by notarial deed (*notariële akte*) on February 22, 2011, which deed provides the Conditions. The Conditions have been amended by notarial deed dated 8 October 2014. The Fund has been established with an indefinite term. The Fund is subject to Dutch law. The trade name of the Fund is Theta Legends XL Fund.

Under Dutch law, a common contractual fund may be considered a contract *sui generis*. The management and custody of the assets of the Fund are governed by the Conditions. The Conditions provide that the terms and conditions and the arrangements made in connection thereto do not establish a partnership (*maatschap* or *vennootschap onder firma*) or limited partnership (*commanditaire vennootschap*). Dutch case law and scholars, however, have regularly deemed common contractual funds to be partnerships (*maatschappen*). Whether a common contractual fund is deemed a partnership or not is of particular importance for the applicability of the legal – statutory – provisions concerning partnerships. One of the most important provisions concerns the pro rata shared liability of the partners in a partnership for obligations assumed in the name of the partnership. In case the Fund is deemed to be a (separate) partnership, it is not certain whether what has been specified under Article 6.4 of the Conditions can be invoked against third parties. In view of the investment policy of the Fund it is not foreseeable that, in practice, a situation will occur in which the Participants are liable for more than the subscription price.

### **HISTORY OF THE FUND**

Since the establishment of the Fund the Fund has been managed in accordance with its investment strategy. Its predecessor, the Theta Legends Fund, was launched on February 1<sup>st</sup>, 2010, and employed the same investment policy. As such the only material difference was the lacking of an exchange listing for this predecessor fund.

### **FUND MANAGEMENT**

The Fund is managed and founded by Theta Fund Management B.V., a private limited-liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law with its statutory seat in Amsterdam, The Netherlands. The Manager has been incorporated on May 9, 2001, with an indefinite term and is registered with the trade register of the Chamber of Commerce (*Kamer van Koophandel*) under registration number 27198870. The trade name of the Manager is the same as the statutory name.

The statutory seat of the Manager is in Amsterdam and its offices are located at Honthorststraat 19, (1071 DC) Amsterdam. The management board of the Manager also resides at this address. The phone number of the Manager is +31 (0)20 5722733. The articles of association of the Manager can be obtained at abovementioned address.

The management board of the Manager is appointed for an indefinite period of time and consists of:

- Mr. Tijo van Marle;
- Mr. Tjeerd de Vries; and
- Mr. Ruud Smets

For detailed biographies of Mr. van Marle, Mr. de Vries and Mr. Smets please refer to the section ‘Investment Team’.

With respect to the members of the management board of the Manager and the Manager itself, the following applies:

- they have not been convicted in relation to fraudulent offences;
- they have not been involved in or associated with any bankruptcy, receivership or liquidation, save the liquidation of the funds as discussed below (see: History of the Manager);
- they have not been subject to any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies), nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

The management board of the Manager, nor the Manager, is employed by the Fund. There are no employment contracts (nor other agreements) which provide them with a payment in case of a termination of their function.

No advisor has been appointed to advise the Manager with respect to assets of the Fund.

## **HISTORY OF THE MANAGER**

The Manager is operationally integrated with Theta Capital. Theta Capital is an independent discretionary asset manager and investment advisor concentrating exclusively on hedge funds and is licensed with the AFM under article 2:96 Wft. Theta Capital was founded in 2001 by Tjeerd de Vries and Tijo van Marle.

Theta Capital started investing for its clients as of September 1, 2001. Historically, its clients are mainly the 'classic' hedge fund investors, being high net worth private individuals, family offices and trusts. An increasing part of the assets is managed on behalf of institutional investors. Theta Capital (including the Manager) has approximately €225 million under management, predominantly from clients residing in The Netherlands, the U.K. and Switzerland.

On February 1, 2004, the Manager launched the Theta Multistar Fund. This fund invested in a diversified portfolio of hedge funds. Theta Multistar Fund was the preferred absolute return investment vehicle by many institutional investors, financial intermediaries and high net worth individuals. On July 1, 2006, Theta Capital launched the Theta Deep Value Fund, which aimed to benefit from opportunities in less liquid investments. On February 1, 2010, Theta Capital launched the Theta Legends Fund, which provides access to a portfolio of legendary alternative investment managers. Theta Multistar Fund, Theta Deep Value Fund and Theta Legends Fund went into liquidation on February 20, 2012, and have been liquidated by the Manager. The decision to liquidate these funds was driven by the business decision of the Manager to focus its activities on managing individual, customized portfolios of hedge funds for large investors for which an increasing demand was seen. At the same time the Manager foresaw that continuing pressure on the asset base of smaller funds of funds could result in a situation in which the scale would be lacking to manage these funds prudently. However, the Manager decided to continue the management of the Theta Legends XL Fund, which was founded in March 2011 as the exchange listed version of the Theta Legends Fund.

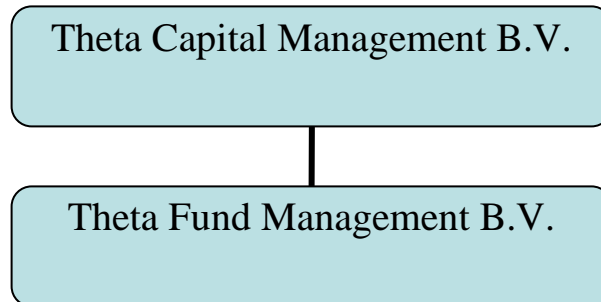
## **FINANCIAL SUPERVISION OF THE FUND AND MANAGER**

The Fund and the Manager are subject to supervision of both the AFM and the Dutch Central Bank (*De Nederlandsche Bank N.V.*). The Manager is licensed by the AFM under article 2:65 Wft as a manager of investment institutions (*beheerder van beleggingsinstellingen*).



## GROUP STRUCTURE

The Fund is not part of a group and has no subsidiaries. The Fund is managed by the Manager. Theta Capital is 100% owner of the Manager. The board of Theta Capital Management B.V. (as is the case with the Manager) consists of Mr. Van Marle, Mr. Smets and Mr. De Vries.



## DEPOSITARY

Darwin Depositary Services B.V. (the “**Depositary**”) acts as the depositary (*bewaarder*) of the Fund and sole director of the Legal Title Holder. The trade name of the Depositary is the same as the statutory name.

The Depositary was incorporated on 29 January 2014 as a private company with limited liability for an indefinite term under Dutch law. The Depositary is registered with the trade register of the Chamber of Commerce with registration number 853669739. The Depositary is not directly supervised by a regulatory authority. The Depositary in order to be able to carry out its activities, is however required to meet certain requirements under the AIFMD and the Wft, including, inter alia, the requirement to maintain at all times a minimum level of own assets (*eigen vermogen*) of EUR 112,500.

The Depositary has its statutory seat in Amsterdam, The Netherlands. Its address is Barbara Strozilaan 101, 1083 HN, Amsterdam, The Netherlands. The phone number of the Depositary is 020-462.6644.

The management board of the Depositary consists of Mr. M.C.J. Bouw and Mr. F.C. Hand.

Under the rules of the Wft and AIFMD the Depositary shall safeguard the interests of the Participants. Its most important tasks are:

- to hold in custody the financial instruments referred to under article 21(8)a AIFMD owned by the Fund (*bewaarneming*);
- to verify transfer of title of other assets (including derivatives) referred to under article 21(8)b AIFMD;
- to verify that the investment policy set out in the Prospectus is observed;
- to monitor whether the cash flows of the Fund are in compliance with the Prospectus and applicable law;
- to ensure that in transactions involving the assets of the Fund any consideration is remitted to the Fund within the usual time limits;
- to ensure that the Fund’s income is applied in accordance with applicable law and the Prospectus;
- verification if the calculation of the Net Asset Value takes place in accordance with applicable regulations and the Prospectus; and
- to verify that Participants who redeem Participations receive the correct redemption amount and that Participants who subscribe receive the correct number of Participations.

Of these tasks the Depositary may only delegate the custody of financial instruments.

The Depositary shall only be liable towards the Fund and the Participants for losses suffered by them to the extent that the losses result from:

- (i) loss of financial instruments that can be held in custody, as defined under article 21(8)a AIFMD) (unless the Depositary can demonstrate that such loss has arisen as a result of an external event beyond the Depositary's reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary (*ondanks alle inspanningen om ze te verhinderen*);
- (ii) negligent or intentional failure to properly fulfill its obligations (*niet naar behoren nakomen van zijn verplichtingen als gevolg van opzet of nalatigheid*)

If liable, the Depositary shall compensate the Fund for damages suffered. If this does not happen, Participants may claim their damages from the Depositary themselves. Any such claim needs to be submitted in writing to the Manager, who thereupon (for the account and risk of the Fund) will take the necessary actions towards the Depositary. If the Manager is of the opinion that the Depositary is not liable, he will inform the Participants thereof in writing. Participants who disagree with this opinion, are entitled (for their own risk and account) to claim directly from the Depositary. If the Manager, for whatever reason, does not take the required actions against the Depositary, or does not do so adequately or vigorously enough, the Participants will be entitled to take those actions themselves.

The Depositary may, if the conditions mentioned under article 21(13) AIFMD are met, transfer its liability for loss of financial instruments to a custodian, provided (i) this is laid down in a written agreement with the Manager; and (ii) the custodian concerned accepts liability towards the Participants for loss of financial instruments deposited.

The Fund, the Manager and the Participants will only have recourse to the equity of the Depositary and not to assets it holds in custody for parties other than the Fund.

## LEGAL TITLE HOLDER

Stichting Bewaarbedrijf Legends XL Fund (the “**Legal Title Holder**”) will be acting as legal title holder (*juridisch eigenaar*) of the Fund Assets and Fund Obligations (the “**Fund Estate**”). The Legal Title Holder is not supervised by a regulatory authority. The Legal Title Holder's statutory purpose is to act solely as legal title holder of the Fund Estate.

The Legal Title Holder was incorporated on 25 July 2014 as a ‘stichting’ for an indefinite term under Dutch law. The Legal Title Holder is registered with the trade register of the Chamber of Commerce with registration number 61161667 and has its statutory seat in Amsterdam, The Netherlands. Its address is Barbara Strozzi laan 101, 1083 HN, Amsterdam, The Netherlands. The phone number of the Legal Title Holder is 020-462.6644. The trade name of the Legal Title Holder is the same as the statutory name.

### Liability

Notwithstanding the liability of the Depositary for certain losses, the Legal Title Holder shall only be liable towards the Fund and the Participants for direct losses suffered to the extent that the losses result from culpable non-performance or defective performance of its obligations, also in case the Legal Title Holder delegated the custody of Fund Assets in whole or part to a third party.

## **OUTSOURCING**

The Manager delegates certain operational aspects of the management of the Fund to Theta Capital. These operational aspects concern the selection of investments, portfolio constructions and risk management. Theta Capital is licensed by the AFM under article 2:96 Wft.

Furthermore, the general administration of the Fund is delegated by the Manager to TMF Fund Administrators B.V. as third party administrator. Services of the Administrator include processing the subscription and redemption of Participations, maintaining all appropriate investor registers and ledgers, preparing and maintaining financial and accounting books and records and maintaining the Fund's principal administrative records. The calculation of the Net Asset Value is also outsourced to the Administrator.

## **LEGAL INFORMATION**

### **CONDITIONS**

### **OBJECT OF THE FUND**

The object of Fund is to invest in accordance with the investment objectives (“**Investment Objectives**”) for the joint risk and account of the Participants (article 3.1 of the Conditions).

The Conditions contain provisions, inter alia, to the following effect:

### **PARTICIPATIONS**

On the date of this Prospectus 231.682 Participations are outstanding. This Prospectus relates to the offer of 1,000,000 Participations, all of which currently are Class A Participations. Pursuant to the Conditions, the Manager is authorized to issue additional Class A Participations or Participations of other Classes. All Participations will be subject to Dutch law. Participants do not have a pre-emptive right on newly issued Participations. No Participant approval is required for the issue of additional Participations.

The Class A Participations were initially issued against an issue price of EUR 100 on March 1, 2011, and at the Net Asset Value thereafter. The Participations do not have a nominal value.

### **MEETINGS OF PARTICIPANTS AND VOTING RIGHTS**

The Manager may, as often as it deems necessary in the interest of the Participants, convene a meeting of all Participants or of the Participants in one or more Classes. The Conditions do not provide for an annual general meeting of Participants. The meetings will be held in Amsterdam or another place to be determined by the Manager. The Conditions provide that the Participants are in any event entitled to vote to approve the appointment of a new custodian and to appoint a new manager.

Notice for a meeting will be published on the Website in accordance with Article 16 of the Conditions at least fourteen (14) days prior to the meeting and will state the date, time, place, agenda for the meeting and the procedure to attend the meeting of Participants. Participants will be admitted to a meeting of Participants on production of a certificate issued by the Manager. The Manager will issue this certificate after the Principal Paying Agent has received a written statement from an intermediary (*intermediair*) as defined in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*), including the number of Participations for which a Participant is listed as holder of record at the close of business on a record date to be determined by the Manager. Participants will need to instruct the intermediary to provide the relevant information to the Principal Paying Agent in order to receive the admission certificate for the meeting of Participants.

The Manager shall appoint a chairman and a secretary for each meeting of Participants. The chairman shall be responsible for determining the procedure to be adopted for the conduct of any meeting of Participants. The secretary shall be responsible for the preparation of minutes of the meeting of Participants.

Each Participation of a certain Class will have one vote in the meeting of Participants of that Class. Each Participation denominated in Euro gives, without any exception, an entitlement to one vote in a meeting of Participants of the Fund. Participations denominated in another currency than the euro will have a voting power in a meeting of Participants depending on the relevant exchange rate against the euro on the most recent Business Day prior to the day on which the votes are cast. For example, if a Participation is

denominated in US Dollars and the exchange rate is 1 Dollar to 0.75 Euro, the holder of a Participation denominated in Dollars will have 0.75 votes per Participation in the meeting of Participants.

Every Participant will be authorized to attend the meeting of Participants, either in person or by means of a written proxy, to speak at the meeting and to exercise the voting right if the holder has informed the Manager in writing of his intention to attend the meeting, in accordance with the Conditions.

Unless otherwise required by the Conditions all resolutions of a meeting of Participants will be adopted by an absolute majority of the valid votes cast (hereafter: “**Ordinary Resolution**”).

Participants will have the right to vote on Participations that are subject to a right of usufruct (*vruchtgebruik*) or beneficial interest or a right of pledge unless the usufructuary, beneficial owner or the pledgee of any Participation have been granted the right to vote on Participations upon the establishment of the relevant usufruct, beneficial interest or pledge.

## MANAGER

Subject to article 6.1 of the Conditions, the Manager is charged with the management and administration of the Fund, to dispose of or exchange any of the Fund Investments, to assume Fund Obligations and to perform any and all other acts in its own name on behalf and for the account of the Fund, which are in the opinion of the Manager reasonably necessary for, or conducive to, the attainment for the Investment Objectives. In managing the Fund, the Manager shall act solely in the interest of the Participants.

The Manager may delegate all or any part of its powers and duties to one or more suitable parties, or may seek advice from such parties. In accordance with the Conditions, the Manager has delegated certain operational aspects of the management of the Fund to Theta Capital. Also, the administration of the Fund, including the calculation of the Net Asset Value has been delegated to the Administrator.

The Manager cannot resign or withdraw from the Fund unless replaced by a successor sanctioned by an Ordinary Resolution of the meeting of Participants, to be held within four weeks after the Manager has announced its intention to resign.

The Manager may be removed from office and a new fund manager may be appointed, by a resolution representing at least 75% of the Participants (“**Special Resolution**”), in the event of fraud, gross negligence (*grove schuld*), willful misconduct (*opzet*) or a material breach (not remedied within 120 days) of a Participant giving notice to the Manager requiring to do so) by the Manager in carrying out its obligations under the Conditions.

## CHANGES IN PARTICIPANTS’ RIGHTS

Any term in this Prospectus and the Conditions, including an amendment of the Investment Objectives, may be amended by the joint proposal of the Manager and the Custodian without any further consent of the Participants. In case of a change of the Conditions leading to an amendment of the Prospectus, a new prospectus or a supplement to the Prospectus will be submitted to the AFM for its approval.

The Fund will inform the Participants of the text of an amendment of the Conditions at least (30) calendar days before the day on which the amendment shall come into effect. Such notice will be published on the Website.

Furthermore, any change in the conditions which causes a reduction in the Participant’s rights or security or imposes costs upon Participants or involves a change in the Investment Objectives, does not become

effective until one (1) month after the date of (approval of) the change and during this period Participants shall be entitled to redeem their Participations under the then existing conditions. In particular, the provisions on Redemption, as referred to under the “*Section Redemptions*” shall apply to any such Redemption.

## **TERMINATION AND WINDING-UP**

Although the Fund has an indefinite duration, it shall be terminated on the bankruptcy, dissolution or liquidation of the Manager unless the appointment of a replacement of the Manager is approved by an Ordinary Resolution.

The Fund may also be terminated at any time with the sanction of a Special Resolution, upon the Manager committing fraud, gross negligence (*grove schuld*), willful misconduct (*opzet*) or material breach of the Conditions which is not remedied within a reasonable period of time. Furthermore, it may be terminated with the consent of the Manager and the sanction of a Special Resolution, or on not less than a three month's notice by the Manager to the Participants.

The Manager may also (with the consent of an Ordinary Resolution) by notice in writing to the Participants, terminate the Fund at any time if in its reasonable opinion it would be impracticable, unlawful or inadvisable to continue.

Upon termination or dissolution of the Fund, no further business shall be conducted for the Fund, except for such actions as shall be necessary for the winding up of the affairs of the Fund and the distribution of the Fund Assets which shall be effected by the Manager.

During the liquidation period the Conditions shall, to the extent possible, remain in full force and effect. The balance left after the liquidation shall be distributed, in accordance with the provisions specified in Article 19.1 of the Conditions, through Euroclear Nederland and/or the Principal Paying Agent. Notice that distributions are to be made payable to the Participants and the composition of the distributions or collections shall be given in accordance with the provisions as specified in the Conditions. The Manager shall duly render accounts to the Participants before making any distributions unless the liquidation is effected in view of a restructuring or merger of the Fund through which the Participants will receive participations in another fund as a liquidation payment in kind.

The Manager shall prepare liquidation accounts, which shall be accompanied by a certificate of an auditor. Approval of those liquidation accounts by a meeting of Participants shall constitute, upon approval by Ordinary Resolution, a discharge of the Depository and the Manager.

## **DISTRIBUTION POLICY**

The Manager does not intend to distribute any income of the Fund to its Participants. The Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund. The Manager currently intends to reinvest within the Fund all investment gains, paid out dividends or other distributions by Investee Funds to the Fund, unless mandatory pursuant to applicable tax rules. However, the Manager has the option to make distributions, which shall in such event be made to the Participants, pro rata to their participation in the Fund.

Distributions of income of the Fund, if any, and other payments are payable as of or on a date determined by the Manager. The declaration of such payments by the Fund will be announced by in a Dutch national

daily newspaper and on the Website. A Participant's claim to distributions of income and other payments lapses in favor of the Fund twenty years after the second day on which the claim became payable.

For the financial year 2011, 2012 and 2013 of the Fund, the Manager has decided to make no distribution.

## **OBLIGATIONS OF PARTICIPANTS TO MAKE A PUBLIC OFFER**

Participants are not obliged to make a public offer for all Participations, in case they acquired a certain percentage of the outstanding Participations. Furthermore, Participants do not have to disclose substantial holdings in the Fund. Under Dutch law, no squeeze-out proceedings are applicable to a common contractual fund.

## **MARKET ABUSE REGIME**

The market abuse regime set out in the Wft, which implements the European Union Market Abuse Directive (2003/6/EC), is applicable to the Fund, the members of the management board, other key employees, insiders and persons performing or conducting transactions in the Participations. Certain important market abuse rules set out in the Wft that are relevant for investors are described hereunder.

The Fund must make public price-sensitive information once a request for admission to listing on Euronext Amsterdam has been made. Price-sensitive information is information that is concrete and that directly concerns the Fund, which information has not been publicly disclosed and whose public disclosure might significantly affect the price of the Participations or derivative securities. The Fund must also provide the AFM with this information at the time of publishing. Further, the Fund must immediately publish the information on the Website and keep it available on its Website for at least one year.

It is prohibited for any person to make use of inside information within or from the Netherlands by conducting or effecting a transaction in the Participations. Inside information is information that is concrete and that directly or indirectly concerns the Fund or the trade in Participations, or other securities which pertain to the Fund, which information has not been publicly disclosed and whose public disclosure might have a significant influence on the price of the Participations, or other derivative securities.

Once a request for admission to listing on Euronext Amsterdam has been made, insiders of the Fund within the meaning of Articles 5:60 Wft are obliged to notify the AFM when they carry out or cause to be carried out, for their own account, a transaction in the Participations or in other securities of which the value is at least in part determined by the value of the Participations. Insiders of the Fund within the meaning of Article 5:60 Wft are: (1) members of the management board, (2) persons who have a managerial position with the Fund and in that capacity are authorized to make decisions which have consequences for the future development and prospects of the Fund and can have access to inside information on a regular basis, (3) spouses, registered partners or life partners of the persons mentioned under (1) and (2), or other persons who live together with these persons as if they were married or as if they had registered their partnership, (4) children of the persons mentioned under (1) and (2) who fall under their authority or children who are placed under the guardianship (*curatele*) of these persons, (5) other relations by blood or marriage of the persons mentioned under (1) and (2) who, on the date of the transaction, have shared a household with these persons for at least one year, and (6) legal entities, trusts within the meaning of Article 1(c) of the Act on the Supervision of Trust Offices, or partnerships: (a) the managerial responsibility for which lies with a person as referred to under (1) to (5), (b) which are controlled by such a person, (c) which have been incorporated or set up for the benefit of such a person, or (d) whose economic interests are in essence the same as those of such a person.

This notification must be made no later than the fifth week day after the transaction date on a standard form drawn up by the AFM. The notification obligation within the meaning of Article 5:60 Wft does not apply to transactions based on a discretionary management agreement as described in Article 8 of the Dutch Market Abuse Decree (*Besluit marktmisbruik*). The notification pursuant to Article 5:60 Wft may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out of the persons associated with that person, reach or exceed the amount of €5,000 in the calendar year in question. Non-compliance with the reporting obligations under the Wft could lead to criminal fines, administrative fines, imprisonment or other sanctions.

Pursuant to the rules against insider trading, the Fund has adopted rules governing the holding of and carrying out transactions in the Participations by members of the management board and the employees of the Manager. Further, the Fund has drawn up a list of those persons working for the Fund who could have access to inside information on a regular or incidental basis and has informed the persons concerned of the rules against insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

## **CORPORATE GOVERNANCE**

The Corporate Governance Code (*Code Tabaksblat*) is not applicable to the Fund.

## **RELATED PARTY TRANSACTIONS**

There will be no related party transactions, except for possible trades with other fund-of-funds managed by the Manager. Such transactions are not concluded at a regulated market or another market in financial instruments, but will always be at the net asset value of the underlying fund and therefore on market-based terms and conditions. All such transactions will be based in all cases on an independent valuation, but a valuation by one or more of the parties involved in the transaction is also possible.

As per 30 June 2014, one of the managing directors of the Fund Manager holds 2,950 (end of 2013: 2,950) Participations and another managing director holds 11,406 (end of 2013: 11,406) Participations.

## **CONFLICTS OF INTEREST**

Certain conflicts of interest may exist between the Manager and the Fund and between the Fund and a Participant. The Fund has no specific arrangements to deal with conflicts of interest, but will attempt to serve the Participants' interests to the best possible extent should a conflict of interest arise.

### *Incentive Fee Compensation*

The Manager will be entitled to incentive compensation from the Fund. Managers of the Investee Funds are likely to also receive incentive compensation from those funds. As a result, the fee structure imposed by the Fund is higher than if a Participant directly invested in the Investee Fund. Moreover, incentive fees may create an inducement for the Manager or the fund managers of the Investee Funds to make investments that are riskier or more speculative than would be the case if such fees were not in effect. The Fund may invest in funds or companies affiliated to the Manager.



### *Other Investment Funds and Proprietary Trading*

The Manager or its affiliates may become the fund manager or investment adviser of other private investment funds or pooled investment vehicles of other clients which may have similar objectives as the Fund. Neither the Manager nor its affiliates are under any obligation to share any investment opportunity, idea, or strategy for the benefit of the Fund, and may compete with the Fund for appropriate investment opportunities.

In the ordinary course of business, the Manager and its affiliates are engaged or may be engaged in the management and the advisory of other funds or portfolios of hedge funds, where their interests or the interests of their clients may conflict with the interests of the Participants. Conflicts of interest may also arise if the Manager and / or its affiliates become subject to any merger or acquisition. The Manager and its affiliates will, on a best efforts basis, attempt to serve the Participants' interests to the best possible extent should a conflict of interest arise.

### *Diverse Participants*

Participants in the Fund are expected to include persons or entities organized in various jurisdictions and subject to various tax regimes. As a result, conflicts of interest may arise in connection with decisions made by the Manager that may be more beneficial for one type of Participants than for another type of Participants. In selecting investments appropriate for the Fund, the Manager will consider the investment objectives of the Fund as a whole, not the investment objectives of any Participants individually.

## **LEGAL PROCEEDINGS**

There are not and there have not been any governmental, legal or arbitration proceedings, nor is the Fund aware of such proceedings threatening or pending, which may have or have had in the 12 months before the date of this Prospectus significant effect on the financial position or profitability of the Fund.

## **FEES**

### **FUND FEE STRUCTURE**

The fee structure relating to the Fund is as follows:

#### **MANAGEMENT FEE**

The Manager shall be entitled to an annual Management Fee of 1.25% of the aggregate Net Asset Value of a Class. The Management Fee shall accrue on each Business Day by reference to the Net Asset Value on that day and be paid quarterly in arrears on the last Business Day in each of March, June, September and December.

#### **INCENTIVE FEE**

The Manager shall be entitled to an annual Incentive Fee calculated per Class equal to 5% of the amount by which the Total Return (as defined hereunder) exceeds the Benchmark Return (as defined hereunder).

For the purpose of calculating the Incentive Fee, 'Total Return' means the increase of the Net Asset Value of a Class as at the end of the financial year over its level at the beginning of the year (after deduction of all expenses and liabilities allocated to a Class before deduction of the Incentive Fee). Further, 'Benchmark Return' means the increase in a financial year of the Net Asset Value of a Class calculated on the basis of a rate of 3-month Euribor + 2% per annum.

In calculating the Incentive Fee in an absolute amount:

- 1) an equitable adjustment shall be made for Participations subscribed and redeemed during the financial year; and
- 2) any distributions paid to Participants during the financial year shall be added back.

The Incentive Fee shall be payable to the Manager as to 90% of the estimated amount thereof one month after the end of the relevant financial year. The balance shall be payable within 14 days following completion of the audit of the accounts for the relevant financial year. On redemption of Participations during the year an amount equal to the Incentive Fee accrued to the date of redemption in respect of such Participations shall be due to the Manager.

No Incentive Fee is charged when the Net Asset Value, including distributions, at the end of a financial year is below the Net Asset Value at year-end of the previous financial year. All fees are excluding VAT, if and when due.

The Incentive Fee, monthly determined on a pro rata basis and calculated and charged to the Net Asset Value, is paid to the Manager once a year after the end of the financial year of the Fund, or at redemption, if applicable.

## **COSTS AND EXPENSES**

### **ADMINISTRATION, DEPOSITARY AND LEGAL TITLE HOLDER FEES**

The current annual fee charged by the Administrator for the Fund's general administration is based on the Net Asset Value of the Fund (0.12% up to €100 million, 0.1% on next 100 million, and 0.08% on Net Asset Value above €200 million) with a minimum fee of €40,000 per year.

The fee charged by the Depositary for the services of Depositary and the Legal Title Holder are :  
A one time on-boarding fee of EUR 2,500 and an annual fee of EUR 16,500.

All fees are excluding VAT, if and when due and payable by the Fund. During the life of the Fund, the Manager may negotiate changes in these fees without the consent of the Participants being required.

### **OVERHEAD COSTS**

The Manager shall provide, at its own expense, office facilities and staff to facilitate the carrying on of the activities of the Fund.

### **EXPENSES AND OPERATING COSTS**

Operating expenses shall be borne by the Fund, including (but not limited to), costs relating to the acquisition and disposal of investments, the fees and expenses of such attorneys, agents, lawyers, accountants or other advisers as the Manager may deem necessary or advisable in relation to the affairs of the Fund, costs relating to the administration of the Fund, compliance costs, advertising and printing expenses, tax compliance costs, the listing fees of Euronext Amsterdam, the costs of general meetings of shareholders, auditors' fees, any taxes due by the Fund, interest, bank charges and litigation related expenses.

### **ESTABLISHMENT COSTS**

Fees and expenses payable in connection with the formation of the Fund ("**Establishment Costs**") including, but not limited to: fees and expenses of attorneys, tax advisers, auditors, consultants and other professional advisers, advertising, printing expenses, shall be borne by the Fund. The Establishment Costs are €148,833. The Establishment Costs will be amortized over 5 years from the start of the Fund.

### **AUDIT AND OTHER PROFESSIONAL FEES**

The audit fees of the Fund are estimated to be approximately €15,000 (excluding VAT). Other professional fees are estimated to be approximately €14,000 to €24,000 per year (excluding VAT).

### **SUPERVISORY COSTS**

Levies of supervisors and costs related to supervision of the Fund are borne by the Fund. The actual supervisory costs due by the Fund vary each year and will be included in the annual accounts.

## **SUBSCRIPTION, REDEMPTION AND OFFER**

### **GENERAL**

The Fund is a common contractual fund. Redemption of Participations is only possible under certain restrictive conditions as stated in this Prospectus.

Subscription for Participations is subject to the limitations and conditions as stated in this Prospectus. Participations may be purchased or redeemed through transactions directly with the Fund, or bought and sold through over-the-counter transactions and the facilities of Euronext Amsterdam. The Participations are listed in the K4 segment allowing continuous trading enabling the sale and purchase of Participations during trading hours of Euronext Amsterdam being 9:00 am to 5:30 pm each trading day.

### **TRANSACTIONS DIRECTLY WITH THE FUND**

When purchasing or redeeming Participations directly through the Fund, requests for subscriptions and redemptions should be addressed to the Administrator. The Administrator acts as disbursing and receiving facility for the Fund in connection with subscriptions for and redemptions of Participations. TMF Fund Administrators B.V. (Westblaak 89, 3012 KG Rotterdam, The Netherlands, telephone: +31 (0)10 2711370) acts as administrator.

### **OFFER AND SUBSCRIPTIONS**

The Manager resolved on February 21, 2011, to issue a maximum of 1,000,000 Class A Participations on a continuous basis during the validity of this Prospectus (12 months after approval by the AFM). The Manager has the right to issue additional Class A Participations or Participations of another Class, in which case a new prospectus will be submitted to the AFM for approval.

Subscriptions for Class A Participations through the Fund can be made each Business Day and are accepted at the Net Asset Value of the respective Class on the first Business Day after the Business Day the subscription was received plus a subscription charge, which may vary to the discretion of the Manager, but which will not exceed 3% of the Net Asset Value of the relevant Class. On the date of this Prospectus the subscription charge is 0%. Prospective Participants will be informed about the actual subscription charge on the Website. The subscription charge is payable to the Fund and/or the Manager. Multiple subscriptions by a Participant are allowed and will be processed as normal subscriptions. The Class A Participations will be issued at the Net Asset Value at the first available Net Asset Value date following the date the subscription was received by the Manager.

Unless otherwise determined by the Manager, the minimum value of Participations which may be the subject of one subscription will be €10,000 (or the equivalent thereof in the relevant other currency of the Class).

To subscribe for Participations, a prospective Participant must:

- complete and execute an application form, which can be downloaded from [www.thetacapital.com](http://www.thetacapital.com);
- send this form to the Administrator before the Business Day on which the Participant wants to enter the Fund; and
- transfer the total subscription amount to a bank account (as specified on the application form), specifying the desired Class, if any, before the Business Day on which the Participant wants to enter the Fund, unless it is otherwise agreed by the Manager. The Participations will not be issued to the prospective Participant before the subscription amount has been transferred.

The Manager endeavors to provide deal confirmations via e-mail to prospective Participants within 12 Business Days receipt of the subscription form. A (prospective) Participant may withdraw a subscription partially or in whole prior to the Business Day on which the Participant is set to enter the Fund. Dealing in the Participations will not be possible before the Participations have been credited to securities account of the Participant. Although subscription to the Participations is open for everyone interested in investing in the Fund, the Manager reserves the right to accept or reject any application in its sole discretion. Prerequisite for acceptance of applications is that the potential investor provides the information as requested by the Manager, inter alia, relating to his antecedents, so as to comply with Dutch anti money laundering and anti-terrorism regulations. Compliance with such regulations, may lead to the rejection of an application.

The Fund may temporarily suspend the issuance of Participations at any time at the discretion of the Manager, even after the Participations have been listed on Euronext Amsterdam. As soon as the Fund has decided to suspend the issue of Participations, the Administrator will inform those prospective Participants who have submitted an Application Form, but to whom Participations have not yet been issued, about the temporary suspension of subscriptions. Any amounts paid for the subscription price will be reimbursed to the prospective Participant without interest.

## **REDEMPTIONS**

Participations may be redeemed as of the last Business Day of each calendar month (pursuant to written notice, which must be received by the Administrator by 18:15 hours (Amsterdam time) at least 90 calendar days prior to the Redemption Day) and after delivery of the Participations to an account of the principal paying agent (“**Principal Paying Agent**”) as further determined by the Manager. Once a redemption request has been accepted by the Fund, any costs incurred as a result of withdrawal of the redemption request will be charged to the Participant.

The Fund is not obliged to redeem more than 10% of the total outstanding Participations in a Class in issue on any Redemption Day. Issuance and redemption of Participations may be suspended by the Fund in the event of, inter alia, market disruption or breakdown of means of valuing the Fund.

Unless otherwise determined by the Manager, the minimum value of Participations which may be the subject of one redemption request will be €10,000 (or the equivalent thereof in the relevant other currency of the Class).

Redemptions are paid at the Net Asset Value of the respective Class as of the close of business of such Redemption Day, less the redemption charge payable to the Fund.

The Manager endeavors to provide deal confirmations to Participations within 3 Business Days after the relevant Redemption Day of redemption and to distribute redemption proceeds to Participant ordinarily within 3 Business Days, but in any event not later than 30 Business Days after the Redemption Day.

There is a redemption charge with a maximum of 3.0% of the Net Asset Value of the relevant Class at the Redemption Day on which a redemption is effected, which is payable to the Fund. On the date of this Prospectus the redemption charge is 0%.

## TRANSACTIONS THROUGH LIQUIDITY PROVIDERS

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the Participations, the Fund has designated SNS Securities and IMC, to act as liquidity providers in the Participations as referred to and subject to the applicable rules of the Euronext Rule Book. The Fund has with both SNS Securities and IMC liquidity agreements (*liquiditeitsovereenkomsten*) in the meaning of the Regulation of the Minister of Finance dated May 4, 2011, no: FM/2011/8728M. The Fund has agreed, subject to certain limitations as described below, to (i) accept redemptions of Participations by the liquidity providers on each Business Day at the Net Asset Value of that Business Day. The net price to be paid by the Fund to the liquidity providers will not be higher than the next Net Asset Value of the relevant Class following receipt of a redemption notice minus a redemption charge with a maximum of 3% of the Net Asset Value of the relevant Class, and (ii) issue Participations daily at the next Net Asset Value of the relevant Class following receipt of a subscription notice free of subscription charges. It is contemplated that the availability to investors of the liquidity provider facility would be suspended if the subscription and redemption or repurchase of Participations are suspended.

The Fund has agreed to accept subscriptions and redemptions from the liquidity providers up to a maximum amount. Currently this limit is set at 5% per week of the Net Asset Value at the last Business Day of the preceding calendar week and 10% of the Net Asset Value at the last Business Day of the preceding calendar month. The actual applicable maximum amount is stated on the Website. When this limit has been reached, the liquidity providers will continue to provide a market in Participations on a best effort basis with regard to the quote size and the spread between the bid and offer price. Participants should note that although the Fund has agreed to accept redemptions from the liquidity providers on each Business Day there is no guarantee that Participants will be able to sell their Participations on a daily basis and Participants should also note that the price in the secondary market may vary from the then applicable Net Asset Value per Class. Transactions between Participants and the liquidity providers are the responsibility of those parties and not of the Fund. The Fund may from time to time undertake further repurchases of Participations, through the liquidity providers or otherwise, at discounts to prevailing Net Asset Value in order to attempt to limit the prevailing discount. The benefit of the discount of such repurchases shall be retained by the Fund for the benefit of Participants of the Fund. As stated under 'Redemptions' above, Participants may redeem their Participations directly to the Fund on a monthly basis with 90 calendar day notice.

## SUSPENSION OF DEALINGS

### Situations in which dealings may be suspended

The Manager may declare a suspension of valuations and the issue and redemption of Participations for the whole or any part of a period during which:

- 1) by reason of the closure of or the suspension of trading on any stock exchange or over-the counter market or any other reason, circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable for the Fund to dispose of investments or fairly to determine the Net Asset Value; or
- 2) a breakdown occurs in any of the means normally employed by the Manager in ascertaining the value of investments or any other reason or circumstances exists which in the opinion of the Manager means the value of the investments or other assets of the Fund cannot reasonably be ascertained; or
- 3) it is not possible to receive remittances in respect of the investments or to make payments pursuant to a redemption at all or without undue delay.

The suspension will be announced by way of a press release, which will also be posted on the Website.

#### Duration of suspension of dealings

Any such suspension shall take effect at such time as the Manager shall declare, but not later than the close of business on the Business Day following the declaration. Thereafter there shall be no determination of the Net Asset Value, until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the first Business Day on which:

- the condition giving rise to the suspension shall have ceased to exist; and
- no other condition shall exist under which suspension is authorized under this Prospectus.

Each such declaration by the Manager shall be consistent with such rules and regulations (if any), relating to the subject matter thereof, as shall have been promulgated by any authority having jurisdiction over the Fund as shall be in effect at the time. To the extent not inconsistent with such rules and regulations, the decision of the Fund shall be conclusive.

#### **USE OF PROCEEDS**

The proceeds of the Offer will be used for investments as described under 'Key Objectives and Investment Strategy.' The total proceeds of this Offer are estimated to be EUR 100,000,000. The total costs of the offering are estimated to be EUR 125,000 and will be paid by the Fund.

#### **WORKING CAPITAL STATEMENT**

The Fund has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this Prospectus.

#### **DILUTION**

Participations will be issued against the prevailing Net Asset Value. There will be no dilution for the existing Participants.

## REPORTING AND INFORMATION

### HISTORICAL FINANCIAL INFORMATION

The relevant historical financial information of the Fund is available in the audited annual reports dated 31 December 2013, 31 December 2012 and 31 December 2011.

The historical financial information set forth below is selected from the Fund's 2013, 2012 and 2011 audited annual reports, attached to this Prospectus as Annex I, Annex II and Annex III respectively. This information is also available free of charge at the Fund's office and on the Website.

The 2014 unaudited semi-annual report (which includes the 2013 unaudited semi-annual figures) is attached to this Prospectus as Annex IV. Since the date of the 2014 unaudited semi-annual report, containing the latest financial information on the Fund's portfolio no significant changes – including with respect to the Fund's financial and trading position - have occurred.

	<b>2014 semi (unaudited)</b>	<b>2013 semi (unaudited)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Equity	14,974,490	25,077,943	19,858,120	28,505,653	13,563,389
Number of participations	161,211	269,080	200,505	320,248	164,387
Participation per share	101.12	93.20	98.91	88.53	83.26
Ongoing charges ratio (including incentive fee) <sup>1</sup>	2.25%	2.72%	2.68%	2.04%	2.40%
Turnover ratio	23.0%	12.53%	22.11%	8.44%	11.40%
Weighted average number of participations	149,148	289,114	271,483	372,197	165,393
<b>Net profit/(loss)</b>					
Investment income	5	-	192	1,943	2,611
Indirect investment result	470,495	1,635,588	3,229,118	1,756,191	(2,421,993)
Expenses	(230,146)	(341,834)	(660,267)	(618,060)	(481,814)
<b>Net profit/ (loss)</b>	<b>240,354</b>	<b>1,293,754</b>	<b>2,569,043</b>	<b>1,140,074</b>	<b>(2,901,196)</b>
<b>Net profit/(loss) per participation</b>					
Investment income	0.00	-	0.00	0.01	0.02
Indirect investment result	2.92	6.08	16.10	5.48	(14.73)
Expenses	(1.43)	(1.27)	(3.29)	(1.93)	(2.93)
<b>Net profit/(loss) per participation</b>	<b>2.21</b>	<b>4.19</b>	<b>10.38</b>	<b>5.27</b>	<b>(16.74)</b>



## PERFORMANCE SUMMARY

The following table shows the (unaudited) net returns of the Fund ending 31 August 2014.

MTD August 2014	+1.65%
2014, until and including August 31 <sup>st</sup>	+2.98%

The following table shows the net returns of Theta Legends XL Fund for the period starting from the establishment of the Fund and ending 31 August 2014. The below net returns for 2014 are not audited.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2014	1.22%	2.39%	-0.41%	-2.03%	1.28%	1.37%	-0.90%	1.65%					<b>2.98%</b>
2013	2.47%	0.01%	2.41%	1.57%	0.91%	-1.84%	2.33%	-2.14%	0.72%	1.75%	1.51%	1.56%	<b>11.72%</b>
2012	3.03%	2.05%	0.48%	0.27%	-2.98%	-0.34%	0.75%	0.98%	1.74%	-1.36%	1.22%	0.98%	<b>6.33%</b>
2011			-2.02%	2.82%	-5.00%	-3.04%	0.52%	-2.52%	-6.81%	0.66%	1.02%	-2.08%	<b>-16.74%</b>

### Participation Net Asset Value Summary

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	98.58	100.94	100.53	98.49	99.75	101.12	100.21	101.86				
2013	90.72	90.73	92.92	94.38	95.24	93.49	95.67	93.62	94.29	95.94	97.39	98.91
2012	85.78	87.54	87.96	87.72	85.11	84.82	85.46	86.30	87.80	86.61	87.67	88.53
2011		100.00	97.98	100.74	95.70	92.79	93.27	90.92	84.73	84.17	85.03	83.26

## CAPITALIZATION AND INDEBTEDNESS

This table sets forth the expected capitalization and indebtedness of the Fund as of 30 June 2014. The 2014 semi-annual figures are unaudited. There have been no material changes since 30 June 2014.

	As of (in EUR):	June 30, 2014 (unaudited)
<b>Total Current Debt:</b>		<b>989,781</b>
Guaranteed		-
Secured		876,800
Unguaranteed/ Unsecured		112,981
<b>Total Non-Current Debt:</b>		<b>-</b>
Guaranteed		-
Secured		-
Unguaranteed/ Unsecured		-
<b>Shareholder Equity:</b>		
Share Capital		15,204,463
Legal Reserve		-
Other Reserves		1,048,275
<b>Total</b>		<b>16,252,739</b>
A Cash		1,058,933
B Cash equivalent		-
C Trading securities		-
<b>D Liquidity</b>		<b>1,058,933</b>
<b>E Current Financial Receivable</b>		<b>1,010</b>
F Current bank debt		876,800
G Current portion of non-current debt		-
H Other current financial debt		-
<b>I Current Financial Debt</b>		<b>876,800</b>
<b>J Net Current Financial Indebtedness</b>		<b>183,143</b>
K Non current Bank loans		-
L Bonds Issued		-
M Other non current loans		-
<b>N Non current Financial Indebtedness</b>		<b>-</b>
<b>O Net Financial Indebtedness</b>		<b>183,143</b>

## CAPITAL RESOURCES

The Fund is financed with the subscription proceeds of the Participations and with cash from its existing debt facilities. The Fund maintains a line of credit with ABN AMRO Bank N.V. for a total maximum amount of EUR 6 million. The total credit facility drawdown may at no time exceed 20% of the securities pledged by the Fund.

## CASH FLOW STATEMENT

	<b>2014 semi (unaudited) EUR</b>	<b>2013 semi (unaudited) EUR</b>	<b>2013 EUR</b>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Cash flows from operating activities</b>					
Net receipts from non-derivative financial assets at fair value through profit or loss	5,728,850	3,096,016	11,383,151	9,168,603	15,930,407
Net payments/Receipts for derivative financial instruments	(18,353)	(90,289)	597,449	(783,739)	(148,331)
Interest received	5	-	-	302	2,592
Interest paid	(9,593)	(17,462)	(38,804)	(14,996)	(1,858)
Management fee paid	(187,316)	(191,588)	(358,384)	(233,07)	(114,022)
Incentive fee paid	(114,782)	(8,247)	(9,363)	(3,909)	-
Administration fee paid	(24,235)	(24,184)	(45,029)	(47,101)	(18,321)
Audit fee paid	(15,125)	(14,762)	(14,762)	(14,518)	-
Custody fee paid	(15,059)	(9,475)	(19,791)	(26,266)	(13,564)
Legal fee paid	(480)	(2,837)	(22,702)	(33,619)	(1,587)
Redemption fee received	61,221	48,653	113,654	134,987	3,157
Bank charges paid	-	(48)	(63)	(593)	(618)
Other Income Received	-	-	192	1,659	-
Other general expenses paid	(55,219)	(57,082)	(94,713)	(99,831)	(97,075)
<b>Net cash flows used in operating activities</b>	<b>5,349,914</b>	<b>2,728,515</b>	<b>11,490,835</b>	<b>8,047,902</b>	<b>16,464,585</b>
<b>Cash flows from financing activities</b>					
Proceeds from sales of participations	2,276,318	143,883	148,868	3,799,491	16,780,213
Payments on redemptions of participations	(6,122,053)	(4,865,347)	(11,365,444)	(13,498,648)	(315,628)
<b>Net cash flows generated from financing activities</b>	<b>(3,845,735)</b>	<b>(4,721,464)</b>	<b>(11,216,576)</b>	<b>(9,699,157)</b>	<b>16,464,585</b>
<b>Net decrease in cash and cash equivalents</b>	<b>1,504,179</b>	<b>(1,992,949)</b>	<b>274,259</b>	<b>(1,651,255)</b>	<b>(4,281)</b>
Cash and cash equivalents at beginning of period	(1,365,887)	(1,548,988)	(1,548,988)	3,419	-
Foreign currency translation of cash positions	(43,841)	(41,692)	(91,148)	98,838	7,700
<b>Cash and cash equivalents at the end of the period</b>	<b>182,133</b>	<b>(3,583,639)</b>	<b>(1,365,887)</b>	<b>(1,548,998)</b>	<b>(3,419)</b>
<b>Total of cash and cash equivalents</b>	<b>182,133</b>	<b>(3,583,639)</b>	<b>(1,365,887)</b>	<b>(1,548,998)</b>	<b>(3,419)</b>
<b>Analysis of cash and cash equivalents</b>					
Cash at bank	1,058,933	(6,480)	13	7,238	1,408
Due from broker	-	561	3,647	3,131	3,219
Due to broker	(876,800)	(3,577,720)	(1,369,547)	(1,559,367)	(1,208)
<b>Total cash and cash equivalents</b>	<b>182,133</b>	<b>(3,583,639)</b>	<b>(1,365,887)</b>	<b>(1,548,998)</b>	<b>(3,419)</b>

## **FINANCIAL YEAR**

The financial year of the Fund coincides with the calendar year.

## **PERIODICAL REPORTS**

The Fund prepares interim statements and semi-annual, and annual written reports on the Fund's portfolio. The reporting currency is the Euro and may be expended to other currencies as soon as more Classes have been issued. The interim statements, annual- and semi-annual reports are available free of charge for the Participants at the Fund's office and on the Website.

It should be noted that for the semi-annual and annual reports, the Fund depends on the administrators of the Investee Funds, both in respect of timing and the contents of the reports. Provisional valuations may sometimes have to be applied and are based on information supplied by the Investee Funds. As soon as audited annual accounts of the Investee Funds are available, any provisional information will be reviewed and necessary adjustments will be made.

## **(SEMI-) ANNUAL REPORTS**

The (semi-)annual reports of the Fund include the information required pursuant to the Wft.

The semi-annual report of the Fund is available within 2 months of the end of the first half of the relevant financial year. This non audited report contains in any case the semi-annual financial statements.

The annual report of the Fund will be audited and prepared by the Manager within 4 months after the end of each financial year. The annual report will be audited by Ernst & Young Accountants or another reputable auditing firm. The annual report includes:

- the balance sheet;
- an income statement;
- explanatory notes;
- statement of the investments acquired, sold or otherwise disposed of during the financial year and a report by the Manager expressing its opinion on the value of the investments held at the end of the financial year; and
- a specification of the composition of the Fund by Investee Fund in percentages of that portfolio for all Investee Funds which represent more than 2 % of the value of the Fund.

The annual accounts of the Fund are in principle based on audited annual accounts of the Investee Funds. Deviation from this general rule is possible when the audited accounts of the Investee Funds are not received in time. If that is the case, and also in the case that an Investee Fund in which the Fund participates has a different year-end date, the unaudited or estimated net asset value of that particular Investee Fund provided by the administrator of that Investee Fund will be used.

The annual accounts will be prepared in accordance with Dutch General Accepted Accounting Principles (Dutch GAAP).

## AUDITOR

The Fund has appointed Ernst & Young Accountants, LLP, as the auditor of the Fund. The accountants of Ernst & Young are members of the Royal Netherlands Institute of Registered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*).

## PORTFOLIO VALUATION / DETERMINATION OF RESULTS

Each Dealing Day, the Manager will determine the Net Asset Value of each Class in accordance with article 12.1 of the Conditions and publish this on the Website. The calculation of the Net Asset Value is delegated to the Administrator. As of the date of this Prospectus, the most recent (as per 7 October 2014) Net Asset Value of a Participation is €101.86. This value is not audited.

The Manager shall be entitled, at its discretion, to apply a method of valuing any investment different from that prescribed hereunder if such method would in its opinion reflect the fair value of an investment best. The Manager may rely upon opinions and estimates of any persons who appear to it to be competent to value investment of any type or designation by reason of any appropriate professional qualification or experience of the relevant market. In determining the amount of liabilities the Manager may calculate administrative and other expenses of a regular or recurring nature on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any such period.

The Administrator calculates the Net Asset Value of a Participation by dividing the aggregate fair market value, according to International Financial Reporting Standards, of the total assets attributable to the relevant Class minus the debts, obligations and liabilities attributable to that Class by the number of Participations outstanding in that Class.

For the purposes of determining the Net Asset Value of a certain Class, any assets or liabilities in currencies other than the denomination of the Class will be converted into the denomination of the Class at the rate (whether official or otherwise) which the Manager shall in its absolute discretion deem appropriate to the circumstances having regard, inter alia, to any premium or discount which it considers may be relevant and to the costs of exchange at the time of determination of the Net Asset Value. In addition the foregoing the Manager shall take all necessary differences into account to determine the Net Asset Value.

The Fund's investments in Investee Funds will be valued based on the reporting received from the administrators of those funds, unless considered inappropriate by the Manager. The value of investments in Investee Funds will generally be taken as the aggregate of the Fund's attributable share of the latest available net asset value of such Investee Funds, where it is the intention to base the Net Asset Value of a Class on the fair value of the financial assets and liabilities of the Fund. The Manager may, if it thinks fit, make adjustments as a result of the different bases of valuation applied by the Investee Funds, which will be reflected and explained in the accounts. The establishment costs will be capitalized and amortized over a 5-year period. For a corresponding amount, a legal reserve will be held. The Fund's other assets and liabilities will generally be valued at nominal value, unless a permanent impairment occurs.

The result of the Fund on its Investee Funds will generally be taken as the aggregate of the Fund's attributable share of the result of the Investee Funds. The Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the Investee Funds, which will be reflected and explained in the accounts. The results made on the Fund's other assets and liabilities will generally be taken into account in the period to which they relate.

Where an up-to-date value of an Investee Fund is not available, or the valuation date does not coincide with that of the Fund, the Manager will use an estimated value.

It should be noted that in preparing the Net Asset Value and the reports of the Fund, the Manager depends on the fund managers of the Investee Funds and their administrators, both in respect of timing and the contents of the reports. Provisional valuations may sometimes have to be applied. The Net Asset Value calculations done by the Administrator, for the reasons noted above, are estimates according to its best judgment, which may not necessarily correspond with the actual Net Asset Value on the relevant date. However, the Fund does not make retroactive adjustments in the Net Asset Values previously used for subscriptions and redemptions. Therefore, such transactions are final and binding when made notwithstanding any different later determination. See also “Errors in the calculation of the Net Asset Value”.

Investments other than in Investee Funds, will be valued against their market value. The market value will be determined by the published closing price of the relevant security on a securities market on the business day preceding on which the Net Asset Value is published. If the relevant securities are not listed, or a closing price of that security has not been published the day business day preceding on which the Net Asset Value is published, the value of relevant security will be estimated.

Fund Assets and Obligations which consist of bank balances, accrued but not distributed interests, dividend payments that have been made payable, but not yet have been distributed, activated costs and possible provisions, will be valued at their nominal value.

#### **ASSESSMENT AND PUBLICATION OF THE NET ASSET VALUE**

The Manager has delegated the calculation of the Net Asset Value to the Administrator. The Net Asset Value will be calculated as at the close of each Business Day. The Net Asset Value of a Participation will be calculated in accordance with the terms as included in this Prospectus. The Net Asset Value is published on the Website.

#### **ERRORS IN THE CALCULATION OF THE NET ASSET VALUE**

If an error occurs in the calculation of the Net Asset Value and transactions take place based on this inaccurate Net Asset Value, the Manager will investigate the matter in consultation with the Administrator and recommend if and by whom compensation should be paid. However, the Fund does not make retroactive adjustments in Net Asset Values previously used for subscriptions and redemptions. Therefore, such transactions are final and binding when made, notwithstanding any different later determination. See also *Valuation Risk*.

## **MARKET INFORMATION**

### **EURONEXT AMSTERDAM**

The Class A Participations currently outstanding are listed and admitted for trading on Euronext Amsterdam and the Fund has applied for listing and admission for trading for the Participations being the subject of this Prospectus. The Fund will apply for the admission and listing to trading of Participations of other Classes as soon as such classes have been issued. The Fund is subject to Dutch securities regulations and supervision by the AFM.

### **MARKET REGULATION**

The AFM serves as market regulator in The Netherlands for the supervision of market conduct. The AFM has supervisory powers with respect to the publication of information by listed companies and to the application of takeover regulation and with respect of the publication of inside information by listed companies. It also supervises financial intermediaries, such as credit institutions, investment firms, securities intermediaries and brokers and investment advisors. Moreover, the AFM is the competent authority for approving all prospectuses published for admission of securities to trading on Euronext Amsterdam, except for prospectuses approved in other member states of the European Economic Area that have implemented the Prospectus Directive that are used in The Netherlands in accordance with applicable passporting rules. The surveillance units of Euronext Amsterdam and the AFM monitor and supervise all trading operations.

### **LISTING AND TRADING**

The Class A Participations are traded on Euronext Amsterdam under the symbol THXLE. Trading of the Participations is in the trading segment (*handelsgroep*) 'K4' of Euronext Amsterdam, a specific trading segment for investment funds which such trading specifications as stipulated by Euronext Amsterdam from time to time.

The international securities identification number (ISIN) for the Class A Participations is NL0009692839.

As described in the section 'Offer & Subscriptions' on page 36, the Offer concerns the offer of a maximum of 1,000,000 Class A Participations on a continuous basis during the validity of this Prospectus. The Manager reserves the right to issue additional Class A Participations or Participations of another Class, in which case a new prospectus will be made available. The Class A Participations first commenced trading on March 1, 2011.

SNS Securities acts as listing agent of the Fund and SNS Securities and IMC both act as liquidity provider of the Fund. No representation or warranties, express or implied, is made or given by or on behalf of SNS Securities or IMC or any of their affiliates as to the accuracy, completeness or fairness of any information contained in this Prospectus and nothing contained in this Prospectus is, or shall be relied upon as, promise or representation by SNS Securities, IMC or any of their affiliates as to the past or future. Each of SNS Securities and IMC do not accept any responsibility whatsoever for the contents of this Prospectus nor for any other statements made or purported to be made by any of them or on their behalf in connection with the Manager, the Fund or the Participations. Neither SNS Securities or IMC, nor any of their affiliates, has performed a due diligence investigation concerning the Manager, Theta Capital, the Fund or this Prospectus. Both SNS Securities and IMC accordingly disclaim all and any liability whether arising in tort or contract or otherwise in respect of this Prospectus or any statement herein.

## **PAYMENT, DELIVERY AND SETTLEMENT**

Payment for and delivery of book-entry interests in the Class A Participations is to be made through the book-entry facilities of Euroclear Nederland in accordance with their normal settlement procedures and against payment in immediately available funds. The Principal Paying Agent will also act as agent of the Fund ('ENL-Agent') in relation to Euroclear Nederland matters. The Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) applies to the settlement through Euroclear Nederland. All Participations will be held in registered form in the name of Euroclear Nederland, Herengracht 459-469, 1017 BS Amsterdam, The Netherlands.

## **REGISTRATION**

The Manager shall maintain books for the registration of original issuance and the registration of transfer of the Participations. Upon the initial issuance of the Participations the Manager shall register the Participations in the name of the respective holders thereof.

All Participations will initially be registered in the name of Euroclear Nederland. Rights in respect of the Participations take the form of co-ownership rights (*aandelen*) in the collective depot (*verzameldepot*) as referred to in the Netherlands Securities Giro Act (*Wet giraal effectenverkeer*) which co-ownership rights will be credited to the account of the holder of such rights with the designated intermediary (*intermediair*). Delivery (*uitlevering*) of the amount of Participations related to the amount of co-ownership rights of the holder is not possible other than in the limited circumstances as provided in the Netherlands Securities Giro Act.

## **DISTRIBUTIONS BY THE FUND**

Distributions of profits, repayment of (part of the) subscription price, redemption payments and all other payments on or in respect of the Participations in cash, cash equivalents or securities, will be effected through Euroclear Nederland and/or the Principal Paying Agent. Payments in cash will be in the respective currency of the Class.



## **TAXATION**

### **TAXATION GENERAL**

Prospective Participants are urged to consult their own professional advisers regarding the possible tax and legal consequences of acquiring, holding or disposing of Participations under the laws of the jurisdictions of which they are citizens, residents or domiciliaries and in which they conduct business. The Fund has been structured so as to reduce as much as possible the additional tax cost compared to a direct investment by the Participants in the Investee Funds (which generally are not directly accessible to the Participants).

### **TAXATION OF THE FUND**

The Fund qualifies as an open mutual fund for tax purposes. The Fund has obtained the so-called Exempted Fiscal Investment Institution status (*vrijgestelde beleggingsinstelling* (VBI)). Although the Fund qualifies as a non-transparent entity for Dutch tax purposes, the Fund will not be subject to Dutch corporate income tax. Moreover, the Fund will:

- be exempted from Dutch dividend withholding tax upon dividend distributions it makes;
- not be obliged to distribute its annual profits to shareholders;
- not be entitled to tax treaty protection/benefits;
- not be entitled to a refund of withholding taxes on incoming dividends and interest;
- not be allowed to invest in real estate and mortgage loans.

### **TAXATION OF PARTICIPANTS**

Dutch resident private individual Participants will generally be taxed annually on a notional income of 4% of their net investment assets, including any Participations in the Fund, at a rate of 30%, regardless of whether any dividends are received or any capital gains are realized with respect to the Participations.

For Dutch resident institutional Participants that are subject to corporate income tax, both income and capital gains/losses, as determined by Dutch fiscal law, relating to the Fund are taxed/ deductible at the regular corporate income tax rate.

Non-Dutch resident Participants who derive income from Participations or who realize a gain on the disposal or redemption of Participations will not be subject to Dutch taxation on income or capital gains unless such income or gain is attributable to an enterprise or part thereof which is carried on by the Participant(s) through a permanent establishment or permanent representative in The Netherlands.

To the extent the Fund invests in Dutch resident entities, Dutch dividend withholding tax may be due upon dividends distributed by these entities to the Fund.

## **AVAILABILITY OF DOCUMENTS AND PARTIES INVOLVED**

### **AVAILABILITY OF DOCUMENTS**

For so long as the Participations are listed for trading on Euronext Amsterdam, the following documents (or copies thereof), where applicable, may be obtained free of charge on the Website:

- periodical reports of the Fund;
- the articles of association of the Manager; and
- the prevailing Conditions.

### **INCORPORATION BY REFERENCE**

The Conditions shall be deemed to be incorporated in, and form part of, this Prospectus. The Conditions may be obtained free of charge on the Website.

### **PARTIES INVOLVED**

#### *Fund manager*

Theta Fund Management B.V.  
Honthorststraat 19  
1071 DC Amsterdam  
The Netherlands

#### *Legal Title Holder*

Stichting Bewaarbedrijf Legends XL Fund  
Barbara Strozzi laan 101  
1083 HN Amsterdam  
The Netherlands

#### *Depository*

Darwin Depository Services B.V.  
Barbara Strozzi laan 101  
1083 HN Amsterdam  
The Netherlands

#### *Custody Bank*

ABN AMRO Clearing Bank N.V.  
Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

#### *Listing Agent*

SNS Securities N.V.  
Nieuwezijds Voorburgwal 162  
1012 SJ Amsterdam  
The Netherlands

#### *ENL-Agent and Principal Paying Agent*

ABN AMRO Bank N.V.

Gustav Mahlerlaan 10  
1081 PP Amsterdam  
The Netherlands

*Liquidity Providers*

SNS Securities N.V.  
Nieuwezijds Voorburgwal 162  
1012 SJ Amsterdam  
The Netherlands

IMC Trading B.V.  
Strawinskylaan 377  
1077 XX Amsterdam  
The Netherlands

*Administrator*

TMF Fund Administrators B.V.  
Westblaak 89  
3012 KG Rotterdam  
The Netherlands  
Tel.: 00 31 (0)10 271 1370 Fax: 00 31 10 271 1390  
E-mail: SSG@TMF-Group.com

*Legal and Tax Counsel*

Greenberg Traurig, LLP  
Leidseplein 29  
1017 PS Amsterdam  
The Netherlands

*Auditor*

Ernst & Young Accountants, LLP  
Wassenaarseweg 80  
2596 CZ The Hague  
The Netherlands

## DEFINITIONS

<b>“Administrator”</b>	TMF Fund Administrators B.V. or such entity as may be appointed as administrator of the Fund by the Manager, from time to time;
<b>“AFM”</b>	the Netherlands Authority for the Financial Markets ( <i>Autoriteit Financiële Markten</i> );
<b>“AIFMD”</b>	Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers;
<b>“Annex”</b>	an annex to this Prospectus;
<b>“Business Day”</b>	a day on which banks are generally open for business in Amsterdam;
<b>“Class”</b>	means a separate class of Participations each having equal rights and obligations, unless explicitly provided otherwise in the Conditions and/or the Prospectus, and the same assets and liabilities, except for currency hedges, but may differ in currency of denomination;
<b>“Class A Participation”</b>	a Participation denominated in euros and with the rights and obligations as mentioned in this Prospectus;
<b>“Conditions”</b>	the terms and conditions of participation, management and custody of the Fund as amended from time to time;
<b>“Depository”</b>	Darwin Depository Services B.V. , the depository of the Fund, or such other depository as may be appointed in accordance with the Conditions, from time to time;
<b>“Euroclear Nederland”</b>	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.;
<b>“Euronext Amsterdam”</b>	Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.;
<b>“Fund”</b>	the Theta Legends XL Fund as defined in and governed by the Conditions;
<b>“Fund Assets”</b>	the Fund Means and the Fund Investments;
<b>“Fund Estate”</b>	the totality of the Fund Assets and the Fund Obligations to be allocated to Classes as the case may be;
<b>“Fund Investments”</b>	all securities and/or other assets ( <i>goederen</i> ) other than Fund Means that are acquired and held by the Custodian in its own name on behalf and for the account of the Participants in connection with the Fund;
<b>“Manager”</b>	Theta Fund Management B.V., or an affiliate thereof or such other investment manager, as may be appointed by the Participants from time to time, in accordance with the Conditions;
<b>“Fund Means”</b>	all cash in any currency held in interest bearing call accounts or bank deposits, money market instruments in any currency which are regularly

	negotiated and which have a residual maturity of twelve (12) months or less;
<b>“Fund Obligations”</b>	the liabilities which the Depository (or the Manager, whether or not on behalf of the Depository) assumes and/or incurs in its own name on behalf and for the account of the Participants in connection with the Fund;
<b>“Incentive Fee”</b>	the incentive fee payable to the Manager;
<b>“Investee Fund”</b>	a company, partnership, common contractual fund or other pooled investment vehicle in, or a segregated portfolio of assets placed with a portfolio manager for discretionary management by such portfolio manager on behalf of the Fund, through which the Fund has made an investment;
<b>“Investment Objectives”</b>	the investment objectives of the Fund and the restrictions imposed on the Manager referred to in the Prospectus, as amended from time to time;
<b>“Legal Title Holder”</b>	Stichting Bewaarbedrijf Legends XL Fund, or such other legal title holder of the Fund Estate as may be appointed in accordance with the Conditions, from time to time;
<b>“Management Fee”</b>	the management fee payable to the Manager;
<b>“Net Asset Value”</b>	the net asset value of a Participation, Class or the Fund as determined in accordance with the Conditions, calculated to two (2) decimal places;
<b>“Offer”</b>	the offer of 1,000,000 Class A Participations to the public, as described in this Prospectus;
<b>“Ordinary Resolution”</b>	a resolution (a) in writing (which may consist of one or more documents in like form each signed by one or more Participants) signed by Participants whose Participations represent in excess of fifty per cent. (50%) of the total Participations or (b) passes at a meeting of Participants by participants whose Participations represent in excess of fifty per cent. (50%) of the total Participations present at such meeting;
<b>“Participants”</b>	holders of a Participation including a holders of co-ownership rights in respect of the Participations in a collective depot ( <i>verzameldepot</i> ) as referred to in the Netherlands Giro Securities Transactions Act ( <i>Wet giraal effectenverkeer</i> );
<b>“Participations”</b>	the Participations as defined in the Conditions;
<b>“Principal Paying Agent”</b>	the principal paying agent of the Fund, which also acts as ENL-agent, as appointed by the Manager;
<b>“Prospectus”</b>	this prospectus of the Fund as referred to in Article 5:2 Wft;
<b>“Redemption Day”</b>	the last Business Day of each calendar month;

<b>“Special Resolution”</b>	a resolution (a) in writing (which may consist of one or more documents in like form each signed by one or more Participants) signed by Participants whose Participations represent seventy-five per cent. (75%) or more of the total Participations or (b) passed at a meeting of Participants by Participants whose Participations represent seventy-five per cent. (75%) or more of the Participations present at such meeting;
<b>“Theta Capital”</b>	Theta Capital Management B.V.;
<b>“Website”</b>	the website of the Manager, <a href="http://www.thetacapital.com">www.thetacapital.com</a> ; and the Fund, <a href="http://www.legendxlfund.nl">www.legendxlfund.nl</a> ;
<b>“Wft”</b>	the Netherlands Act on the Financial Supervision ( <i>Wet op het financieel toezicht</i> ).

## **ANNEX I**

### **AUDITED FINANCIAL REPORT 2013**

# Theta Legends XL Fund

The Netherlands

ANNUAL REPORT

**for the year ended 31 December 2013**



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## General information

Fund Manager	Theta Fund Management B.V. Honthorststraat 19 1071 DC Amsterdam The Netherlands
Administrator	TMF FundAdministrators B.V. Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Independent auditor	Ernst & Young Accountants, LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands
Legal and tax counsel	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands
Custodian	TMF Bewaar B.V. Herikerbergweg 238 1101 CM Amsterdam The Netherlands
Custody banks	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands  ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Listing agent	SNS Securities N.V. Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands

## General information

Liquidity providers

SNS Securities N.V.  
Nieuwezijds Voorburgwal 162  
1012 SJ Amsterdam  
The Netherlands

IMC Trading B.V.  
Strawinskylaan 377  
1077 XX Amsterdam  
The Netherlands

ENL-agent and principal paying agent

ABN AMRO Clearing Bank N.V.  
Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

## Historical multi-year overview

### Key figures

	2013	2012	2011 <sup>2</sup>
Equity	19,858,120	28,505,653	13,563,389
Number of participations	200,505	320,248	164,387
Participation per share	98.91	88.53	83.26
Ongoing charges ratio (including incentive fee) <sup>1</sup>	2.68%	2.04%	-
Expense ratio <sup>1</sup>	-	-	2.40%
Turnover ratio	22.11%	8.44%	11.40%
Weighted average number of participations	271,483	372,197	165,393
<b>Net profit</b>			
Investment income	192	1,943	2,611
Indirect investment result	3,229,118	1,756,191	(2,421,993)
Expenses	(660,267)	(618,060)	(481,814)
<b>Net profit</b>	<b>2,569,043</b>	<b>1,140,074</b>	<b>(2,901,196)</b>
<b>Net profit per participation</b>			
Investment income	0.07	0.52	1.58
Indirect investment result	1,189.44	471.84	(1,464.39)
Expenses	(243.21)	(166.05)	(291.31)
<b>Net profit per participation</b>	<b>946.30</b>	<b>306.31</b>	<b>(1,754.12)</b>

<sup>1</sup> In 2012, the total expense ratio ("TER") was replaced by the ongoing charges ratio.

<sup>2</sup> The Fund commenced operations on the 1 March 2011.

## Report of the Fund Manager

The Theta Legends XL Fund (the “Fund”) gained 11.72% in 2013. This compares to a 6.72% return for the HFRX Global Hedge Fund Index.

The Fund’s results were positive in every quarter during 2013. Most of the gains were achieved in quarter 1 and quarter 4 with the Fund returning 5% in each of those two quarters. For the full year all but one fund contributed positively. Long Short Equity and Relative Value were the best performing strategies while Global Macro turned out to be more of a mixed bag.

Equity and credit markets experienced a very strong year, with only a minor setback in the summer period. This provided a tail-wind for most strategies. More prominently though, we saw the continuation of a good stock picker’s environment in 2013. Since Mario Draghi’s speech mid 2012 correlation between assets has come down and individual security selection has paid off. We expect this trend will only strengthen as valuations have come to midrange levels and certain areas show frothiness in which short selling could pay off.

We have made one adjustment in 2013. Equinox International was replaced by Lansdowne Developed Markets. This was driven by a number of reasons. Foremost, we feel that due to the main portfolio manager and founder of Equinox International taking a lighter role, the fund no longer qualifies as a Legend. At the same time we had the opportunity to access Lansdowne Developed Markets, a fund that has been on our wish list for some time. Lansdowne Developed Markets is (one of) the most prominent long short equity hedge fund(s) in Europe and fits our description of a Legend very well.

Per 1 January 2014, we made two further adjustments. These were driven by the fact that we see the best opportunities going forward in equity event driven strategies and less so in credit. We switched Paulson Credit into Paulson Enhanced and replaced Bay Resource Partners by Glenview Partners. This tilts the portfolio a bit more towards event driven plays in equity and somewhat reduces the credit component of the portfolio.

### Outlook

We expect 2014 to offer even more of a security selection opportunity than 2012 and 2013. With valuations at higher levels we expect shorting to become more profitable. Also, we see corporate activity in the US and Europe on the rise providing a rich opportunity set for our event driven funds. For the macro funds, Japan appears to offer further opportunities and the normalization of interest rates in the US is slowly reducing the headwind the strategy has faced since 2009. All in all, we expect hedge funds to perform well in 2014, both in absolute returns as well as relative to equities and bonds.

Before the deadline of 22 July 2014, Theta Fund Management will be fully compliant to AIFMD.

25 April 2014  
The Fund Manager  
**Theta Fund Management B.V.**

## Investment objective, policy and processes

### INVESTMENT OBJECTIVE

Theta Legends XL Fund (the “Fund”), aims to provide individuals and institutional investors with an investment vehicle which targets average returns of around 10% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures which employ diverse investment styles and strategies.

### INVESTMENT POLICY

The Fund focuses on hedge funds that have an outstanding investment history and proven adaptiveness to changing market environments through various economic cycles. Many of these hedge funds have a minimum investment amount of more than Euro (“EUR”) 10 million and therefore are not easily accessible for private investors. It is expected that a Fund Manager of an investment fund will have a track record of at least 10 years.

The Fund aims to achieve consistent high absolute returns on investment, irrespective of the direction of comparable publicly traded securities, i.e. to have limited correlation to general market risks. There is no restriction as to the type or concentration of investments that the Fund may acquire or retain. The Fund has a wide investment mandate, enabling it to take advantage of investment opportunities which the Fund Manager considers to offer the opportunity for significant potential returns. The investments of the Fund are not restricted to investment funds and may include other investments. However, the Fund will not invest directly in physical commodities.

The Fund’s portfolio will contain participations in between 5 and 10 hedge funds with no single investment in a fund representing 20% or more of the book value of the Fund’s assets. Diversification is sought through the underlying market, securities, investment strategies, trading styles and regions, rather than the number of hedge funds.

The Fund invests primarily in investment funds based in established onshore and offshore financial centers, but will retain the flexibility to invest in funds established in other developing hedge fund markets if and when suitable opportunities arise. The Fund intends, in principle, to invest in investment funds established by hedge fund managers with strong and consistent track records.

The overall success of the Fund depends on (i) the ability of the Fund Manager in selecting hedge fund managers and to build a diversified investment portfolio amongst them, (ii) the hedge fund managers’ ability to be successful in their strategies.

Below is a summary of investment strategies that fit into the profile of the Fund.

- Equity hedge strategy;
- Event-driven strategy; and
- Macro strategy.

### INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS

In its investment process, the Fund Manager takes a predominantly bottom-up approach reflecting its belief that hedge fund managers are well equipped to capitalise on varying market conditions. In other words, the Fund Manager does not actively manage its portfolios according to pre-formulated return expectations for the different hedge fund investment strategies. Rather, the Fund Manager strives to select managers that have proven the ability to successfully exploit investment opportunities across various market environments and aims to compose portfolios of hedge funds with fundamentally different risk-return profiles to maximise the benefit of diversification. This approach endeavors to provide the Fund investors with capital appreciation and downside protection, at all times.

## Investment objective, policy and processes

### INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS *(CONTINUED)*

#### Manager Selection and Due Diligence

The objective of the Fund Manager's selection process is to identify hedge fund managers with superior investment skills that have proven to operate successfully through different market environments. The selection process entails three levels of analysis, each with its own information requirements, documents and criteria. The selection process is supported by several databases, a qualitative information system and various tools (some proprietary) for quantitative fund analysis and stress-testing.

In the qualitative due diligence process the Fund Manager focuses on:

- independent mind, potential to generate uncorrelated returns, flexibility of investment approach;
- competitive edge in investment strategy, trading style;
- investment process;
- risk management; and
- background and experience.

The objective of performing quantitative analysis of a hedge fund track record is twofold: risk analysis and relative return analysis. To allow for the dynamism inherent in a fund's investment strategy, quantitative techniques cannot be applied in a strict and rigid manner, but a healthy dose of common sense and expert judgment is required.

The objective of the Fund Manager's operational due diligence process is to provide a transparent overview of the infrastructure supporting the trading strategy in terms of:

- People & organisation;
- Processes & systems; and
- Involvement of third party service providers.

Crucial elements in the operational risk assessment are reference checks, evaluation of portfolio marking-to-market and NAV calculations, administrators and prime brokers.

The Fund Manager has an arrangement in place with Banque Privée Edmond de Rothschild ("BPER") through which the Fund Manager has access to the range of funds approved by BPER as well as the due diligence documentation and research of BPER that relates to these funds and the hedge fund universe in general. With BPER being one of the world's largest and longest established hedge fund investors, this adds a significant layer of skills, diligence, hedge fund relationships and implementation options to the Fund Manager.

#### Portfolio construction and risk management

In its portfolio construction, the Fund Manager is driven by the concept that it can only set the level of portfolio risk, and the market will dictate returns. The Fund Manager does not apply top-down (tactical) allocation based on relative return expectations across the various hedge fund strategies but takes a bottom-up approach where risk parameters on the portfolio level determine the allocation across individual hedge funds. Allocation limits to certain strategies, managers and market risks are applied to control concentration risk. This approach to portfolio construction complements the manager selection process, where the Fund Manager strives to select managers that are able to produce positive returns in all market environments. The process embodies an optimisation of the portfolio in which the Fund Manager aims to minimise concentration risk by focusing on cross-correlations between fund managers and strategies. The Fund Manager believes this disciplined, quantitative approach enables it to engineer risk-return profiles that match the clients' needs and preferences.

#### Hedging Strategies

The Fund will make use of hedging strategies to hedge the currency risk in a particular Class. All classes will be subject to the same investment objectives and strategy but will have a currency hedge strategy linked to the currency of the class. The related hedging costs and the gains and losses attributable to the hedging transactions will be credited or charged to the class on behalf of which such transactions are effected.

## Financial Statements

### BALANCE SHEET (As at 31 December)

	<i>Note</i>	<b>2013 EUR</b>	<b>2012 EUR</b>
<b>Assets</b>			
<b>Investments</b>			
Investment in investment funds		20,203,861	29,106,810
Derivative financial assets		58,337	104,891
	3	<u>20,262,198</u>	<u>29,211,701</u>
<b>Current assets</b>			
Cash and cash equivalents	4	3,660	10,369
Receivable for investments sold	5	254,944	-
Prepaid investments	6	1,004,148	1,073,072
Prepaid expenses	7	4,432	3,887
		<u>1,267,184</u>	<u>1,087,328</u>
<b>Total assets</b>		<u>21,529,382</u>	<u>30,299,029</u>
<b>Investment liabilities</b>			
Derivative financial liabilities		(10,540)	(36)
	3	<u>(10,540)</u>	<u>(36)</u>
<b>Current liabilities</b>			
Due to broker	4	(1,369,547)	(1,559,367)
Accrued expenses and other payables	8	(291,175)	(233,973)
		<u>(1,660,722)</u>	<u>(1,793,340)</u>
<b>Total liabilities</b>		<u>(1,671,262)</u>	<u>(1,793,376)</u>
<b>Total assets minus total liabilities</b>		<u>19,858,120</u>	<u>28,505,653</u>
<b>Shareholders' equity</b>			
Contribution of participants		19,050,199	30,266,775
Unappropriated profit/(loss)		807,921	(1,761,122)
<b>Total shareholders' equity</b>	9	<u>19,858,120</u>	<u>28,505,653</u>

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



## Financial Statements

### INCOME STATEMENT

(For the year ended 31 December)

	Note	2013 EUR	2012 EUR
<b>Investment result</b>			
<i>Direct investment result</i>			
Interest income	10	-	284
Other income		192	1,659
		<u>192</u>	<u>1,943</u>
<i>Indirect investment result</i>			
Realised gains on investment in investment funds	3	619,817	62,495
Realised gains/(losses) on derivative financial instruments	3	597,449	(783,739)
Unrealised gains on investment in investment funds	3	2,046,404	1,934,763
Unrealised (losses)/gains on derivative financial instruments	3	(57,058)	308,847
Redemption fee	9	113,654	134,987
Foreign currency translation	11	(91,148)	98,838
		<u>3,229,118</u>	<u>1,756,191</u>
<b>Total investment income</b>		<u>3,229,310</u>	<u>1,758,134</u>
<b>Expenses</b>			
Management fee		(309,501)	(380,968)
Incentive fee		(114,782)	(13,272)
Other operational costs		(94,211)	(83,987)
Administration fee		(45,056)	(47,074)
Interest expense		(37,154)	(16,646)
Legal fee		(22,702)	(33,619)
Custody fee		(22,036)	(27,139)
Audit fee		(14,762)	(14,762)
Bank charges		(63)	(593)
<b>Total expenses</b>	12	<u>(660,267)</u>	<u>(618,060)</u>
<b>Net profit</b>		<u>2,569,043</u>	<u>1,140,074</u>

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

## Financial Statements

### STATEMENT OF CASH FLOWS (For the year ended 31 December)

	<i>Note</i>	<b>2013</b> <b>EUR</b>	<b>2012</b> <b>EUR</b>
<b>Cash flows from operating activities</b>			
Net receipts from non-derivative financial assets at fair value through profit or loss		11,383,151	9,168,603
Net receipts from/(payments for) derivative financial assets and liabilities		597,449	(783,739)
Interest received		-	302
Interest paid		(38,804)	(14,996)
Management fee paid		(358,384)	(233,077)
Incentive fee paid		(9,363)	(3,909)
Administration fee paid		(45,029)	(47,101)
Audit fee paid		(14,762)	(14,518)
Custody fee paid		(19,791)	(26,266)
Legal fee paid		(22,702)	(33,619)
Redemption fee received		113,654	134,987
Bank charges paid		(63)	(593)
Other income received		192	1,659
Other general expenses paid		(94,713)	(99,831)
<b>Net cash flows provided by operating activities</b>		<b>11,490,835</b>	<b>8,047,902</b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of participations		148,868	3,799,491
Payments on redemptions of participations		(11,365,444)	(13,498,648)
<b>Net cash flows used in financing activities</b>		<b>(11,216,576)</b>	<b>(9,699,157)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>274,259</b>	<b>(1,651,255)</b>
Cash and cash equivalents at the beginning of the year		(1,548,998)	3,419
Foreign currency translation of cash positions		(91,148)	98,838
<b>Cash and cash equivalents at the end of the year</b>	<i>4</i>	<b>(1,365,887)</b>	<b>(1,548,998)</b>
<b>Total of cash and cash equivalents</b>		<b>(1,365,887)</b>	<b>(1,548,998)</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank		13	7,238
Due from broker		3,647	3,131
Due to broker		(1,369,547)	(1,559,367)
<b>Total cash and cash equivalents</b>		<b>(1,365,887)</b>	<b>(1,548,998)</b>

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

## Notes to the financial statements

### 1. GENERAL INFORMATION

Theta XL Legends Fund (the “Fund”) is structured as a common contractual fund in the Netherlands, established on 21 February 2011. The Fund commenced operations in March 2011.

The Fund may issue participations in various classes, each denominated in different currencies and listed on different exchanges. As at 31 December 2013 and 31 December 2012, the Fund only offers class A participations, which are denominated in EUR. All classes are subject to the same investment objectives and strategies but will have a different hedge strategy linked to the currency of the class.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

On 1 March 2012, participations valued at EUR 27,293,834 were issued to Theta Legends Fund, as part of its liquidation process and were distributed to the participants of the Theta Legends Fund as liquidation proceeds. The Fund did not receive a full payment in cash but a contribution in-kind consisting of a pro-rata part of the assets of the Theta Legends Fund.

The investment objective of the Fund is to generate average investment returns around 10% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds and other investment structures, which employ diverse investment styles and strategies. The Fund focuses on hedge funds that have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles.

The Fund and the Fund Manager are subject to the supervision of the Netherlands Authority for the Financial Markets (“AFM”) and the Dutch Central Bank (“DNB”).

The Fund’s investment activities are managed by Theta Fund Management B.V. (the “Fund Manager”), with the administration delegated to TMF FundAdministrators B.V. (the “Administrator”).

The Fund had no employees during the years ended 31 December 2013 and 31 December 2012.

The financial statements have been authorised for issue by the Fund Manager 25 April 2014.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with reporting principles generally accepted in The Netherlands (“Dutch GAAP”) and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code. The financial statements have also been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”), which came into force on 1 January 2007.

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

Below is a summary of the accounting policies of the Fund.

#### Functional currency

The financial statements are presented in EUR, which is the Fund’s functional currency.

#### Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

## Notes to the financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

#### **Recognition and measurement** *(continued)*

Expenses (including value added tax ("VAT"), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

#### **Foreign exchange**

Assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in the income statement.

#### **Classification of participations**

The participations of the Fund are classified as equity. These participations are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

#### **Basis of valuation - policies in preparing the balance sheet**

Financial investments and financial derivatives are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised gains/(losses) on investment in investment funds and derivative financial instruments' or 'unrealised gains/(losses) on investment in investment funds and derivative financial instruments'.

The Fund's investment in investment funds are valued based on the reporting received from the administrators of those funds. As at 31 December 2013, the value of investment in investment funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investment funds.

The profit or loss of the Fund on its investment in investment funds is the aggregate of the Fund's attributable share of the result of the hedge funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the hedge funds.

Where an up-to-date value of an underlying investment fund is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value. As at 31 December 2013 and 31 December 2012 there were differences between the estimated and final valuations of certain underlying investment funds held by the Fund. The differences resulted in a valuation adjustment in these financial statements. Please refer to note 17 for further details.

#### *Forward currency contracts*

The Fund may use forward currency contracts to hedge the currency exposure. Details of hedging, if any, are disclosed in the financial investments and associated risk note. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward currency contracts are valued by reference to the forward price at which a new forward currency contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price.

#### *Receivables and prepayments*

The value of accounts receivable and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

#### *Payables and accruals*

Payables and accruals and deferred income are included at fair value.

#### **Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Notes to the financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

#### Principles for determining the result

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in value of investment in investment funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Dividends from investment funds are included at the date when they are declared.

Expenses are accounted for in the income statement on the accrual basis. Transaction costs in relation to investment funds are capitalised while transaction costs in relation to forward currency contracts are expensed immediately.

#### Tax position

The Dutch tax authorities have granted a ruling confirming that the Fund is tax transparent. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a participant) are not subject to dividend withholding tax.

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### Movement in schedule of investments

<i>(All amounts in EUR)</i>	2013	2012
<b>Investment in investment funds</b>		
As at 1 January	29,106,810	13,849,880
Purchases	2,700,990	28,305,976
Sales	(14,270,160)	(15,046,304)
Realised	619,817	62,495
Unrealised	2,046,404	1,934,763
<b>As at 31 December</b>	<b>20,203,861</b>	<b>29,106,810</b>
<b>Derivative financial instruments</b>		
As at 1 January	104,855	(203,992)
Purchases	-	783,739
Sales	(597,449)	-
Realised	597,449	(783,739)
Unrealised	(57,058)	308,847
<b>As at 31 December</b>	<b>47,797</b>	<b>104,855</b>
<b>Total investments</b>		
As at 1 January	29,211,665	13,645,888
Purchases	2,700,990	29,089,715
Sales	(14,867,609)	(15,046,304)
Realised	1,217,266	(721,244)
Unrealised	1,989,346	2,243,610
<b>As at 31 December</b>	<b>20,251,658</b>	<b>29,211,665</b>

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 3. Investments (continued)

The table below provides an analysis of the forward currency contracts at 31 December 2013:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/01/2014	USD	380,000	EUR	277,981	1.36700	1.37428	(1,472)
28/02/2014	EUR	6,177,918	USD	8,410,000	1.36130	1.37428	58,337
31/03/2014	EUR	4,655,216	USD	6,410,000	1.37695	1.37427	(9,068)
<b>Total unrealised gain on open forward currency contracts</b>							<b>47,797</b>

\* Showing the equivalent of 1 Euro.

The table below provides an analysis of the forward currency contracts at 31 December 2012:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/01/2013	EUR	1,788,799	USD	2,330,000	1.30255	1.31951	22,998
28/02/2013	EUR	6,612,965	USD	8,620,000	1.30350	1.31984	81,893
28/03/2013	EUR	9,392,516	USD	12,400,000	1.32020	1.32020	(36)
<b>Total unrealised gain on open forward currency contracts</b>							<b>104,855</b>

\* Showing the equivalent of 1 Euro.

#### 4. Cash and cash equivalents

As at 31 December 2013, cash and cash equivalents comprise of balances held with ABN AMRO Clearing Bank N.V. amounting to EUR 13 (2012: EUR 7,238). As at 31 December 2013 and 31 December 2012, no restrictions in the use of this balance exist.

Cash and cash equivalents also include amounts due from broker, representing amounts held in brokerage accounts with ABN AMRO Clearing Bank N.V., the Fund's custody bank, of EUR 3,647 (2012: EUR 3,131). These amounts include margin requirements. Margin represents cash deposited with ABN AMRO Clearing Bank N.V. transferred as collateral against open derivative positions.

Effective from 1 August 2013, ABN AMRO Clearing Bank N.V. agreed to extend and make available for a further 360 days, a credit facility for a total maximum amount of EUR 6 million (31 December 2012: EUR 7 million). The total credit facility drawdown may at no time exceed 20% of the financial instruments pledged by the Fund. The credit facility is interest bearing for debit balances in EUR at EONIA interest rate plus 145 basis points, and for USD debit balances at LIBOR plus 145 basis points. The Fund also pays ABN AMRO Clearing Bank N.V. a commitment fee per annum of 10 basis point over the approved credit facility, payable quarterly in arrears. As at 31 December 2013 the Fund had drawdown an amount of EUR 1,369,547 (2012: EUR 1,559,367).

Effective from 1 August 2013, ABN AMRO Clearing Bank N.V. has further extended and made available to the Fund until 28 April 2014 a treasury product facility. The treasury product facility may be used to enter into foreign exchange contracts and/or over the counter financial derivative transactions in order to cover foreign exchange risks and/or interest risks. The Fund may enter transactions in various currencies as agreed upon between the Fund and ABN AMRO Clearing Bank N.V. in a case by case basis. The maximum treasury product limit for foreign exchange contracts is EUR 2 million (31 December 2012: EUR 3.5 million) and the maximum transaction limit is EUR 20 million (31 December 2012: EUR 35 million).

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 5. Receivable for investments sold

During 2013, the Fund redeemed shares from Equinox Fund International Ltd. Equinox Fund International Ltd. only makes full final payment of redemptions upon completion of their audit of the fiscal year. On these redemptions the Fund received partial payment, representing approximately 90% of the estimated redemption proceeds. The remaining proceeds will be paid to the Fund during 2014. As at 31 December 2013 the receivable for shares redeemed from Equinox Fund International Ltd. amounts to EUR 254,944 (2012: EUR Nil).

#### 6. Prepaid investments

During 2013 and 2012, the Fund subscribed for shares of investment funds which were to be settled on the first business day after the reporting date. Subscribers in investment funds are required to pay in advance prior to settlement. The prepaid investments represent the amounts paid in advance to the funds. All prepaid investments have been converted into the following investments subsequent to the reporting date.

<i>(All amounts in EUR)</i>	2013	2012
Glenview Capital Partners	1,004,148	-
Equinox Fund International Ltd.	-	494,570
Bay Resource Partners Offshore Fund	-	298,502
The Egerton European Equity Fund	-	280,000
<b>Total prepaid investments</b>	<b><u>1,004,148</u></b>	<b><u>1,073,072</u></b>

#### 7. Prepaid expenses

At 31 December 2013 and 31 December 2012, prepaid expenses consist of the following:

<i>(All amounts in EUR)</i>	2013	2012
Prepaid custodian fee	2,526	2,480
Prepaid other general expenses	<u>1,906</u>	<u>1,407</u>
<b>Total prepaid expenses</b>	<b><u>4,432</u></b>	<b><u>3,887</u></b>

#### 8. Accrued expenses and other payables

At 31 December 2013 and 31 December 2012, the accrued expenses and other payables consist of the following:

<i>(All amounts in EUR)</i>	2013	2012
Management fee payable	(142,705)	(191,588)
Incentive fee payable	(114,782)	(9,363)
Audit fee payable	(14,762)	(14,762)
Administration fee payable	(13,582)	(13,555)
Custody fee payable	(3,594)	(1,349)
Commitment fee	(1,750)	(1,706)
Interest payable	-	(1,650)
<b>Total accrued expenses and other payables</b>	<b><u>(291,175)</u></b>	<b><u>(233,973)</u></b>

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 9. Share capital

##### *Structure of the Fund's capital*

The Fund is organised as a common contractual fund and is subject to Dutch law. The Fund may issue participations in various classes denominated in different currencies and with a different listing. As at 31 December 2013 and 31 December 2012, the Fund only offers class A participations, which are denominated in EUR.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The movement of equity in the Class A shares during the year is as follows:

<i>(All amounts in EUR)</i>	2013	2012
<i>Contributions of participants</i>		
Balance at the beginning of the year	30,266,775	16,464,585
Issue of participations	148,868	27,300,838*
Redemption of participations	<u>(11,365,444)</u>	<u>(13,498,648)</u>
<b>Total contributions at the end of the year</b>	<b><u>19,050,199</u></b>	<b><u>30,266,775</u></b>
<i>Unappropriated gain/(loss)</i>		
Balance at the beginning of the year	(1,761,122)	(2,901,196)
Net gain	<u>2,569,043</u>	<u>1,140,074</u>
<b>Total undistributed gain/(loss) at the end of the year</b>	<b><u>807,921</u></b>	<b><u>(1,761,122)</u></b>
<b>Equity at the end of the year</b>	<b><u>19,858,120</u></b>	<b><u>28,505,653</u></b>

\*Included in this amount are subscriptions in-kind from Theta Legends Fund on 1 March 2012 amounting to EUR 27,293,834. Please refer to note 1 for further details.

##### *Subscriptions and redemptions*

The class A participations were issued at an initial subscription price of EUR 100 per participation and thereafter at the net asset value. Prospective participants will be informed about the actual subscription charge on the website of the Fund Manager ([www.thetacapital.com](http://www.thetacapital.com)).

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one subscription will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

Participations may be redeemed as of the last business day of each calendar month, pursuant to written notice, which must be received by the administrator at least 90 calendar days prior to the redemption day.

The Fund is not obliged to redeem more than 10% of the total of the participations in issue in any class on a redemption day.

Redemptions are subject to a redemption charge with a maximum of 3% of the NAV at the redemption day, which is due and payable to the Fund.

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one redemption request will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).



## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 9. Share capital (continued)

##### *Subscriptions and redemptions (continued)*

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the participations, the Fund has designated SNS Securities N.V. and IMC Trading B.V. as liquidity providers. The Fund has agreed, subject to certain limitations, to accept redemption of participations by the liquidity providers on each business day at the NAV for that Business Day.

The movement of the class A participations during the year ended 31 December 2013 is as follows:

	Participations at the beginning of the year	Participations issued	Participations redeemed	Participations at the end of the year
Class A	320,248	1,552	(121,295)	200,505
<b>Total</b>	<b>320,248</b>	<b>1,552</b>	<b>(121,295)</b>	<b>200,505</b>

The movement of the class A participations during the year ended 31 December 2012 is as follows:

	Participations at the beginning of the year	Participations issued	Participations redeemed	Participations at the end of the year
Class A	164,387	311,867	(156,006)	320,248
<b>Total</b>	<b>164,387</b>	<b>311,867</b>	<b>(156,006)</b>	<b>320,248</b>

##### *Rights and obligations*

Each participation of a certain class is entitled to one vote in the meeting of participants of that class. Each participation denominated in EUR gives without exception, an entitlement to one vote in a meeting of participants of the Fund. Participations denominated in another currency than the EUR will have voting power in a meeting of participants depending on the relevant exchange rate against the EUR on the most recent business day prior to the day on which the votes are cast.

##### *Capital management*

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, it is not expected that the Fund will declare any dividends. All earnings will normally be retained for investments. However, the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 10. Interest income

Interest income relates to the interest on bank deposits.

#### 11. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains/(losses) on assets and liabilities other than financial assets and liabilities. For the year ended 31 December 2013, this amounted to losses of EUR 91,148 (2012: gains of EUR 98,838). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one euro is shown):

	2013		2012	
	Average	Closing	Average	Closing
<i>Showing the equivalent of 1 Euro</i>				
United States Dollar	1.3285	1.3743	1.2860	1.3192

#### 12. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses.

<i>(All amounts in EUR)</i>	2013	2012
<b>Expenses accruing to Fund Manager</b>		
Management Fee	(309,501)	(380,968)
Incentive Fee	(114,782)	(13,272)
<b>Other expenses</b>		
Administration fee	(45,056)	(47,074)
Interest expense	(37,154)	(16,646)
Other general expenses	(36,161)	(25,087)
Liquidity provider fee	(25,000)	(25,000)
Legal fee	(22,702)	(33,619)
Custody fee	(22,036)	(27,139)
Custodian fee	(15,180)	(14,875)
Audit fee	(14,762)	(14,762)
Listing fee	(8,670)	(8,500)
Transfer agency fee	(6,400)	(10,525)
Euronext fees	(2,800)	-
Bank charges	(63)	(593)
<b>Total</b>	<b>(660,267)</b>	<b>(618,060)</b>

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the financial year ended 31 December 2013 and 31 December 2012, all costs actually charged to the Fund were in accordance with the costs disclosed in the Prospectus. During the year, the Fund also incurred costs such as custody fees of EUR 22,036 (2012: EUR 27,139), legal fees of EUR 22,702 (2012: EUR 33,619), bank charges of EUR 63 (2012: EUR 593) and other general expenses of EUR 21,991 (2012: EUR 19,312) which are not detailed in the Prospectus.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

#### 12. Costs (continued)

##### Ongoing charges ratio (formerly the total expense ratio "TER")

The ongoing charges ratio is the ratio of the total costs to the average net assets of the Fund. The average net assets are based on the Fund's net assets at each calculation of the NAV i.e., daily.

For the year ended 31 December 2013, the ongoing charges ratio for the Fund is as follows:

	<b>2013</b>
Ongoing charges ratio including incentive fees	2.68%
Ongoing charges ratio excluding incentive fees	2.21%
Ongoing charges ratio including expenses of underlying funds	6.82%
Ongoing charges ratio excluding incentive fees of the Fund and of the underlying funds	3.79%

For the year ended 31 December 2012, the ongoing charges ratio for the Fund is as follows:

	<b>2012</b>
Ongoing charges ratio including incentive fees	2.04%
Ongoing charges ratio excluding incentive fees	2.00%
Ongoing charges ratio including expenses of underlying funds	4.11%
Ongoing charges ratio excluding incentive fees of the Fund and of the underlying funds	3.55%

##### Turnover factor

For the year ended 31 December 2013, the turnover factor for the Fund is 22.11% (2012: 8.44%). The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the daily average NAV.

### 13. RELEVANT CONTRACTS

#### **Fund Manager**

##### Management agreement

Theta Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 1.25% of the total NAV of a class. The management fee accrues on each business day by reference to the NAV on that day and is paid quarterly in arrears on the last business day of March, June, September and December. Details of management fees charged for the year are disclosed in the income statement.

The Fund Manager is also entitled to an annual incentive fee calculated per class equal to 5% of the amount by which the total return exceeds the benchmark return. Total return is the increase of the NAV of a class as at the end of the financial year compared to the NAV at the beginning of the financial year. It is calculated after deduction of all expenses and liabilities allocated to a class and before deduction of the incentive fee. Benchmark return is the increase in the financial year of the NAV of the class calculated on a basis of a rate of 3 months Euribor plus 2% per annum. Up to 90% of the estimated incentive fee payable amount is payable one month after year end. The balance is payable 14 days after the completion of the accounts for the financial year. Details of incentive fees charged for the year are disclosed in the income statement.

## Notes to the financial statements

### 13. RELEVANT CONTRACTS (CONTINUED)

#### Administrator

The Fund has entered into an administration agreement with TMF FundAdministrators B.V. The Administrator charges a fee based on 0.12% of the NAV of the Fund up to EUR 100 million, 0.10% of the NAV between 100 million and 200 million and 0.08% on the NAV above EUR 200 million. There is a minimum fee of EUR 40,000 per year. All fees are excluding VAT. Details of administration fees charged for the year are disclosed in the income statement.

#### Custody services

The current annual fee charged by the ABN AMRO Clearing Bank N.V., (the "Custodian") equals 0.04% per annum. The Fund will be subject to a minimum fee of EUR 6,000 (excluding VAT) per annum.

#### Independent Auditor

The Fund appointed Ernst & Young LLP Accountants as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 14,762 (2012: EUR 14,762) audit (including VAT) fee for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

### 14. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

#### Fund Manager

The following transactions occurred between the Fund and the Fund Manager during the reporting year.

##### *2013 transactions and balances as at 31 December 2013*

	<b>Paid EUR</b>	<b>Balance EUR</b>
Management fee	358,384	142,705
Incentive fee	9,363	114,782

##### *2012 transactions and balances as at 31 December 2012*

	<b>Paid EUR</b>	<b>Balance EUR</b>
Management fee	233,077	191,588
Incentive fee	3,909	9,363

As per 31 December 2013, one of the Directors of the Fund Manager holds 2,950 (2012: 2,950) shares in the Fund and another Director holds 11,406 (2012: 11,406) shares in the Fund.

On 1 March 2012, participations valued at EUR 27,293,834 were issued to Theta Legends Fund, as part of its liquidation process and were distributed to the participants of the Theta Legends Fund as liquidation proceeds. The Fund did not receive a payment in cash but a contribution in-kind consisting of a pro-rata part of the assets of the Theta Legends Fund.

## Notes to the financial statements

### 15. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The investment funds, to which the Fund subscribes, may also indirectly expose the Fund to the financial risks as detailed above and because of this indirect exposure the financial risks discussed herein may not fully indicate the total exposure of the Fund.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, interest rate risk and currency risk. The Fund's exposure to market risk relates to the Fund's investment in investment funds. The Fund's market risk is managed through diversification of the investment in investment funds. For further explanation of the investment objectives, policies and processes, refer to pages 5 and 6 of this annual report.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at bank which are subject to normal market related short-term interest rates. Therefore the Fund is not exposed to significant interest rate risks.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. At 31 December 2013, 52.7% of the investment in investment funds is denominated in EUR (2012: 40.6%) and 47.3% are denominated in USD (2012: 59.4%).

The Fund uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

The Fund uses forward currency contracts in order to manage the currency risk exposure of foreign currency positions. The forward currency contracts are settled on a gross basis and as such the Fund has a settlement risk of 11.1 million (2012: EUR 17.7 million) and a credit risk exposure towards the counterparty at 31 December 2013 of EUR 58,337 (2012: EUR 104,891).

The currency exposure of the Fund at 31 December is as follows:

	Net position EUR	2013 Notional amount forwards EUR	Total currency exposure EUR	Net position EUR	2012 Notional amount forwards EUR	Total currency exposure EUR
<b>Currency</b>						
United States Dollar	10,816,632	(10,555,153)	261,479	18,088,259	(17,794,280)	293,979

All forward contracts will mature within 3 (2012: 3) months. The notional amounts represent the undiscounted cash flow at the maturity date.

## Notes to the financial statements

### 15. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (*CONTINUED*)

#### **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from derivative financial assets, cash and cash equivalents and other receivables. The carrying values of financial assets (excluding any investments in investment funds) best represent the maximum credit risk exposure at the reporting date and amount to EUR 1,321,089 (2012: EUR 1,188,332).

#### **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Fund's Prospectus provides for the daily creation and monthly cancellation of participations and it is therefore exposed to liquidity risk of meeting participants redemptions. To manage this liquidity risk the Fund has a 90 day notice period for the participants. In addition, the Fund is not obliged to redeem more than 10% of the total participations in a class in issue on any dealing day.

The Fund is exposed to liquidity risk as the investments of the Fund in investment funds cannot immediately be converted into cash. The liquidity risk involved with the investment funds will be dependent on the redemption policies of the individual investment funds. Some of the investment funds may be or become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. The Fund's investments in such investment funds may not be readily realisable and their marketability may be restricted, in particular because the investment funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups and/or redemption fees.

The liquidity risk is significantly reduced because the Fund diversifies its investments across different investment funds.

The Fund Manager may borrow to meet its liquidity requirements.

#### **Specific instruments**

##### *Derivative financial instruments*

The notional amounts of certain types of derivative financial instruments including forward contracts provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

As at 31 December 2013 and 31 December 2012, the Fund holds the following derivative financial instruments:

##### *Forward contracts*

- Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a future date for a specified price and may be settled in cash or another financial asset. Forward contracts are individually traded over-the-counter contracts and result in credit exposure to the counterparty.

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency, exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally related to contract sizes, a high degree of leverage may be typical of a forward trading account. As a result, a relatively small price movement in an underlying forward contract may result in substantial losses to the Fund. Forward contracts are subject to liquidity risk.

## Notes to the financial statements

### 16. SOFT DOLLAR ARRANGEMENTS

A 'soft dollar arrangement' applies when a (financial) service provider offers services and products (such as research and information services) to an asset manager in exchange for executing certain securities transactions. The Fund Manager had no soft dollar arrangements during the years ended 31 December 2013 and 31 December 2012.

### 17. SHAREHOLDERS' EQUITY AS ISSUED

The following schedule shows the reconciliation between the shareholders' equity in accordance with Dutch Accounting Standard 210 ("Dutch GAAP") and the shareholders' equity as determined in accordance with the Prospectus.

The Prospectus states that incorporation costs should be amortised over 5 years. Dutch GAAP states that incorporation costs should be expensed immediately.

The reconciliation also includes a valuation adjustment of EUR 90,222 (2012: EUR 246,019) relating to differences between estimated and final valuations of certain underlying investment funds. In preparing the shareholders' equity in accordance with the Prospectus provisional valuations were applied where the final valuations of certain underlying funds were not available. The incentive fee charged to the Fund for the years ended 31 December 2013 and 31 December 2012 is based on the shareholders' equity in accordance with the Prospectus. The difference between the incentive fee based on the shareholders' equity in accordance with the Prospectus and in accordance with Dutch GAAP is not material and is not included in the below reconciliation.

	2013 EUR	2012 EUR
<b>Shareholders' equity attributable to holders of participations in accordance with the Prospectus</b>	<b>19,832,295</b>	<b>28,353,782</b>
<b>Adjustments</b>		
Unamortised incorporation costs	(64,397)	(94,148)
Valuation adjustment	90,222	246,019
<b>Adjusted shareholders' equity attributable to holders of participations in accordance with Dutch GAAP</b>	<b>19,858,120</b>	<b>28,505,653</b>
Number of participations	200,505	320,248
<b>Shareholders' equity per participation as reported to the shareholders of the Fund</b>	<b>98.91</b>	<b>88.53</b>

## Notes to the financial statements

### 18. SCHEDULE OF INVESTMENTS BY INVESTMENT STRATEGY

Strategy	2013 EUR	% of shareholders' equity	2012 EUR	% of shareholders' equity
Equity Hedge: Fundamental Value	6,598,343	33.2	8,513,002	29.9
Global Macro: Discretionary Thematic	4,969,072	25.0	7,143,476	25.1
Relative Value/Event Driven: Fixed				
Income Corporate	4,830,513	24.3	7,990,164	28.0
Relative Value/Event Driven: Multi-Strategy	2,340,428	11.8	3,586,042	12.6
Global Macro: Systematic Diversified	1,465,505	7.4	1,874,126	6.6
	<b>20,203,861</b>	<b>101.7</b>	<b>29,106,810</b>	<b>102.2</b>

### 19. PROVISION OF INFORMATION

This annual report and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: <http://www.thetacapital.com>

### 20. DATE OF AUTHORISATION

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 25 April 2014.



## Investment portfolio as at 31 December 2013

Assets			% of
	Currency	Fair value EUR	shareholders' equity
<b>Investment funds</b>			
Bay Resource Partners Offshore Fund	USD	2,382,952	12.0
Brevan Howard Fund Ltd.	EUR	2,526,432	12.6
King Street Capital Ltd.	USD	2,106,093	10.6
Lansdowne Developed Markets Fund Ltd.	EUR	1,601,011	8.1
Millennium International Ltd.	USD	2,340,428	11.8
Moore Global Investments Ltd.	EUR	2,442,640	12.3
Paulson Credit Opportunities Fund	USD	2,724,420	13.7
The Egerton European Equities Fund Ltd.	EUR	2,614,380	13.2
Transtrend Fund Alliance - Omnitrend Plus	EUR	1,465,505	7.4
		<b>20,203,861</b>	<b>101.7</b>

## Investment portfolio as at 31 December 2012

<b>Assets</b>			<b>% of</b>
	<b>Currency</b>	<b>Fair value EUR</b>	<b>shareholders' equity</b>
<b>Investment Funds</b>			
Bay Resource Partners Offshore Fund	USD	2,884,186	10.1
Brevan Howard Fund Ltd.	EUR	3,590,046	12.6
Equinox Fund International Ltd.	USD	2,748,355	9.6
King Street Capital Ltd.	USD	4,236,362	14.9
Millennium International Ltd.	USD	3,586,042	12.6
Moore Global Investments Ltd.	EUR	3,469,765	12.2
Moore Global Investments Ltd.	USD	83,665	0.3
Paulson Credit Opportunities Fund	USD	3,753,802	13.2
The Egerton European Equities Fund Ltd.	EUR	2,880,461	10.1
Transtrend Fund Alliance - Omnitrend Plus	EUR	1,874,126	6.6
		<b>29,106,810</b>	<b>102.2</b>

## **Other information**

### **Provisions of the Offering Memorandum on distribution policy**

The Fund Manager does not intend to distribute any income of the Fund to its participants. The Fund Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund.

### **Interests held by the Directors**

As at 31 December 2013, one of the Directors of the Fund Manager holds 2,950 (2012: 2,950) shares in the Fund and another Director holds 11,406 (2012: 11,406) shares in the Fund.

### **Events after the balance sheet date**

No material events occurred after the balance sheet date that could influence the transparency of the financial statements.

## Other information

### Independent auditor's report

To: the Investment Manager – Theta Fund Management B.V.

#### *Report on the financial statements*

We have audited the accompanying financial statements 2013 of Theta Legends XL Fund, Amsterdam, which comprise the balance sheet as at 31 December 2013, the income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision (Wft). Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Theta Legends XL Fund as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Act on Financial Supervision (Wft).

#### *Report on other legal and regulatory requirements*

Pursuant to the legal requirement under section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under section 2:392 sub 1 at b-h has been annexed and the Act on Financial Supervision (Wft). Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by section 2:391 sub 4 of the Dutch Civil Code.

Den Haag, 25 April 2014

Ernst & Young Accountants LLP

R. Goutman

## **ANNEX II**

### **AUDITED FINANCIAL REPORT 2012**

# Theta Legends XL Fund

The Netherlands

ANNUAL REPORT

**for the year ended 31 December 2012**

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## General Information

Fund Manager	Theta Fund Management B.V. Johannes Vermeerstraat 9 1071 DK Amsterdam The Netherlands
Administrator	TMF FundAdministrators B.V. Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Independent auditor	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands
Legal and tax counsel	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands
Custodian	TMF Bewaar B.V. Herikerbergweg 238 1101 CM Amsterdam Zuidoost The Netherlands
Custody bank	ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Listing agent	SNS Securities N.V. Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands
Liquidity providers	SNS Securities N.V. Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands
Liquidity providers	IMC Trading B.V. Strawinskylaan 377 1077 XX Amsterdam The Netherlands



## **General Information**

ENL-agent and principal paying agent

ABN AMRO Bank N.V.  
Gustav Mahlerlaan 10  
1081 PP Amsterdam  
The Netherlands

## Historical multi-year overview

### Key figures

	2012	2011 <sup>2</sup>
Equity	28,505,653	13,563,389
Number of participations	320,248	164,387
Participation per share	88.53	83.26
Ongoing charges ratio (including incentive fee) <sup>1</sup>	2.04%	-
Expense ratio <sup>1</sup>	-	2.40%
Turnover ratio	8.44%	11.40%
Weighted average number of participations	372,197	165,393
<b>Net profit/(loss)</b>		
Investment income	1,943	2,611
Indirect investment result	1,756,191	(2,421,993)
Expenses	(618,060)	(481,814)
<b>Net profit/(loss)</b>	<b>1,140,074</b>	<b>(2,901,196)</b>
<b>Net profit/(loss) per participation</b>		
Investment income	0.52	1.58
Indirect investment result	471.84	(1,464.39)
Expenses	(166.06)	(291.31)
<b>Net profit/(loss) per participation</b>	<b>306.31</b>	<b>(1,754.12)</b>

<sup>1</sup> In 2012, the total expense ratio ("TER") was replaced by the ongoing charges ratio.

<sup>2</sup> The Fund commenced operations on the 01 March 2011.

## Report of the Fund Manager

The Theta Legends XL Fund gained 6.33% in 2012. This compares to a 3.51% return for the HFRX Global Hedge Fund Index and 13.18% for the MSCI World AC Index.

The year broke down in three strong quarters and a weak third quarter when Euro woes resurfaced. For the full year performance was positive across all strategies and all underlying hedge funds. The strongest gains came from equity long short and credit managers. The long short equity funds on average slightly outperformed the MSCI World, which is a good result considering the fact that these funds hold hedged positions. It is satisfying to see alpha on stock picking return, and with financial conditions normalizing we expect more to come. The relative value strategy was the second best strategy this year with the average fund in the portfolio ending up 8%. This is a strategy with limited directional exposure and given where risk free rates are today, these managers performed well. The global macro bucket was the least profitable. This strategy had difficulties navigating an environment with central bank interventions and other political interference. It is good to see the global macro funds' recent pick-up in performance, something we expect to continue as financial conditions further normalize and with tail risks abating.

Most significantly, the year saw markets and security prices moving more in line again with their fundamental drivers. The last two years had proven difficult for active managers as there was always this one large risk (Europe) that caused everything to be correlated resulting in risk-on and risk-off periods across the board. ECB president Mario Draghi has proven very effective with his speech in July of 2012 that the ECB would do whatever it takes to save the Euro, especially as this was backed up by Angela Merkel. This had major consequences for basically all strategies. As an example, global macro players had had a very difficult time as, notwithstanding many dislocations, markets were driven by fears over Europe. A case in point is the Japanese Yen. While it has been very clear to most macro managers that the Japanese Yen was overdue for significant weakening, trading against it consistently hurt as the Yen served as a safe haven for fearful investors. Since the Draghi speech removed the tail risk, we have seen a strong downward move in the Yen, contributing to the gains of our macro managers in the 4th quarter of the year. A similar effect was witnessed in other strategies as also individual security prices were increasingly driven by company specific results and events. The one laggard has been the trend following strategy. However, we believe that if these developments prove persisting, this will lead to a return of trends and an attractive backdrop for trend followers given the magnitude of the dislocations at hand.

### Outlook

We believe the current environment is shaping up as one attractive for hedge funds. Many dislocations resulting from the financial crisis are starting to correct themselves. This ranges from individual stocks, to currencies and fixed income markets. The fund has little exposure to commodity markets which have proven very difficult to trade. While some areas of the credit markets are beginning to feel frothy, this is much more an opportunity than a risk for our managers. While liquidations such as Lehman Brothers continue to provide double digit returns with almost no correlation to the overall market, high yield markets are starting to provide ample short opportunities.

After some difficult years, hedge funds are offering a compelling opportunity. Next to market opportunities operational risks are less as many funds upgraded their infrastructure post 2008. It is people's nature to continue to fight the last war, but operational risk and private sector leverage are not the things to worry about at this junction. While we do think it is prudent to remain liquid and nimble and to carry cheap protection against adverse events, the outlook of the underlying hedge funds in the portfolio is more positive than it has been for several years.

26 April 2013  
The Fund Manager  
**Theta Fund Management B.V.**

## Investment objective, policy and processes

### INVESTMENT OBJECTIVE

Theta Legend XL Fund (the “Fund”), aims to provide individuals and institutional investors with an investment vehicle which targets average returns of around 10% per annum in a one to five-year investment horizon. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures which employ diverse investment styles and strategies.

### INVESTMENT POLICY

The Fund focuses on hedge funds that have an outstanding investment history and proven adaptiveness to changing market environments through various economic cycles. Many of these hedge funds have a minimum investment amount of more than Euro (“EUR”) 10 million and therefore are not easily accessible for private investors. It is expected that a Fund Manager of an investee fund will have a track record of at least 10 years.

Theta Legends XL Fund aims to achieve consistent high absolute returns on investment, irrespective of the direction of comparable publicly traded securities, i.e. to have limited correlation to general market risks. There is no restriction as to the type or concentration of investments that the Fund may acquire or retain. The Fund has a wide investment mandate, enabling it to take advantage of investment opportunities which Theta Fund Management B.V. considers to offer the opportunity for significant potential returns. The investments of the Fund are not restricted to investee funds and may include other investments. However, the Fund will not invest directly in physical commodities.

The number of hedge funds in which the Fund participates shall depend upon the opportunities available and the size of the Fund. No single investment in a fund represents 20% or more of the book value of the Fund’s assets. A number of the Fund’s investments consist of vehicles managed by hedge fund managers already well-known to the Fund Manager in relation to its other investment vehicles. Diversification is achieved through the underlying securities, investment strategies and regions, rather than the number of hedge funds.

The Fund invests primarily in investee funds based in established onshore and offshore financial centers, but will retain the flexibility to invest in funds established in other developing hedge fund markets if and when suitable opportunities arise. The Fund intends, in principle, to invest in funds established by hedge fund managers with strong and consistent track records.

The overall success of the Fund depends on (i) the ability of Theta Fund Management B.V in selecting hedge fund managers and to build a diversified investment portfolio amongst them, (ii) the hedge fund managers’ ability to be successful in their strategies.

Below is a summary of investment strategies that fit into the profile of the Theta XL Legends Fund.

- Equity hedge strategy;
- Event-driven strategy; and
- Macro strategy.

### INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS

In its investment process, the Fund Manager takes a predominantly bottom-up approach reflecting its profound belief that hedge fund managers are well equipped to capitalise on varying market conditions. In other words, the Fund Manager does not actively manage its portfolios according to pre-formulated return expectations for the different hedge fund investment strategies. Rather, the Fund Manager strives to select managers that have proven the ability to successfully exploit investment opportunities across various market environments and aims to compose portfolios of hedge funds with fundamentally different risk-return profiles to maximise the benefit of diversification. This approach endeavors to provide the Fund investors with capital appreciation and downside protection, at all times.

## Investment objective, policy and processes

### INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS *(CONTINUED)*

#### Manager Selection and Due Diligence

The objective of the Fund Manager's manager selection process is to identify hedge fund managers with superior investment skills that have proven to operate successfully through different market environments. The selection process entails three levels of analysis, each with its own information requirements, documents and criteria. The selection process is supported by several databases, a qualitative information system and various tools (some proprietary) for quantitative fund analysis and stress-testing.

In the qualitative due diligence process the Fund Manager focuses on:

- independent mind, potential to generate uncorrelated returns, flexibility of investment approach;
- competitive edge in investment strategy, trading style;
- investment process;
- risk management; and
- background and experience.

The objective of performing quantitative analysis of a hedge fund track record is twofold: risk analysis and relative return analysis. To allow for the dynamism inherent in a fund's investment strategy, quantitative techniques cannot be applied in a strict and rigid manner, but a healthy dose of common sense and expert judgment is required.

The objective of the Fund Manager's operational due diligence process is to provide a transparent overview of the infrastructure supporting the trading strategy in terms of:

- People & organisation;
- Processes & systems; and
- Involvement of third party service providers.

Crucial elements in the operational risk assessment are reference checks, evaluation of portfolio marking-to-market and NAV calculations, administrators and prime brokers.

#### Portfolio construction and risk management

In its portfolio construction, the Fund Manager is driven by the concept that it can only set the level of portfolio risk, and the market will dictate returns. The Fund Manager does not apply top-down (tactical) allocation based on relative return expectations across the various hedge fund strategies but takes a true bottom-up approach where risk parameters on the portfolio level determine the allocation across individual hedge funds. Allocation limits to certain strategies, managers and market risks are applied to control concentration risk. This approach to portfolio construction complements the manager selection process, where Theta strives to select managers that are able to produce positive returns under all market environments. The process embodies an optimisation of the portfolio in which the Fund Manager aims to minimise concentration risk by focusing on cross-correlations between managers and strategies. The Fund Manager believes this disciplined, quantitative approach enables it to engineer risk-return profiles that match the clients' needs and preferences.

#### Hedging Strategies

The Fund will make use of hedging strategies to hedge the currency risk in a particular Class. All Classes will be subject to the same investment objectives and strategy but will have a currency hedge strategy linked to the currency of the Class. The related hedging costs and the gains and losses attributable to the hedging transactions will be credited or charged to the Class on behalf of which such transactions are effected.

## Financial Statements

### BALANCE SHEET (As at 31 December)

	<i>Note</i>	<b>2012 EUR</b>	<b>2011 EUR</b>
<b>Assets</b>			
<b>Investments</b>			
Investment in investee funds		29,106,810	13,849,880
Derivative financial assets		104,891	-
	3	<u>29,211,701</u>	<u>13,849,880</u>
<b>Current assets</b>			
Prepaid investments	5	1,073,072	-
Cash and cash equivalents	4	10,369	4,627
Other receivables and prepaid expenses	6	3,887	18
		<u>1,087,328</u>	<u>4,645</u>
<b>Total assets</b>		<u>30,299,029</u>	<u>13,854,525</u>
<b>Investment liabilities</b>			
Derivative financial liabilities		(36)	(203,992)
	3	<u>(36)</u>	<u>(203,992)</u>
<b>Current liabilities</b>			
Due to broker	4	(1,559,367)	(1,208)
Accrued expenses and other payables	7	(233,973)	(85,936)
		<u>(1,793,340)</u>	<u>(87,144)</u>
<b>Total liabilities</b>		<u>(1,793,376)</u>	<u>(291,136)</u>
<b>Total assets minus total liabilities</b>		<u>28,505,653</u>	<u>13,563,389</u>
<b>Equity</b>			
Contribution of participants		30,266,775	16,464,585
Unappropriated loss		(1,761,122)	(2,901,196)
<b>Total shareholders' equity</b>	8	<u>28,505,653</u>	<u>13,563,389</u>

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

## Financial Statements

### INCOME STATEMENT

(For the year ended 31 December 2012 / for the period from 01 March 2011 to 31 December 2011)

	Note	2012 EUR	2011 EUR [Note 2]
<b>Investment income and expense</b>			
<i>Direct investment result</i>			
Interest income	9	284	2,611
Other income		1,659	-
		<u>1,943</u>	<u>2,611</u>
<i>Indirect investment result</i>			
Realised gains/(losses) on investments in investee funds	3	62,495	(159,722)
Realised losses on derivative financial instruments	3	(783,739)	(148,331)
Unrealised gains/(losses) on investments in investee funds	3	1,934,763	(1,920,805)
Unrealised gains/(losses) on derivative financial instruments	3	308,847	(203,992)
Redemption fee	8	134,987	3,157
Foreign currency translation	10	98,838	7,700
		<u>1,756,191</u>	<u>(2,421,993)</u>
<b>Total investment income/(expense)</b>		<u>1,758,134</u>	<u>(2,419,382)</u>
<b>Expenses</b>			
Management fee		(380,968)	(157,719)
Other operational costs		(83,987)	(110,738)
Administration fee		(47,074)	(31,903)
Legal fee		(33,619)	(1,587)
Custody fee		(27,139)	(14,040)
Interest expense		(16,646)	(1,858)
Audit fee		(14,762)	(14,518)
Incentive fee		(13,272)	-
Bank charges		(593)	(618)
Incorporation costs		-	(148,833)
<b>Total expenses</b>	11	<u>(618,060)</u>	<u>(481,814)</u>
<b>Net profit/(loss)</b>		<u>1,140,074</u>	<u>(2,901,196)</u>

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

## Financial Statements

### STATEMENT OF CASH FLOWS

(For the year ended 31 December 2012 / for the period from 01 March 2011 to 31 December 2011)

	<i>Note</i>	<b>2012</b> <b>EUR</b>	<b>2011</b> <b>EUR</b> <i>[Note 2]</i>
<b>Cash flows from operating activities</b>			
Net receipts/(payments) from non-derivative financial assets and liabilities at fair value through profit or loss		9,168,603	(15,930,407)
Net payments for derivative financial assets and liabilities		(783,739)	(148,331)
Interest received		302	2,593
Interest paid		(14,996)	(1,858)
Management fee paid		(233,077)	(114,022)
Incentive fee paid		(3,909)	-
Administration fee paid		(47,101)	(18,321)
Audit fee paid		(14,518)	-
Custody fee paid		(26,266)	(13,564)
Legal fee paid		(33,619)	(1,587)
Incorporation costs paid		-	(148,833)
Redemption fee received		134,987	3,157
Bank charges paid		(593)	(618)
Other income		1,659	-
Other general expenses paid		(99,831)	(97,075)
<b>Net cash flows provided/(used in) operating activities</b>		<b>8,047,902</b>	<b>(16,468,866)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of participations		3,799,491	16,780,213
Payments on redemptions of participations		(13,498,648)	(315,628)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(9,699,157)</b>	<b>16,464,585</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,651,255)</b>	<b>(4,281)</b>
Cash and cash equivalents at beginning of year/period		3,419	-
Foreign currency translation of cash positions		98,838	7,700
<b>Cash and cash equivalents at the end of the year/period</b>	<b>4</b>	<b>(1,548,998)</b>	<b>3,419</b>
<b>Total of cash and cash equivalents</b>		<b>(1,548,998)</b>	<b>3,419</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank		7,238	1,408
Due from broker		3,131	3,219
Due to broker		(1,559,367)	(1,208)
<b>Total cash and cash equivalents</b>		<b>(1,548,998)</b>	<b>3,419</b>

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



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## Notes to the financial statements

### 1. GENERAL INFORMATION

Theta XL Legends Fund (the “Fund”) is structured as a common contractual fund, established on 21 February 2011. The Fund commenced operations in March 2011. The Fund had no employees during the year.

The Fund may issue participations in various classes, each denominated in different currencies and listed on different exchanges. As at 31 December 2012 and 31 December 2011, the Fund only offers class participations, which are denominated in Euros. All classes are subject to the same investment objectives and strategies but will have a different hedge strategy linked to the currency of the class.

On 1 March 2012, participations valued at EUR 27,293,834 were issued to Theta Legends Fund, as part of its liquidation process and were distributed to the participants of the Theta Legends Fund as liquidation proceeds. The Fund did not receive a full payment in cash but a contribution in-kind consisting of a pro-rata part of the assets of the Theta Legends Fund.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The investment objective of the Fund is to generate investment returns around 10% per annum in a one to five year horizon, with a modest correlation to equities and bonds. The Fund accomplishes this objective by investing in a diversified portfolio of hedge funds and other investment structures, which have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles.

The Fund’s investment activities are managed by Theta Fund Management B.V. (the “Fund Manager”), with the administration delegated to TMF FundAdministrators B.V. (the “Administrator”).

The financial statements have been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”), which came into force on 1 January 2007.

The financial statements have been authorised for issue by the Fund Manager 26 April 2013.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with reporting principles generally accepted in The Netherlands (“Dutch GAAP”) and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code.

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

Below is a summary of the accounting policies of the Fund.

#### Functional currency

The financial statements are presented in Euro, which is the Fund’s functional currency.

#### Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

Expenses (including value added tax (“VAT”), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

## Notes to the financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

#### **Foreign exchange**

Assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in the income statement.

#### **Classification of participations**

The participations of the Fund are classified as equity. These participations are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

#### **Basis of valuation - policies in preparing the balance sheet**

Financial investments and financial derivatives are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised losses on investments in investee funds and derivatives' or 'unrealised losses on investments in investee funds and derivatives'.

The Fund's investments in investee funds are valued based on the reporting received from the administrators of those funds. As at the 31 December 2012, the value of investments in investee funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investee funds.

The profit or loss of the Fund on its investments in investee funds is the aggregate of the Fund's attributable share of the result of the hedge funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the hedge funds.

Where an up-to-date value of an underlying investment is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value.

#### *Forward currency contracts*

The Fund may use forward currency contracts to hedge the currency exposure. Details of hedging, if any, are disclosed in the financial investments and associated risk note. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward currency contracts are valued by reference to the forward price at which a new forward currency contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price.

#### *Receivables and prepayments*

The value of accounts receivable and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

#### *Payables and accruals*

Payables and accruals and deferred income are included at fair value.

#### **Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### **Principles for determining the result**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

## Notes to the financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

#### Principles for determining the result (continued)

The changes in value of investments in investee funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Dividends from investee funds are included at the date when they are declared.

Expenses are accounted for in the income statement on the accruals basis. Transaction costs in relation to investee funds are capitalised while transaction costs in relation to forward currency contracts are expensed immediately.

#### Tax position

The Dutch tax authorities have granted a ruling confirming that the Fund is tax transparent. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a Participant) are not subject to dividend withholding tax.

#### Comparatives

The comparative figures reflect the period from inception on 1 March 2011 to 31 December 2011 and are therefore not entirely comparable to the current reporting period included in the financial statements.

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### Movement in schedule of investments

<i>(All amounts in EUR)</i>	2012	2011 [Note 2]
<b>Investment in investee funds</b>		
As at 1 January/1 March	13,849,880	-
Purchases	28,305,976	17,357,121
Sales	(15,046,304)	(1,426,714)
Realised	62,495	(159,722)
Unrealised	1,934,763	(1,920,805)
<b>As at 31 December</b>	<b>29,106,810</b>	<b>13,849,880</b>
<b>Derivative financial instruments</b>		
As at 1 January/1 March	(203,992)	-
Purchases	783,739	148,331
Realised	(783,739)	(148,331)
Unrealised	308,847	(203,992)
<b>As at 31 December</b>	<b>104,855</b>	<b>(203,992)</b>
<b>Total investments</b>		
As at 1 January/1 March	13,645,888	-
Purchases	29,089,715	17,505,452
Sales	(15,046,304)	(1,426,714)
Realised	(721,244)	(308,053)
Unrealised	2,243,610	(2,124,797)
<b>As at 31 December</b>	<b>29,211,665</b>	<b>13,645,888</b>

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 3. Investments (continued)

The table below provides an analysis of the forward currency contracts at 31 December 2012:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate	Current rate	Unrealised EUR
31/01/2013	EUR	1,788,799	USD	2,330,000	1.30255	1.31951	22,998
28/02/2013	EUR	6,612,965	USD	8,620,000	1.30350	1.31984	81,893
28/03/2013	EUR	9,392,516	USD	12,400,000	1.32020	1.32020	(36)
<b>Total unrealised gain on open forward contracts</b>							<b>104,855</b>

The table below provides an analysis of the forward currency contracts at 31 December 2011:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate	Current rate	Unrealised EUR
31/01/2012	EUR	1,908,506	USD	2,670,000	1.39900	1.29614	(151,450)
29/02/2012	EUR	1,296,754	USD	1,730,000	1.33410	1.29651	(37,597)
30/03/2012	EUR	1,758,410	USD	2,300,000	1.30800	1.29698	(14,945)
<b>Total unrealised loss on open forward contracts</b>							<b>(203,992)</b>

#### 4. Cash and cash equivalents

As at 31 December 2012, cash and cash equivalents comprise of balances held with ABN AMRO Bank N.V. amounting to EUR 7,238 (2011: EUR 1,408). As at 31 December 2012 and 31 December 2011, no restrictions in the use of this balance exist.

Cash and cash equivalents also include amounts due from broker, representing amounts held in brokerage accounts with ABN AMRO Bank N.V., the Fund's custody bank, of EUR 3,131 (2011: EUR 3,219). These amounts include margin requirements. Margin represents cash deposited with ABN AMRO Bank N.V. transferred as collateral against open derivative positions.

As at 31 December 2012, the Fund maintained a line of credit with ABN AMRO Bank N.V. for a total maximum amount of EUR 7 million. The total credit facility drawdown may at no time exceed 20% of the securities pledged by the Fund. The credit facility is interest bearing for debit balances in EUR at EONIA interest rate plus 145 basis points, and for USD debit balances at LIBOR plus 145 basis points. The Fund also pays ABN AMRO Bank N.V. a commitment fee per annum of 10 basis point over the approved credit facility, payable quarterly in arrears. As at 31 December 2012 and 31 December 2011, the Fund had not drawn from this credit facility.

ABN AMRO Bank N.V. has also made available to the Fund a treasury product facility. The treasury product facility may be used to enter into foreign exchange contracts and/or over the counter financial derivative transactions in order to cover foreign exchange risks and/or interest risks. The Fund may enter transactions in various currencies as agreed upon between the Fund and ABN AMRO Bank N.V. in a case by case basis. The maximum treasury product limit for foreign exchange contract is EUR 3.5 million and the maximum transaction limit is EUR 35 million.

At 31 December 2012, amounts due to ABN AMRO Bank N.V. equal EUR 1,559,367 (2011: EUR 1,208).

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 5. Prepaid investments

During 2012 the Fund subscribed for shares of funds which were to be settled on the first business day after the reporting date. Subscribers in funds are required to pay in advance prior to settlement. The prepaid investments represent the amounts paid in advance to the funds. All prepaid investments have been converted into the following investments subsequent to the reporting date.

<i>(All amounts in EUR)</i>	2012
Bay Resource Partners Offshore Fund	298,502
Equinox Fund International Ltd.	494,570
The Egerton European Equity Fund	280,000
<b>Total prepaid investments</b>	<b><u>1,073,072</u></b>

#### 6. Other receivables and prepaid expenses

At 31 December 2012 and 31 December 2011, the other receivables and prepaid expenses consist of the following:

<i>(All amounts in EUR)</i>	2012	2011
Prepaid custodian fee	2,480	-
Prepaid other general expenses	1,407	-
Interest receivable	-	18
<b>Total</b>	<b><u>3,887</u></b>	<b><u>18</u></b>

#### 7. Accrued expenses and other payables

At 31 December 2012 and 31 December 2011, the accrued expenses and other payables consist of the following:

<i>(All amounts in EUR)</i>	2012	2011
Management fee payable	(191,588)	(43,697)
Audit fee payable	(14,762)	(14,518)
Administration fee payable	(13,555)	(13,582)
Incentive fee payable	(9,363)	-
Commitment fee	(1,706)	(1,267)
Interest payable	(1,650)	-
Custody fee payable	(1,349)	(476)
Custodian fee payable	-	(12,396)
<b>Total</b>	<b><u>(233,973)</u></b>	<b><u>(85,936)</u></b>

#### 8. Share capital

##### *Structure of the Fund's capital*

The Theta Legends XL Fund is organised as a common contractual fund and is subject to Dutch law. The Fund may issue participations in various classes denominated in different currencies and with a different listing. As at 31 December 2012, the Fund only offers class A participations, which are denominated in EUR.

The class A shares are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 8. Share capital (continued)

##### Structure of the Fund's capital (continued)

The movement of equity in the Class A shares during the year/period is as follows:

<i>(All amounts in EUR)</i>	<b>2012</b>	<b>2011</b>
<i>Contributions of participants</i>		
Balance at beginning of the year/period	16,464,585	-
Issue of participations*	27,300,838	16,780,213
Redemption of participations	<u>(13,498,648)</u>	<u>(315,628)</u>
<b>Total contributions at end of year/period</b>	<b><u>30,266,775</u></b>	<b><u>16,464,585</u></b>
<i>Unappropriated loss</i>		
Balance at beginning of year/period	(2,901,196)	-
Net gain/(loss)	<u>1,140,074</u>	<u>(2,901,196)</u>
<b>Total undistributed loss at end of period</b>	<b><u>(1,761,122)</u></b>	<b><u>(2,901,196)</u></b>
<b>Equity at end of period</b>	<b><u>28,505,653</u></b>	<b><u>13,563,389</u></b>

\*Included in this amount are subscriptions in-kind from Theta Legends Fund on 1 March 2012 amounting to EUR 27,293,834. Please refer to note 1 for further details.

##### Subscriptions and redemptions

The class A participations were issued at an initial subscription price of EUR 100 per participation and thereafter at the net asset value. Prospective participants will be informed about the actual subscription charge on the website of the Fund Manager ([www.thetacapital.com](http://www.thetacapital.com)).

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one subscription will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

Participations may be redeemed as of the last business day of each calendar month, pursuant to written notice, which must be received by the administrator at least 90 calendar days prior to the redemption day.

The Fund is not obliged to redeem more than 10% of the total of the participations in issue in any class on a redemption day.

Redemptions are subject to a redemption charge with a maximum of 3.0% of the NAV at the redemption day, which is due and payable to the Fund.

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one redemption request will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the participations, the Fund has designated SNS Securities N.V. and IMC Trading B.V. as liquidity providers. The Fund has agreed, subject to certain limitations, to accept redemption of participations by the liquidity providers on each business day at the NAV for that Business Day.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 8. Share capital (continued)

##### *Subscriptions and redemptions (continued)*

The movement of the class A participations during the year 2012 is as follows:

	Participations at beginning of year	Participations issued	Participations redeemed	Participations at end of year
Class A	164,387	311,867	(156,006)	320,248
<b>Total</b>	<b>164,387</b>	<b>311, 867</b>	<b>(156,006)</b>	<b>320,248</b>

The movement of the class A participations during the period 2011 is as follows:

	Participations at beginning of period	Participations issued	Participations redeemed	Participations at end of period
Class A	-	167,866	(3,479)	164,387
<b>Total</b>	<b>-</b>	<b>167, 866</b>	<b>(3,479)</b>	<b>164,387</b>

##### *Rights and obligations*

Each participation of a certain class is entitled to one vote in the meeting of participants of that class. Each participation denominated in EUR gives without exception, an entitlement to one vote in a meeting of participants of the Fund. Participations denominated in another currency than the EUR will have voting power in a meeting of participants depending on the relevant exchange rate against the EUR on the most recent business day prior to the day on which the votes are cast.

##### *Capital management*

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, it is not expected that the Fund will declare any dividends. All earnings will normally be retained for investments. However the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 9. Interest income

Interest income relates to the interest on bank deposits.

#### 10. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains on assets and liabilities other than financial assets and liabilities. For the year ended 31 December 2012, this amounted to gains of EUR 98,838 (2011: gains of EUR 7,700). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one euro is shown):

	2012		2011	
	Average	Closing	Average	Closing
<i>Showing the equivalent of 1 Euro</i>				
United States Dollar	1.2860	1.3192	1.3926	1.2959

#### 11. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses.

<i>(All amounts in EUR)</i>	2012	2011
		<i>[Note 2]</i>
<b>Expenses accruing to Fund Manager</b>		
Management Fee	(380,968)	(157,719)
Incentive Fee	(13,272)	-
<b>Other expenses</b>		
Administration fee	(47,074)	(31,903)
Legal fee	(33,619)	(1,587)
Custody fee	(27,139)	(14,040)
Other general expenses	(25,087)	(24,534)
Liquidity provider fee	(25,000)	(20,833)
Interest expense	(16,646)	(1,858)
Audit fee	(14,762)	(14,518)
Custodian fee	(14,875)	(12,396)
Transfer agency fee	(10,525)	(7,975)
Listing fee	(8,500)	(45,000)
Bank charges	(593)	(618)
Incorporation costs	-	(148,833)
<b>Total</b>	<b>(618,060)</b>	<b>(481,814)</b>

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the financial year ended 31 December 2012 and period ended 31 December 2011, all costs actually charged to the Fund were in accordance with the costs disclosed in the Prospectus. During the year, the Fund also incurred costs such as custody fees of EUR 27,139 (2011: EUR 14,040), legal fees of EUR 33,619 (2011: EUR 1,587), bank charges of EUR 593 (2011: EUR 618) and other general expenses of EUR 11,508 (2011: EUR 24,534) which are not detailed in the Prospectus.



## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

#### 11. Costs (continued)

##### Ongoing charges ratio (formerly the total expense ratio "TER")

In 2012, the TER was replaced by the ongoing charges ratio. The calculation of the ongoing charges ratio differs from the calculation of the TER. The ongoing charges ratio is the ratio of the total costs to the average net assets of the Fund. The average net assets are based on the Fund's net assets at each calculation of the NAV i.e., monthly.

For the year ended 31 December 2012, the ongoing charges ratio for the Fund is as follows:

	<b>2012</b>
Ongoing charges ratio including incentive fees	2.04%
Ongoing charges ratio excluding incentive fees	2.00%
Ongoing charges ratio including expenses of underlying funds	4.11%

For the period ended 31 December 2011, the TER for the Fund is as follows:

	<b>2011</b>
Expense ratio* excluding incentive fee	2.40%
Expense ratio* including incentive fee	2.40%

*\*Please note the expense ratio is based on the NAV as calculated in accordance with the Prospectus. Please refer to note 16 for further details. Also, please note the TER is not annualised.*

The expense ratio is calculated by dividing the expenses, excluding interest charges, by the average NAV during the period. Expenses that are incurred when participants subscribe or redeem are excluded, provided they are included in the subscription and redemption charges. The average NAV is calculated on the basis of the NAV of the Fund as at the end of each calendar quarter.

##### Synthetic Total Expense Ratio ("STER")

The Synthetic Total Expense Ratio ("STER") is calculated like the TER except that into total costs also is included an estimate of the average costs (including management and incentive fees) of the hedge funds in the Portfolios. This estimate is inevitably inaccurate as the underlying hedge funds do not report expense ratios and detailed information regarding cost levels is not available at the end of April 2013. The STER represents 4.11% (2011: 4.5%).

##### Turnover factor

For the year ended 2012, the turnover factor for the Fund is 8.4% (2011: 11.4%). The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the average NAV.

## 12. RELEVANT CONTRACTS

### Fund Manager

#### *Management agreement*

Theta Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 1.25% of the total NAV of a class. The management fee accrues on each business day by reference to the NAV on that day and is paid quarterly in arrears on the last business day of March, June, September and December. Details of management fees charged for the year are disclosed on the face of the income statement.

## Notes to the financial statements

### 12. RELEVANT CONTRACTS (CONTINUED)

#### Fund Manager (continued)

##### *Management agreement (continued)*

The Fund Manager is also entitled to an annual incentive fee calculated per class equal to 5% of the amount by which the total return exceeds the benchmark return. Total return is the increase of the NAV of a class as at the end of the financial year/period compared to the NAV at the beginning of the financial year/period. It is calculated after deduction of all expenses and liabilities allocated to a class and before deduction of the incentive fee. Benchmark return is the increase in the financial year/period of the NAV of the class calculated on a basis of a rate of 3 months Euribor plus 2% per annum. Up to 90% of the estimated incentive fee payable amount is payable one month after year end. The balance is payable 14 days after the completion of the accounts for the financial year or period. Details of incentive fees charged for the year are disclosed on the face of the income statement.

#### Administrator

The Fund has entered into an administration agreement with TMF FundAdministrators B.V., (the "administrator"). There is a fee payable to the administrator based on 0.12% of the NAV of the Fund up to EUR 100 million, 0.10% of the NAV between 100 million and 200 million, 0.08% on the NAV above EUR 200 million. There is a minimum fee of EUR 15,000 for the six months and after that a minimum fee of EUR 40,000 per year. All fees are excluding VAT. Details of administration fees charged for the year are disclosed on the face of the income statement.

#### Custody services

The current annual fee charged by the ABN AMRO Bank N.V., (the "Custodian") equals 0.04% per annum. The Fund will be subject to a minimum fee of EUR 6,000 (excluding VAT) per annum.

#### Independent Auditor

The Fund appointed Ernst & Young LLP Accountants as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 14,762 (2011: EUR 14,518) audit (excluding VAT) fee for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

### 13. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

#### Fund Manager

The following transactions occurred between the Fund and the Fund Manager during the reporting year/period.

##### *2012 transactions and balances as at 31 December 2012*

	Paid	Balance
	EUR	EUR
Management fee	233,077	191,588
Incentive fee	3,909	9,363

##### *2011 transactions and balances as at 31 December 2011*

	Paid	Balance
	EUR	EUR
Management fee	114,022	43,697

## Notes to the financial statements

### 13. RELATED PARTY TRANSACTIONS *(CONTINUED)*

#### **Fund Manager** *(continued)*

As per 31 December 2012, one of the Directors of the Fund Manager holds 2,850 shares in the Fund and another Director holds 11,406 shares in the Fund.

On 1 March 2012, participations valued at EUR 27,293,834 were issued to Theta Legends Fund, as part of its liquidation process and were distributed to the participants of the Theta Legends Fund as liquidation proceeds. The Fund did not receive a payment in cash but a contribution in-kind consisting of a pro-rata part of the assets of the Theta Legends Fund.

### 14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The investment funds, to which the Fund subscribes, may also indirectly expose the Fund to the financial risks as detailed above and because of this indirect exposure the financial risks discussed herein may not fully indicate the total exposure of the Fund.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, currency risk and interest rate risk. The Fund's exposure to market risk relates to the Fund's investments in investee funds. The Fund's market risk is managed through diversification of the investments in investee funds. For further explanation of the investment objectives, policies and processes, refer to the section outlining the investment objective, policies and processes.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at bank which are subject to normal market related short-term interest rates. Therefore the Fund is not exposed to significant interest rate risks.

#### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. At 31 December 2012, 40.6% of the investments in investee funds are denominated in EUR (2011: 61.9%) and 59.4% are denominated in USD (2011: 38.1%).

The Fund uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

The Fund uses forward currency contracts in order to manage the currency risk exposure of foreign currency positions. The forward currency contracts are settled on a gross basis and as such the Fund has a settlement risk of 17.7 million (2011: EUR 4.9 million) and a credit risk exposure towards the counterparty at 31 December 2012 of EUR 104,891 (2011: EUR Nil).

## Notes to the financial statements

### 14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

#### Currency risk (continued)

The currency exposure of the Fund at 31 December is as follows:

	Net position EUR	2012 Notional amount forwards EUR	Total currency exposure EUR	Net position EUR	2011 Notional amount forwards EUR	Total currency exposure EUR
<b>Currency</b>						
United States Dollar	18,088,259	(17,794,280)	293,979	5,204,314	(4,963,670)	240,644

All forward contracts will mature within 3 months. The notional amounts represent the undiscounted cash flow at the maturity date.

#### Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from derivative financial assets, cash and cash equivalents, and other receivables. The carrying values of financial assets (excluding any investments in equity instruments) best represent the maximum credit risk exposure at the reporting date.

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Fund's Prospectus provides for the monthly creation and cancellation of participations and it is therefore exposed to liquidity risk of meeting participants redemptions. To manage this liquidity risk the Fund has a 90 day notice period for the participants. In addition, the Fund is not obliged to redeem more than 10% of the total participations in a sub-fund in issue on any dealing day.

The Fund is exposed to liquidity risk as the investments of the Fund in investee funds cannot immediately be converted into cash. The liquidity risk involved with the investee funds will be dependent on the redemption policies of the individual investee funds. Some of the investee funds may be or become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. The Fund's investments in such investee funds may not be readily realisable and their marketability may be restricted, in particular because the investee funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups and/or redemption fees.

The liquidity risk is significantly reduced because the Fund diversifies its investments across different investment funds.

The Fund Manager may borrow to meet its liquidity requirements.

#### Specific instruments

##### Derivative financial instruments

The notional amounts of certain types of derivative financial instruments including forward contracts provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

## Notes to the financial statements

### 14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS *(CONTINUED)*

#### Specific instruments *(continued)*

##### *Derivative financial instruments (continued)*

As at 31 December 2012 and 31 December 2011, the Fund holds the following derivative financial instruments:

##### *Forward contracts*

- Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a future date for a specified price and may be settled in cash or another financial asset. Forward contracts are individually traded over-the-counter contracts and result in credit exposure to the counterparty.
- Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency, exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally related to contract sizes, a high degree of leverage may be typical of a forward trading account. As a result, a relatively small price movement in an underlying forward contract may result in substantial losses to the Fund. Forward contracts are subject to liquidity risk.

### 15. SOFT DOLLAR ARRANGEMENTS

A 'soft dollar arrangement' applies when a (financial) service provider offers services and products (such as research and information services) to an asset manager in exchange for executing certain securities transactions. The Fund Manager had no soft dollar arrangements during the year.

## Notes to the financial statements

### 16. NET ASSET VALUE AS ISSUED

The following schedule shows the reconciliation between the NAV in accordance with Dutch Accounting Standard 210 ("Dutch GAAP") and the NAV as determined in accordance with the Prospectus.

The Prospectus states that incorporation costs should be amortised over 5 years. Dutch GAAP states that incorporation costs should be expensed immediately.

The reconciliation also includes a valuation adjustment of EUR 246,019 relating to differences between estimated and final valuations of certain underlying funds. In preparing the NAV in accordance with the Prospectus provisional valuations were applied where the final valuations of certain underlying funds were not available. The incentive fee charged to the Fund for the year ended 31 December 2012 is based on the NAV in accordance with the Prospectus. The difference between the incentive fee based on the NAV in accordance with the Prospectus and in accordance with Dutch GAAP is not material and is not included in the below reconciliation.

	2012 EUR	2011 EUR
<b>Net assets to holders of participations in accordance with the Prospectus</b>	<b>28,353,782</b>	<b>13,687,371</b>
<b>Adjustments</b>		
Unamortised incorporation costs	(94,148)	(123,982)
Valuation adjustment	246,019	-
<b>Adjusted net assets attributable to holders of participations in accordance with Dutch GAAP</b>	<b>28,505,653</b>	<b>13,563,389</b>
Number of participations	320,248	164,387
NAV per participation	<b>88.53</b>	<b>83.26</b>

### 17. SCHEDULE OF INVESTMENTS BY INVESTMENT STRATEGY

	2012 EUR	% of NAV	2011 EUR	% of NAV
<b>Strategy</b>				
Global Macro: Discretionary Thematic	7,143,476	25.1	3,869,557	28.5
Relative Value/Event Driven: Fixed Income				
Corporate	7,990,164	28.0	2,717,420	20.1
Equity Hedge: Fundamental Value	8,513,002	29.9	4,666,186	34.4
Relative Value/Event Driven: Multi-Strategy	3,586,042	12.6	-	-
Global Macro: Systematic Diversified	1,874,126	6.6	1,658,031	12.2
Relative Value/Event Driven: Special Situation	-	-	938,686	6.9
	<b>29,106,810</b>	<b>102.2</b>	<b>13,849,880</b>	<b>102.1</b>

## **Notes to the financial statements**

### **18. PROVISION OF INFORMATION**

This annual report and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: <http://www.thetacapital.com>

### **19. DATE OF AUTHORISATION**

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 26 April 2013.

## Investment portfolio as at 31 December 2012

Assets	Currency	Fair value EUR	% of NAV
<b>Investment Funds</b>			
Bay Resource Partners Offshore Fund.	USD	2,884,186	10.1
Brevan Howard Fund Ltd.	EUR	3,590,046	12.6
Equinox Fund International	USD	2,748,355	9.6
King Street Capital Ltd.	USD	4,236,362	14.9
Millennium International Ltd.	USD	3,586,042	12.6
Moore Global Investments Ltd.	EUR	3,469,765	12.2
Moore Global Investments Ltd.	USD	83,665	0.3
Paulson Credit Opportunities	USD	3,753,802	13.2
The Egerton European Equities Fund Ltd.	EUR	2,880,461	10.1
Transtrend Fund Alliance - Omnitrend Plus	EUR	1,874,126	6.6
		<b>29,106,810</b>	<b>102.2</b>



## Investment portfolio as at 31 December 2011

Assets	Currency	Fair value EUR	% of NAV
<b>Investment funds</b>			
Bay Resource Partners Offshore Fund.	USD	1,333,047	9.8
BH Macro Ltd.	EUR	426,676	3.1
Brevan Howard Fund Ltd.	EUR	1,294,678	9.5
Equinox Fund International	USD	1,042,246	7.7
King Street Capital Ltd.	USD	2,717,420	20.0
M. Kingdom Offshore Ltd.	EUR	1,109,477	8.2
Moore Global Investments Ltd.	EUR	2,148,203	15.9
Paulson Adv. Plus Ltd.	EUR	938,686	6.9
The Egerton European Equities Fund Ltd.	EUR	1,181,416	8.7
Transtrend Fund Alliance-Omnitrend Plus	EUR	1,658,031	12.3
		<b>13,849,880</b>	<b>102.1</b>

## **Other information**

### **Provisions of the Offering Memorandum on distribution policy**

The Fund Manager does not intend to distribute any income of the Fund to its participants. The Fund Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund.

### **Interests held by the Directors**

As at 31 December 2012, one of the Directors of the Fund Manager holds 2,850 shares in the Fund and another Director holds 11,406 shares in the Fund.

### **Events after the balance sheet date**

No material events occurred after the balance sheet date that could influence the transparency of the financial statements.

## Other information

To: the Investment Manager – Theta Fund Management B.V.

### Independent auditor's report

#### *Report on the financial statements*

We have audited the financial statements 2012 of the Theta Legends XL Fund, Amsterdam, which comprise the balance sheet as at 31 December 2012, the income statement for the period 1 January 2012 to 31 December 2012 and the statement of cash flows for the year ended 31 December 2012 and the notes, comprising a summary of the significant accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Letter from the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of the Theta Legends XL fund as at 31 December 2012, and of its result and its cash flows for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act.

#### *Report on other legal and regulatory requirements*

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Letter from the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Letter from the Managing Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, 26 April 2013

Ernst & Young Accountants LLP

signed by R.J. Bleijs

## **ANNEX III**

### **AUDITED FINANCIAL REPORT 2011**

# Theta Legends XL Fund

The Netherlands

ANNUAL REPORT

**for the period from 01 March 2011 (date of commencement)  
to 31 December 2011**

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## General Information

Fund Manager	Theta Fund Management B.V. Johannes Vermeerstraat 9 1071 DK Amsterdam The Netherlands
Administrator	TMF FundAdministrators B.V. Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Independent auditor	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands
Legal and tax counsel	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands
Custodian	TMF Bewaar B.V. Locatellikade 1 1076 AZ Amsterdam The Netherlands
Custody bank	ABN AMRO Bank N.V. Prins Bernhardplein 200 1097 JB Amsterdam The Netherlands
Listing agent	SNS Securities N.V. Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands
Liquidity providers	SNS Securities N.V. Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands

## **General Information**

Liquidity providers

IMC Trading B.V.  
Strawinsklaan 377  
1077 XX Amsterdam  
The Netherlands

ENL-agent and principal paying agent

ABN AMRO Bank N.V.  
Gustav Mahlerlaan 10  
1081 PP Amsterdam  
The Netherlands

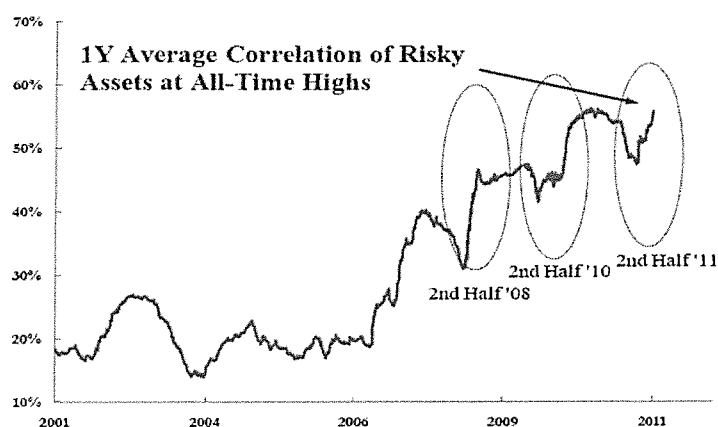


## Report of the Fund Manager

The Theta Legends XL fund declined by 17% in its first (partial) year. Except for our discretionary global macro funds (one of which was added in April of 2011), all underlying funds contributed to the losses during the year.

The year proved to be a very difficult one for most active managers. There was a lot of volatility in the market which was largely driven by unpredictable political and monetary decision making processes both in the US with the discussions around the federal debt ceiling and, increasingly so during the year, in Europe and the possibility of a possible contagion if Greece were to default on its debts. Markets as a result switched frequently and sharply between periods of risk-on and periods of risk-off. Correlations between and within asset classes were at historic heights reflecting the emotional and non-fundamental nature of market participant behavior. It was only at the very end of the year that the European Central Bank through their LTRO program managed to calm the markets.

### Correlations at all time highs



Source: JP Morgan Equity Derivatives Strategy. *Risky Assets* include: equities, fixed income, commodities and currencies.

Most of our managers have a value bias to their strategy and this clearly was not the right bias in 2011. The moves in the markets proved too violent to stick to a disciplined value approach and we saw several managers getting whipsawed as they bought on dips only to find out things could go lower still and then were forced out of trades when in hindsight the bottom had been reached. It is telling that several of the managers in the Theta Legends XL fund experienced their worst performance since their inception. All these managers have been managing their funds for at least 15 years which gives an idea as to how difficult it was in 2011 to generate attractive returns. As one of many examples of how difficult the year was, King Street Capital recorded its first-ever calendar year loss (albeit less than 2%) since the launch of the fund in 1995.

By far the largest detractor for the year was the Paulson Advantage Plus fund. Around half of the negative performance of Theta Legends XL in 2011 can be attributed to our allocation to Paulson Advantage Plus. We reduced our holding in the fund by 1/3rd per June 30th and further reduced our holding in the second half of the year. The position has by now been fully switched into the Paulson Credit Opportunity fund for which our conviction level is much higher. The Paulson Advantage Plus fund was too aggressively positioned for a recovery in the US economy and suffered as the debates on the US debt ceiling and the ongoing European peripheral crisis spooked markets. We were unhappy with the way the fund was managed throughout this period of upheaval and felt the losses were considerably more than they should have been given the experience and skills of Mr. Paulson. If anything, this episode has thought us to be even more aggressive when switching out of funds if we have doubts about the ability to manage the volatility.

## Report of the Fund Manager

Besides the Paulson Advantage Fund, we were particularly displeased by the performance of the M. Kingdon Offshore fund. Given the relative conservative nature of this fund which typically runs a fairly low net exposure, a loss of nearly 20% and thus a negative attribution of close to 2% to Theta Legends XL was unexpected, even in a difficult environment such as 2011. The poor performance can be explained to a large extent by the loss of more than 9% during August when the fund was too aggressively positioned when markets started selling off. Furthermore, one of the reasons for selecting Kingdon was that they aggressively cut exposure when markets move against them and we were therefore negatively surprised to see such a large drawdown which came to a large extent from their high net exposure to the financial sector. Finally, when questions about the succession of the founder Marc Kingdon arose, we decided to redeem the holding and to look for another long/ short equity fund. We have identified one particular candidate which we are likely to add to the fund and which we will disclose once this fund has indeed been added.

Also Equinox Fund International and Transtrend suffered large drawdowns and lost around 2% each at portfolio level. However, these were more in line with the characteristics of those funds given the market environment and we believe these managers are well positioned to retrieve their losses in 2012 and we have seen some evidence of this already in the first months of 2012.

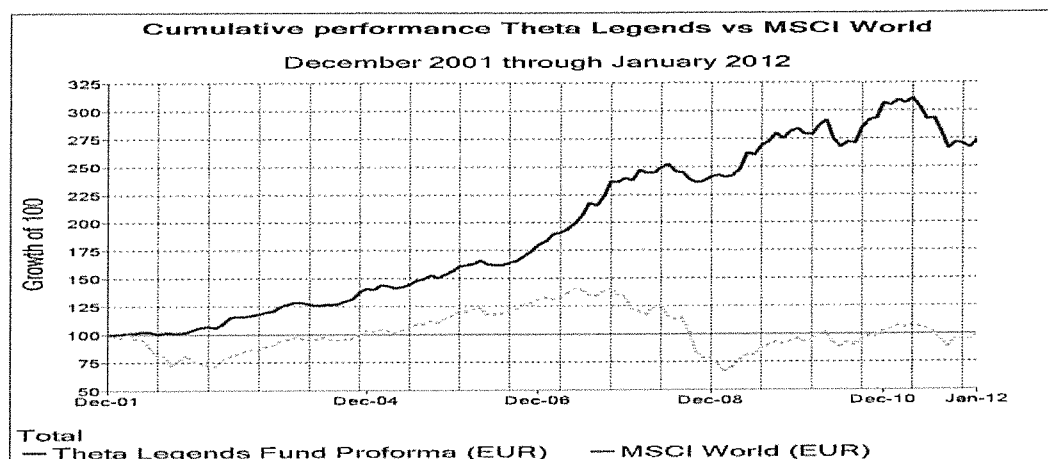
In order to increase the diversification of the Theta Legends XL fund we added the Brevan Howard fund. Since its addition to the portfolio in April, that fund returned 10% and its listed counterpart even around 20%, thus contributing just over 1% at portfolio level combined. Around one-third of our position in Brevan Howard is held through the listed vehicle. The fund generated a strong return in 2011, primarily driven by the positions in interest rates.

While our actions during the year helped to avoid larger losses (adding Brevan Howard and reducing and finally redeeming Paulson Advantage Plus), we are not happy with the overall performance of the fund. We stayed within our risk guidelines, but the fact that we were hitting the limits of these guidelines several months in a row was a sobering experience.

To end on a positive note, we are confident that the Theta Legends XL fund is set for a solid period going forward. Although 2011 was very difficult, it has also created pockets of great opportunity in various parts of the financial markets. The managers in the portfolio are all in good shape and stand ready to capitalise on this and will use their extensive experience to profit from these. We have seen some stabilisation in the world's major financial markets in the first months of 2012 and this might well continue as the panic surrounding the European debt crisis seems to have been dampened by the unconventional but decisive actions of the European and US central banks. The vast experience of our managers and their ability to outperform the major markets (as can be seen from the graph below which plots the pro forma performance of our managers over the last 10 years) should hopefully lead to attractive returns going forward.

## Report of the Fund Manager

### Long term track record Theta Legends vs MSCI World



In December 2011 it was announced that Theta would concentrate on and augment its activities of managing individual, customised portfolios of hedge funds for large investors for which we see increasing demand. As a consequence, the Manager would no longer manage publicly-offered funds of funds. Current investors in the Theta Legends Fund (which contains the same underlying portfolio) were offered to remain invested through the Theta Legends XL Fund. The transfers from Theta Legends Fund are to be effected at the February 29, 2012 NAV and we are pleased to note that €27.3 million worth of Theta Legends Fund participants choose to switch to Theta Legends XL. It is contemplated that, subject to completing all necessary formalities and approvals of supervisors and participants, that Banque Privée Edmond de Rothschild (BPER) in Geneva will replace Theta as manager of the Theta Legends XL Fund around mid-2012.

### Declaration regarding administrative organisation and internal control

Administrative organisation and internal controls are geared to the size of the organisation and meet the requirements of article 4:14:1 of the Dutch Financial Supervision Act [Wet op het financieel toezicht (Wft)]. Administrative organisation and internal control will not offer an absolute guarantee; rather they are designed to provide reasonable assurance of the effectiveness of internal control measures in relation to the risks of the activities of the Fund. The assessment of the effectiveness and good functioning of administrative organisation and internal control is the responsibility of the investment manager. During the reporting period, we assessed the various aspects of administrative organisation and internal control. In our assessment we noted nothing that would lead us to conclude that the description of the structural aspects of administrative organisation and internal control within the meaning of article 4:14.1 of the Dutch Financial Supervision Act failed to meet the requirements as specified in said decree and related regulations. Neither did we conclude that the internal control measures were ineffective or failed to function according to the description provided.

26 April 2012  
The Fund Manager  
**Theta Fund Management B.V.**

## Investment objective, policy and processes

### INVESTMENT OBJECTIVE

Theta Legend XL Fund (the “Fund”), aims to provide individuals and institutional investors with an investment vehicle which targets average returns of around 10% per annum in a one to five-year investment horizon. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures which employ diverse investment styles and strategies.

### INVESTMENT POLICY

The Fund focuses on hedge funds that have an outstanding investment history and proven adaptiveness to changing market environments through various economic cycles. Many of these hedge funds have a minimum investment amount of more than Euro (“EUR”) 10 million and therefore are not easily accessible for private investors. It is expected that a Fund Manager of an investee fund will have a track record of at least 10 years.

Theta Legends XL Fund aims to achieve consistent high absolute returns on investment, irrespective of the direction of comparable publicly traded securities, i.e. to have limited correlation to general market risks. There is no restriction as to the type or concentration of investments that the Fund may acquire or retain. The Fund has a wide investment mandate, enabling it to take advantage of investment opportunities which Theta Fund Management B.V considers to offer the opportunity for significant potential returns. The investments of the Fund are not restricted to investee funds and may include other investments. However, the Fund will not invest directly in physical commodities.

The number of hedge funds in which the Fund participates shall depend upon the opportunities available and the size of the Fund. No single investment in a fund represents 20% or more of the book value of the Fund’s assets. A number of the Fund’s investments consist of vehicles managed by hedge fund managers already well-known to the Fund Manager in relation to its other investment vehicles. Diversification is achieved through the underlying securities, investment strategies and regions, rather than the number of hedge funds.

The Fund invests primarily in investee funds based in established onshore and offshore financial centers, but will retain the flexibility to invest in funds established in other developing hedge fund markets if and when suitable opportunities arise. The Fund intends, in principle, to invest in funds established by hedge fund managers with strong and consistent track records.

The overall success of the Fund depends on (i) the ability of Theta Fund Management B.V in selecting hedge fund managers and to build a diversified investment portfolio amongst them, (ii) the hedge fund managers’ ability to be successful in their strategies.

Below is a summary of investment strategies that fit into the profile of the Theta XL Legends Fund.

- Equity hedge strategy;
- Event-driven strategy;
- Macro strategy;

## Investment objective, policy and processes

### INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS

In its investment process, the Fund Manager takes a predominantly bottom-up approach reflecting its profound belief that hedge fund managers are well equipped to capitalise on varying market conditions. In other words, the Fund Manager does not actively manage its portfolios according to pre-formulated return expectations for the different hedge fund investment strategies. Rather, the Fund Manager strives to select managers that have proven the ability to successfully exploit investment opportunities across various market environments and aims to compose portfolios of hedge funds with fundamentally different risk-return profiles to maximise the benefit of diversification. This approach endeavors to provide the Fund investors with capital appreciation and downside protection, at all times.

#### Manager Selection and Due Diligence

The objective of the Fund Manager's manager selection process is to identify hedge fund managers with superior investment skills that have proven to operate successfully through different market environments. The selection process entails three levels of analysis, each with its own information requirements, documents and criteria. The selection process is supported by several databases, a qualitative information system and various tools (some proprietary) for quantitative fund analysis and stress-testing.

In the qualitative due diligence process the Fund Manager focuses on:

- independent mind, potential to generate uncorrelated returns, flexibility of investment approach;
- competitive edge in investment strategy, trading style;
- investment process;
- risk management; and
- background and experience.

The objective of performing quantitative analysis of a hedge fund track record is twofold: risk analysis and relative return analysis. To allow for the dynamism inherent in a fund's investment strategy, quantitative techniques cannot be applied in a strict and rigid manner, but a healthy dose of common sense and expert judgment is required.

The objective of the Fund Manager's operational due diligence process is to provide a transparent overview of the infrastructure supporting the trading strategy in terms of:

- People & organisation;
- Processes & systems; and
- Involvement of third party service providers.

Crucial elements in the operational risk assessment are reference checks, evaluation of portfolio marking-to-market and NAV calculations, administrators and prime brokers.

#### Portfolio construction and risk management

In its portfolio construction, the Fund Manager is driven by the concept that it can only set the level of portfolio risk, and the market will dictate returns. The Fund Manager does not apply top-down (tactical) allocation based on relative return expectations across the various hedge fund strategies but takes a true bottom-up approach where risk parameters on the portfolio level determine the allocation across individual hedge funds. Allocation limits to certain strategies, managers and market risks are applied to control concentration risk. This approach to portfolio construction complements the manager selection process, where Theta strives to select managers that are able to produce positive returns under all market environments. The process embodies an optimisation of the portfolio in which the Fund Manager aims to minimise concentration risk by focusing on cross-correlations between managers and strategies. The Fund Manager believes this disciplined, quantitative approach enables it to engineer risk-return profiles that match the clients' needs and preferences.

Please refer to note 12 of the financial statements for further information on the risk management policy of the Fund.

## Financial Statements

### BALANCE SHEET (As at 31 December 2011)

	<i>Note</i>	2011 EUR
<b>Assets</b>		
<b>Investments</b>		
Investment in investee funds		13,849,880
	3	<u>13,849,880</u>
<b>Current assets</b>		
Other receivables		18
Cash and cash equivalents	4	3,419
		<u>3,437</u>
<b>Total assets</b>		<u>13,853,317</u>
<b>Investment liabilities</b>		
Derivative financial liabilities		(203,992)
	3	<u>(203,992)</u>
<b>Current liabilities</b>		
Accrued expenses and other payables	5	(85,936)
		<u>(85,936)</u>
<b>Total liabilities</b>		<u>(289,928)</u>
<b>Total assets minus total liabilities</b>		<u>13,563,389</u>
<b>Equity</b>		
Contribution of participants		16,464,585
Unappropriated loss		(2,901,196)
<b>Total equity</b>	6	<u>13,563,389</u>

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

## Financial Statements

### INCOME STATEMENT

(For the period from 01 March 2011 to 31 December 2011)

	Note	2011 EUR
<b>Investment income and expense</b>		
<i>Direct investment result</i>		
Interest income	7	2,611
Other income		3,157
		<u>5,768</u>
<i>Indirect investment result</i>		
Realised losses on investments in investee funds		(159,722)
Realised losses on derivatives		(148,331)
Unrealised losses on investments in investee funds		(1,920,805)
Unrealised losses on derivatives		(203,992)
Foreign currency translation	8	7,700
		<u>(2,425,150)</u>
<b>Total investment expense</b>		<u>(2,419,382)</u>
<b>Expenses</b>		
Management fee		(157,719)
Incorporation costs		(148,833)
Other operational costs		(110,738)
Administration fee		(31,903)
Auditor's fee		(14,518)
Custody fee		(14,040)
Interest expense		(1,858)
Legal fee		(1,587)
Bank charges		(618)
<b>Total expenses</b>	9	<u>(481,814)</u>
<b>Net loss</b>		<u><u>(2,901,196)</u></u>

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

## Financial Statements

### STATEMENT OF CASH FLOWS (For the period ended 31 December 2011)

	2011 EUR
Note	
<b>Cash flows from operating activities</b>	
Net payments from non-derivative financial assets at fair value through profit or loss	(15,930,407)
Net payments for derivative financial instruments	(148,331)
Interest received	2,593
Interest paid	(1,858)
Management fee paid	(114,022)
Administration fee paid	(18,321)
Custody fee paid	(13,564)
Legal fee paid	(1,587)
Incorporation costs paid	(148,833)
Redemption fee received	3,157
Bank charges paid	(618)
Other general expenses paid	(97,075)
<b>Net cash flows used in operating activities</b>	<b><u>(16,468,866)</u></b>
<b>Cash flows from financing activities</b>	
Proceeds from sales of participations	16,780,213
Payments on redemptions of participations	(315,628)
<b>Net cash flows generated from financing activities</b>	<b><u>16,464,585</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,281)</b>
Cash and cash equivalents at beginning of period	-
Foreign currency translation of cash positions	7,700
<b>Cash and cash equivalents at the end of the period</b>	<b><u>4</u> <u>3,419</u></b>
<b>Total of cash and cash equivalents</b>	<b><u>3,419</u></b>

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



## Notes to the financial statements

### 1. GENERAL INFORMATION

Theta XL Legends Fund (the “Fund”) is structured as a common contractual fund, established on 21 February 2011. The Fund commenced operations in March 2011. The Fund had no employees during the period.

The Fund may issue participations in various classes, each denominated in different currencies and listed on different exchanges. As at 31 December 2011, the Fund only offers class participations, which are denominated in Euros. All classes are subject to the same investment objectives and strategies but will have a different hedge strategy linked to the currency of the class.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The investment objective of the Fund is to generate investment returns around 10% per annum in a one to five year horizon, with a modest correlation to equities and bonds. The Fund accomplishes this objective by investing in a diversified portfolio of hedge funds and other investment structures, which have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles.

The Fund’s investment activities are managed by Theta Fund Management B.V. (the “Fund Manager”), with the administration delegated to TMF FundAdministrators B.V. (the “Administrator”).

The financial statements have been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”), which came into force on 1 January 2007.

The financial statements have been authorised for issue by the Fund Manager on 26 April 2012.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with reporting principles generally accepted in The Netherlands (“Dutch GAAP”) and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code.

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non financial assets and liabilities are stated at amortised cost or historical cost.

These are the first year financial statements of the Fund which reflect the period from inception on 1 March 2011 to 31 December 2011 and therefore no comparative figures are included in the financial statements.

Below is a summary of the accounting policies of the Fund.

#### Functional currency

The financial statements are presented in Euro, which is the Fund’s functional currency.

#### Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

Expenses (including value added tax (“VAT”), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

## Notes to the financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (*CONTINUED*)

#### **Foreign exchange**

##### *Transactions and balances*

Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rate at that date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates from the date the fair value was determined.

Resulting exchange differences on the financial assets and financial liabilities at fair value through profit or loss in foreign currencies are recorded in the statement of comprehensive income. Realised and unrealised exchange differences on other assets and liabilities are also recorded in the statement of comprehensive income and disclosed within foreign currency translation

#### **Classification of participations**

The participations of the Fund are classified as equity. These participations are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

#### **Basis of valuation - policies in preparing the balance sheet**

Financial investments and financial derivatives are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised losses on investments in investee funds and derivatives' or 'unrealised losses on investments in investee funds and derivatives'.

The Fund's investments in investee funds are valued based on the reporting received from the administrators of those funds. As at the 31 December 2011, the value of investments in investee funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investee funds.

The profit or loss of the Fund on its investments in investee funds is the aggregate of the Fund's attributable share of the result of the hedge funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the hedge funds. As at 31 December 2011, no such adjustments were made.

Where an up-to-date value of an underlying investment is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value.

#### *Forward currency contracts*

The Fund may use forward currency contracts to hedge the currency exposure. Details of hedging, if any, are disclosed in the financial investments and associated risk note. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward currency contracts are valued by reference to the forward price at which a new forward currency contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price.

#### *Receivables and prepayments*

The value of accounts receivable and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

#### *Payables and accruals*

Payables and accruals and deferred income are included at fair value.

## Notes to the financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (*CONTINUED*)

#### Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### Principles for determining the result

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in value of investments in investee funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Dividends from investee funds are included at the date when they are declared.

Expenses are accounted for in the income statement on the accruals basis. Transaction costs in relation to investee funds are capitalised while transaction costs in relation to forward currency contracts are expensed immediately.

#### Tax position

The Dutch tax authorities have granted a ruling confirming that the Fund is tax transparent. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a Participant) are not subject to dividend withholding tax.

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### *Movement in schedule of investments*

(All amounts in EUR)

2011

#### Investment in investee funds

As at 1 March	-
Purchases	17,357,121
Sales	(1,426,714)
Realised	(159,722)
Unrealised	(1,920,805)
<b>As at 31 December</b>	<b>13,849,880</b>

#### Derivative financial liabilities

As at 1 March	-
Purchases	148,331
Realised	(148,331)
Unrealised	(203,992)
<b>As at 31 December</b>	<b>(203,992)</b>

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (*CONTINUED*)

#### 3. Investments (*continued*)

##### Total investments

As at 1 March	-
Purchases	17,505,452
Sales	(1,426,714)
Realised	(308,053)
Unrealised	(2,124,797)
<b>As at 31 December</b>	<b>13,645,888</b>

The table below provides an analysis of the forward currency contracts at 31 December 2011:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate	Current rate	Unrealised EUR
31/01/2012	EUR	1,908,506	USD	2,670,000	1.39900	1.29614	(151,450)
29/02/2012	EUR	1,296,754	USD	1,730,000	1.33410	1.29651	(37,597)
30/03/2012	EUR	1,758,410	USD	2,300,000	1.30800	1.29698	(14,945)
<b>Total unrealised loss on open forward contracts</b>							<b>(203,992)</b>

#### 4. Cash and cash equivalents

Cash and cash equivalents comprise of balances held with ABN AMRO Bank N.V. amounting to EUR 3,419. As at 31 December 2011, no restrictions in the use of this balance exist.

As at 31 December 2011, the Fund maintained a line of credit with ABN AMRO Bank N.V. for a total maximum amount of EUR 5 million. The total credit facility drawdown may at no time exceed 20% of the securities pledged by the Fund. The credit facility is interest bearing for debit balances in EUR at EONIA interest rate plus 145 basis points, and for USD debit balances at LIBOR plus 145 basis points. The Fund also pays ABN AMRO Bank N.V. a commitment fee per annum of 10 basis point over the approved credit facility, payable quarterly in arrears.

ABN AMRO Bank N.V. has also made available to the Fund a treasury product facility. The treasury product facility may be used to enter into foreign exchange contracts and/or over the counter financial derivative transactions in order to cover foreign exchange risks and/or interest risks. The Fund may enter transactions in various currencies as agreed upon between the Fund and ABN AMRO Bank N.V. in a case by case basis. The maximum treasury product limit for foreign exchange contract is EUR 2.5 million and the maximum transaction limit is EUR 25 million.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS *(CONTINUED)*

#### 5. Accrued expenses and other payables

Below is a breakdown of the accrued expenses and other payables as at 31 December 2011.

<i>(All amounts in EUR)</i>	<b>2011</b>
Management fee payable	(43,697)
Audit fee payable	(14,518)
Administration fee payable	(13,582)
Custodian fee payable	(12,396)
ABN commitment fee	(1,267)
Custody fee payable	(476)
<b>Total</b>	<b><u>(85,936)</u></b>

#### 6. Share capital

##### *Structure of the Fund's capital*

The Theta Legends XL Fund is organised as a common contractual fund and is subject to Dutch law. The Fund may issue participations in various classes denominated in different currencies and with a different listing. As at 31 December 2011, the Fund only offers class A participations, which are denominated in EUR.

The class A shares are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

Movement of equity during the period is as follows:

	<b>Class A</b>
<i>(All amounts in EUR)</i>	
<i>Contributions of participants</i>	
Balance at beginning of the period	-
Issue of participations	16,780,213
Redemption of participations	(315,628)
<b>Total contributions at end of period</b>	<b><u>16,464,585</u></b>
<i>Unappropriated loss</i>	
Balance at beginning of period	-
Net loss 2011	(2,901,196)
<b>Total undistributed loss at end of period</b>	<b><u>(2,901,196)</u></b>
<b>Equity at end of period</b>	<b><u>13,563,389</u></b>

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS *(CONTINUED)*

#### 6. Share capital *(continued)*

##### *Subscriptions and redemptions*

The class A participations were issued at an initial subscription price of EUR 100 per participation and thereafter at the net asset value. Prospective participants will be informed about the actual subscription charge on the website of the Fund Manager ([www.thetacapital.com](http://www.thetacapital.com)).

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one subscription will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

Participations may be redeemed as of the last business day of each calendar month, pursuant to written notice, which must be received by the administrator at least 90 calendar days prior to the redemption day.

The Fund is not obliged to redeem more than 10% of the total of the participations in issue in any class on a redemption day. Redemptions are subject to a redemption charge with a maximum of 3.0% of the NAV at the redemption day, which is due and payable to the Fund.

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one redemption request will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the participations, the Fund has designated SNS Securities N.V. and IMC Trading B.V. as liquidity providers. The Fund has agreed, subject to certain limitations, to accept redemption of participations by the liquidity providers on each business day at the NAV for that Business Day.

The movement of the class A participations during the period 2011 is as follows:

	<b>Participations at beginning of period</b>	<b>Participations issued</b>	<b>Participations redeemed</b>	<b>Participations at end of period</b>
Class A	-	167,866	(3,479)	164,387
<b>Total</b>	<b>-</b>	<b>167, 866</b>	<b>(3,479)</b>	<b>164,387</b>

##### *Rights and obligations*

Each participation of a certain class is entitled to one vote in the meeting of participants of that class. Each participation denominated in EUR gives without exception, an entitlement to one vote in a meeting of participants of the Fund. Participations denominated in another currency than the EUR will have voting power in a meeting of participants depending on the relevant exchange rate against the EUR on the most recent business day prior to the day on which the votes are cast.

##### *Capital management*

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, it is not expected that the Fund will declare any dividends. All earnings will normally be retained for investments. However the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 7. Interest income

Interest income relates to the interest on bank deposits.

#### 8. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains/(losses) on assets and liabilities other than financial assets and liabilities. For the period ended 31 December 2011, this amounted to gains of EUR 7,700. The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one euro is shown):

	2011	
	Average	Closing
United States Dollar	1.3926	1.2959

#### 9. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses.

*(All amounts in EUR)*

	2011
<b>Expenses accruing to Fund Manager</b>	
Management fee	(157,719)
Incentive fee	-
<b>Other expenses</b>	
Incorporation costs	(148,833)
Listing fee	(45,000)
Other general expenses	(24,534)
Administration fee	(31,903)
Liquidity provider fee	(20,833)
Audit fee	(14,518)
Custody fee	(14,040)
Custodian fee	(12,396)
Transfer agency fee	(7,975)
Interest expense	(1,858)
Legal fees	(1,587)
Bank charges	(618)
<b>Total</b>	<b>(481,814)</b>

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the financial period ended 2011, there were no material differences between costs actually charged to the Fund and the costs disclosed in the Prospectus. During the period, the Fund also incurred costs such as custodian fees of EUR 14,040, legal fees of EUR 1,587, bank charges of EUR 618 and other general expenses of EUR 110,738 which are not detailed in the Prospectus.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (*CONTINUED*)

#### 9. Costs (*continued*)

##### Total Expense ratio ("TER")

For the period ended 31 December 2011, the TER for the Fund is as follows:

	2011
Expense ratio* excluding incentive fee	2.4%
Expense ratio* including incentive fee	2.4%
<i>*Please note the expense ratio is based on the NAV as calculated in accordance with the Prospectus. Please refer to note 14 for further details. Also, please note the TER is not annualised.</i>	

The expense ratio is calculated by dividing the expenses, excluding interest charges, by the average NAV during the period. Expenses that are incurred when participants subscribe or redeem are excluded, provided they are included in the subscription and redemption charges. The average NAV is calculated on the basis of the NAV of the Fund as at the end of each calendar quarter.

##### Synthetic Total Expense Ratio ("STER")

The Synthetic Total Expense Ratio ("STER") is calculated like the TER except that into total costs also is included an estimate of the average costs (including management and incentive fees) of the hedge funds in the portfolios. This estimate is inevitably inaccurate as the underlying hedge funds do not report expense ratios and detailed information regarding cost levels is not available at the end of April 2012. The STER represents 4.5%.

##### Turnover factor

For the period ended 2011, the turnover factor for the Fund is 11.4%. The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the average NAV.

### 10. RELEVANT CONTRACTS

#### Fund Manager

##### Management agreement

Theta Fund Management B.V acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 1.25% of the total NAV of a class. The management fee accrues on each business day by reference to the NAV on that day and is paid quarterly in arrears on the last business day of March, June, September and December. Details of management fees charged for the period are disclosed on the face of the income statement.

The Fund Manager is also entitled to an annual incentive fee calculated per class equal to 5% of the amount by which the total return exceeds the benchmark return. Total return is the increase of the NAV of a class as at the end of the financial year/period compared to the NAV at the beginning of the financial year/period. It is calculated after deduction of all expenses and liabilities allocated to a class and before deduction of the incentive fee. Benchmark return is the increase in the financial year/period of the NAV of the class calculated on a basis of a rate of 3 months Euribor plus 2% per annum. Up to 90% of the estimated incentive fee payable amount is payable one month after year end. The balance is payable 14 days after the completion of the accounts for the financials year or period. No incentive fees are charged for the period



## Notes to the financial statements

### 10. RELEVANT CONTRACTS *(CONTINUED)*

#### Administrator

The Fund has entered into an administration agreement with TMF FundAdministrators B.V., (the “administrator”). There is a fee payable to the administrator based on 0.12% of the NAV of the Fund up to EUR 100 million, 0.10% of the NAV between 100 million and 200 million, 0.08% on the NAV above EUR 200 million. There is a minimum fee of EUR 15,000 for the six months and after that a minimum fee of EUR 40,000 per year. All fees are excluding VAT.

#### Custody services

The current annual fee charged by the ABN AMRO Bank N.V, (the “Custodian”) equals 0.04% per annum. The Fund will be subject to a minimum fee of EUR 6,000 (excluding VAT) per annum.

#### Independent Auditor

The Fund appointed Ernst & Young LLP Accountants as the Independent Auditor. The Independent Auditor’s remuneration consists of EUR 14,518 audit (excluding VAT) fee for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

### 11. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

#### Fund Manager

The following transactions occurred between the Fund and the Fund Manager during the reporting period.

*2011 transactions and balances as at 31 December 2011*

	Paid	Balance
	EUR	EUR
Management fee	114,022	43,697
Incentive fee	-	-

One of the Directors of the Fund holds 100 shares in the Fund.

### 12. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund’s activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, currency risk and interest rate risk. The Fund’s exposure to market risk relates to the Fund’s investments in investee funds. The Fund’s market risk is managed through diversification of the investments in investee funds. For further explanation of the investment objectives, policies and processes, refer to the section outlining the investment objective, policies and processes.

## Notes to the financial statements

### 12. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (*CONTINUED*)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at bank which are subject to normal market related short-term interest rates. Therefore the Fund is not exposed to significant interest rate risks.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. At 31 December 2011, 61.9% of the investments in investee funds and derivatives are denominated in EUR and 38.1% are denominated in USD.

The Fund uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

The Fund uses forward currency contracts in order to manage the currency risk exposure of foreign currency positions. The forward currency contracts are settled on a gross basis and as such the Fund has a settlement risk of EUR 4.9 million and a credit risk exposure towards the counterparty at 31 December 2011 of EUR Nil.

The currency exposure of the Fund at 31 December 2011 is as follows:

	Net Position	Notional Amount Derivatives	Currency exposure
<b>Currency</b>			
United States Dollar	5,204,314	(4,963,670)	240,644

All forward contracts will mature within 3 months. The notional amounts represent the undiscounted cash flow at the maturity date.

#### Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from derivative financial assets, cash and cash equivalents, and other receivables. The carrying values of financial assets (excluding any investments in equity instruments) best represent the maximum credit risk exposure at the reporting date.

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Fund's Prospectus provides for the monthly creation and cancellation of participations and it is therefore exposed to liquidity risk of meeting participants redemptions. To manage this liquidity risk the Fund has a 90 day notice period for the participants. In addition, the Fund is not obliged to redeem more than 10% of the total participations in a sub-fund in issue on any dealing day.

The Fund is exposed to liquidity risk as the investments of the Fund in investee funds cannot immediately be converted into cash. The liquidity risk involved with the investee funds will be dependent on the redemption policies of the individual investee funds. Some of the investee funds may be or become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. The Fund's investments in such investee funds may not be readily realisable and their marketability may be restricted, in particular because the investee funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups and/or redemption fees.

## Notes to the financial statements

### 12. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (*CONTINUED*)

#### **Liquidity risk** (*continued*)

The liquidity risk is significantly reduced because the Fund diversifies its investments across different investment funds.

The Fund Manager may borrow to meet its liquidity requirements.

#### **Specific instruments**

##### *Derivative financial instruments*

The notional amounts of certain types of derivative financial instruments including forward contracts provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

As at 31 December 2011, the Fund holds the following derivative financial instruments:

##### *Forward contracts*

- Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a future date for a specified price and may be settled in cash or another financial asset. Forward contracts are individually traded over-the-counter contracts and result in credit exposure to the counterparty.
- Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency, exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally related to contract sizes, a high degree of leverage may be typical of a forward trading account. As a result, a relatively small price movement in an underlying forward contract may result in substantial losses to the Fund. Forward contracts are subject to liquidity risk.

### 13. SOFT DOLLAR ARRANGEMENTS

A 'soft dollar arrangement' applies when a (financial) service provider offers services and products (such as research and information services) to an asset manager in exchange for executing certain securities transactions. The Fund Manager had no soft dollar arrangements during the period.

## Notes to the financial statements

### 14. NET ASSET VALUE AS ISSUED

The following schedule shows the reconciliation between the NAV as determined in accordance with Dutch Accounting Standard 210 ("Dutch GAAP") and the NAV as determined in accordance with the Prospectus. The Prospectus states that incorporation costs should be amortised over 5 years. Dutch GAAP states that incorporation costs should be expensed immediately. To determine the NAV in accordance with the Prospectus the following schedule is presented;

	2011 EUR
<b>Net assets attributable to holders of participations in accordance with Dutch GAAP</b>	13,563,389
<b>Adjustments</b>	
Unamortised incorporation costs	123,982
<b>Adjusted net assets to holders of participations in accordance with the Prospectus</b>	<u>13,687,371</u>
Number of participations	164,387
NAV per participation	<u>83.26</u>

### 15. SCHEDULE OF INVESTMENTS BY INVESTMENT STRATEGY

	2011 EUR	% of NAV
<b>Strategy</b>		
Discretionary Thematic	3,869,557	28.5
Fixed Income Corporate	2,717,420	20.1
Fundamental Value	4,666,186	34.4
Special Situations	938,686	6.9
Systematic Diversified	1,658,031	12.2
	<u>13,849,880</u>	<u>102.1</u>

### 16. PROVISION OF INFORMATION

This annual report and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: <http://www.thetacapital.com>

### 17. DATE OF AUTHORISATION

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 26 April 2012.

## Notes to the financial statements

### Investment portfolio as at 31 December 2011

Assets	Currency	Fair value EUR	% of NAV
<b>Investment funds</b>			
Bay Resource Partners Offshore Fund.	USD	1,333,047	9.8
BH Macro Ltd.	EUR	426,676	3.1
Brevan Howard Fund Ltd.	EUR	1,294,678	9.5
Equinox Fund International	USD	1,042,246	7.7
King Street Capital Ltd.	USD	2,717,420	20.0
M. Kingdom Offshore Ltd.	EUR	1,109,477	8.2
Moore Global Investments Ltd.	EUR	2,148,203	15.9
Paulson Adv. Plus Ltd.	EUR	938,686	6.9
The Egerton European Equities Fund Ltd.	EUR	1,181,416	8.7
Transtrend Fund Alliance-Omnitrend Plus	EUR	1,658,031	12.3
		<b>13,849,880</b>	<b>102.1</b>

## **Other information**

### **Provisions of the Offering Memorandum on distribution policy**

The Fund Manager does not intend to distribute any income of the Fund to its participants. The Fund Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund.

### **Interests held by the Directors**

As at 31 December 2011, one of the Directors of the Fund holds 100 shares in the Fund.

### **Events after the balance sheet date**

No material events occurred after the balance sheet date that could influence the transparency of the financial statements.

## Other information

To: the Investment Manager - Theta Fund Management B.V.

### Independent auditor's report

#### *Report on the financial statements*

We have audited the financial statements 2011 of the Theta Legends XL Fund, Amsterdam, which comprise the balance sheet as at 31 December 2011, the income statement for the period 01 March to 31 December 2011 and the statement of cash flows for the period 01 March to 31 December 2011 and the notes, comprising a summary of the significant accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Letter from the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of the Theta Legends XL Fund as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Financial Supervision Act.

#### *Report on other legal and regulatory requirements*

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Letter from the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Letter from the Managing Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, 26 April 2012  
Ernst & Young Accountants LLP  
signed by R.J. Bleijs

## **ANNEX IV**

### **UNAUDITED FINANCIAL REPORT FIRST SIX MONTHS 2014**



# Theta Legends XL Fund

The Netherlands

UNAUDITED INTERIM FINANCIAL STATEMENTS

**for the period from 01 January 2014  
to 30 June 2014**

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## General Information

Fund Manager	Theta Fund Management B.V. Honthorststraat 19 1071 DC Amsterdam The Netherlands
Administrator	TMF FundAdministrators B.V. Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Independent Auditor *	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ The Hague The Netherlands
Legal and tax counsel	Greenberg Traurig, LLP Strawinskylaan 3127 1077 ZX Amsterdam The Netherlands
Custodian	TMF Bewaar B.V. Herikerbergweg 238 1101 CM Amsterdam The Netherlands
Custody banks	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands  ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Listing agent	SNS Securities N.V. Nieuwezijds Voorburgwal 162 1012 SJ Amsterdam The Netherlands

*\*The interim financial statements are not audited by the Independent Auditor.*

## **General Information**

**Liquidity providers**

SNS Securities N.V.  
Nieuwezijds Voorburgwal 162  
1012 SJ Amsterdam  
The Netherlands

IMC Trading B.V.  
Strawinskylaan 377  
1077 XX Amsterdam  
The Netherlands

**ENL - agent and principal paying agent**

ABN AMRO Clearing Bank N.V.  
Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

## Profile

Theta Legends XL Fund (the “Fund”) is structured as a common contractual fund (beleggingsfonds voor gemene rekening), established under Dutch law by notarial deed (notariële akte). The Fund is managed by Theta Fund Management B.V. (the “Manager”). The participations of the Fund are listed on Euronext in Amsterdam. The Fund was incorporated on 21 February 2011 and started operations on 1 March 2011.

The Fund’s investment objective is to generate investment returns of approximately 10% per annum in a one to five year investment horizon, with a modest correlation to equities and bonds.

### Summary of the net asset value as issued

The net asset value (“NAV”) per Class A participation increased by Euro (“EUR”) 1.91 (1.93%). The NAV per Class A participation at the end of the reporting period is as follows:

	30 June 2014	31 December 2013
NAV per Class A participation (in EUR) <sup>1</sup> :	100.82	98.91

<sup>1</sup> The NAV per share is calculated in accordance with Dutch GAAP. Refer to note 13 of these interim financial statements for the reconciliation between the NAV calculated in accordance with the Prospectus and the NAV calculated in accordance with Dutch GAAP.

## Interim financial statements

### BALANCE SHEET

		30 June 2014 EUR	31 December 2013 EUR
	Note		
<b>Assets</b>			
<b>Investments</b>			
Investments in investment funds		14,974,490	20,203,861
Derivative financial assets		20,596	58,337
	3	<u>14,995,086</u>	<u>20,262,198</u>
<b>Current assets</b>			
Cash and cash equivalents	4	1,058,933	3,660
Receivable for investments sold	5	-	254,944
Prepaid investments	6	1,190,184	1,004,148
Other receivables and prepaid expenses	7	17,903	4,432
		<u>2,267,020</u>	<u>1,267,184</u>
<b>Total assets</b>		<u>17,262,106</u>	<u>21,529,382</u>
<b>Investment liabilities</b>			
Derivative financial liabilities		(19,586)	(10,540)
	3	<u>(19,586)</u>	<u>(10,540)</u>
<b>Current liabilities</b>			
Due to broker	4	(876,800)	(1,369,547)
Accrued expenses and other payables	8	(112,981)	(291,175)
		<u>(989,781)</u>	<u>(1,660,722)</u>
<b>Total liabilities</b>		<u>(1,009,367)</u>	<u>(1,671,262)</u>
<b>Total assets minus total liabilities</b>		<u>16,252,739</u>	<u>19,858,120</u>
<b>Shareholder's equity</b>			
Contribution of participants		15,204,464	19,050,199
Unappropriated profit		1,048,275	807,921
<b>Total shareholder's equity</b>	9, 13	<u>16,252,739</u>	<u>19,858,120</u>

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

## Interim financial statements

### INCOME STATEMENT

(For the period ending 30 June)

	Note	2014 EUR	2013 EUR
<b>Investment result</b>			
<i>Direct investment result</i>			
Interest income		5	-
		<u>5</u>	<u>-</u>
<i>Indirect investment result</i>			
Realised gains on investments in investment funds	3	591,679	25,783
Unrealised (losses)/gains on investments in investment funds	3	(161,106)	1,852,412
Realised losses on derivative financial instruments	3	(18,353)	(90,289)
Unrealised losses on derivative financial instruments	3	(46,787)	(159,279)
Redemption fee		61,221	48,653
Foreign currency translation	10	43,841	(41,692)
		<u>470,495</u>	<u>1,635,588</u>
<b>Total investment income</b>		<u>470,500</u>	<u>1,635,588</u>
<b>Expenses</b>			
Management fee		(92,097)	(166,796)
Administration fee		(22,360)	(22,336)
Marketing fee		(19,834)	-
Custody fee		(12,060)	(9,438)
Legal fee		(11,256)	(8,143)
Interest expense		(9,778)	(20,552)
Incentive fee		(7,920)	(65,610)
Auditor's fee		(7,863)	(7,320)
Other operational costs		(46,978)	(41,591)
Bank charges		-	(48)
<b>Total expenses</b>	11	<u>(230,146)</u>	<u>(341,834)</u>
<b>Net profit</b>		<u>240,354</u>	<u>1,293,754</u>

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

## Interim financial statements

### STATEMENT OF CASH FLOWS

(For the period ended 30 June)

	Note	2014 EUR	2013 EUR
<b>Cash flows from operating activities</b>			
Net receipts from non-derivative financial assets at fair value through profit or loss		5,728,850	3,096,016
Net payments for derivative financial instruments		(18,353)	(90,289)
Interest received		5	-
Interest paid		(9,593)	(17,462)
Management fee paid		(187,316)	(191,588)
Incentive fee paid		(114,782)	(8,427)
Administration fee paid		(24,235)	(24,184)
Audit fee paid		(15,125)	(14,762)
Custody fee paid		(15,059)	(9,475)
Legal fee paid		(480)	(2,837)
Redemption fee received		61,221	48,653
Bank charges paid		-	(48)
Other general expenses paid		(55,219)	(57,082)
<b>Net cash flows provided by operating activities</b>		<b>5,349,914</b>	<b>2,728,515</b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of participations		2,276,318	143,883
Payments on redemptions of participations		(6,122,053)	(4,865,347)
<b>Net cash flows used in financing activities</b>		<b>(3,845,735)</b>	<b>(4,721,464)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,504,179</b>	<b>(1,992,949)</b>
Cash and cash equivalents at the beginning of the period		(1,365,887)	(1,548,998)
Foreign currency translation of cash positions		43,841	(41,692)
<b>Cash and cash equivalents at the end of the period</b>	4	<b>182,133</b>	<b>(3,583,639)</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank		1,058,933	-
Due from broker		-	561
Due to broker		(876,800)	(3,577,720)
Bank overdraft		-	(6,480)
<b>Total of cash and cash equivalents</b>	4	<b>182,133</b>	<b>(3,583,639)</b>

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



## Notes to the interim financial statements

### 1. GENERAL INFORMATION

Theta Legends XL Fund (the “Fund”) is structured as a common contractual fund in the Netherlands, established on 21 February 2011. The Fund commenced operations in March 2011.

The Fund may issue participations in various classes, each denominated in different currencies and listed on different exchanges. As at 30 June 2014 and 31 December 2013, the Fund only offers class A participations, which are denominated in Euro. All classes are subject to the same investment objectives and strategies but will have a different hedge strategy linked to the currency of the class.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

On 1 March 2012, participations valued at EUR 27,293,834 were issued to Theta Legends Fund, as part of its liquidation process and were distributed to the participants of the Theta Legends Fund as liquidation proceeds. The Fund did not receive a full payment in cash but a contribution in-kind consisting of a pro-rata part of the assets of the Theta Legends Fund.

The investment objective of the Fund is to generate average investment returns of approximately 10% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds and other investment structures, which employ diverse investment styles and strategies. The Fund focuses on hedge funds that have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles.

The Fund and the Fund Manager are subject to the supervision of the Netherlands Authority for the Financial Markets (“AFM”) and the Dutch Central Bank (“DNB”).

The Fund’s investment activities are managed by Theta Fund Management B.V. (the “Fund Manager”), with the administration delegated to TMF FundAdministrators B.V. (the “Administrator”).

The Fund had no employees during the period.

The interim financial statements have been authorised for issue by the Fund Manager on 27 August 2014.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The interim financial statements of the Fund have been prepared in accordance with reporting principles generally accepted in The Netherlands (“Dutch GAAP”) and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code and Dutch Accounting Standard 394. The interim financial statements have also been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”), which came into force on 1 January 2007.

The interim financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

Below is a summary of the accounting policies of the Fund.

#### Functional currency

The interim financial statements are presented in Euro, which is the Fund’s functional currency.

#### Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

## Notes to the interim financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

#### **Recognition and measurement** *(continued)*

Expenses (including value added tax ("VAT"), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

#### **Foreign exchange**

Assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in the income statement.

#### **Classification of participations**

The participations of the Fund are classified as equity. These participations are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

#### **Basis of valuation - policies in preparing the balance sheet**

Financial investments and financial derivatives are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised gains/(losses) on investments in investment funds and derivative financial instruments' or 'unrealised gains/(losses) on investments in investment funds and derivative financial instruments'.

The Fund's investments in investment funds are valued based on the reporting received from the administrators of those funds. As at the 30 June 2014, the value of investments in investment funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investment funds.

The profit or loss of the Fund on its investments in investment funds is the aggregate of the Fund's attributable share of the result of the hedge funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the hedge funds. As at 30 June 2014, no such adjustments were made.

Where an up-to-date value of an underlying investment is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value.

#### *Forward currency contracts*

The Fund may use forward currency contracts to hedge the currency exposure. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward currency contracts are valued by reference to the forward price at which a new forward currency contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price.

#### *Receivables and prepayments*

The value of accounts receivable and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

#### *Payables and accruals*

Payables and accruals and deferred income are included at fair value.

#### **Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Notes to the interim financial statements

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

#### Principles for determining the result

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in value of investments in investment funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Dividends from investment funds are included at the date when they are declared.

Expenses are accounted for in the income statement on the accrual basis. Transaction costs in relation to investment funds are capitalised while transaction costs in relation to forward currency contracts are expensed immediately.

#### Tax position

The Dutch tax authorities have granted a ruling confirming that the Fund is tax transparent. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a participant) are not subject to dividend withholding tax.

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### *Movement in schedule of investments*

(All amounts in EUR)

	01 January to 30 June 2014	01 January to 30 June 2013
<b>Investment in investment funds</b>		
As at 1 January	20,203,861	29,106,810
Purchases	5,667,767	5,010,184
Sales	(11,327,711)	(7,057,732)
Realised	591,679	25,783
Unrealised	(161,106)	1,852,412
<b>As at 30 June</b>	<b>14,974,490</b>	<b>28,937,457</b>
<b>Derivative financial instruments</b>		
As at 1 January	47,797	104,855
Purchases	18,353	90,289
Sales	-	-
Realised	(18,353)	(90,289)
Unrealised	(46,787)	(159,279)
<b>As at 30 June</b>	<b>1,010</b>	<b>(54,424)</b>
<b>Total investments</b>		
As at 1 January	20,251,658	29,211,665
Purchases	5,686,120	5,100,473
Sales	(11,327,711)	(7,057,732)
Realised	573,326	(64,506)
Unrealised	(207,893)	1,693,133
<b>As at 31 December</b>	<b>14,975,500</b>	<b>28,883,033</b>

## Notes to the interim financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 3. Investments (continued)

The table below provides an analysis of the forward currency contracts at 30 June 2014:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/07/2014	EUR	2,353,069	USD	3,249,000	1.38075	1.36935	(19,586)
29/08/2014	EUR	2,278,672	USD	3,101,500	1.36110	1.36950	13,973
30/09/2014	EUR	3,228,957	USD	4,413,500	1.36685	1.36966	6,623
<b>Total unrealised gain on open forward currency contracts</b>							<b>1,010</b>

\* Showing the equivalent of 1 Euro.

The table below provides an analysis of the forward currency contracts at 30 June 2013:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/07/2013	EUR	1,296,522	USD	1,700,000	1.31120	1.30115	(10,015)
30/08/2013	EUR	5,648,326	USD	7,340,000	1.29950	1.30133	7,926
30/09/2013	EUR	9,897,585	USD	12,950,000	1.30840	1.30152	(52,335)
<b>Total unrealised loss on open forward currency contracts</b>							<b>(54,424)</b>

\* Showing the equivalent of 1 Euro.

#### 4. Cash and cash equivalents

As at 30 June 2014, cash and cash equivalents comprise of balances held with ABN AMRO Clearing Bank N.V. amounting to EUR 1,058,933 (31 December 2013: EUR 13). As at 30 June 2014 and 31 December 2013, no restrictions in the use of this balance exist.

Cash and cash equivalents also include amounts due from broker, representing amounts held in brokerage accounts with ABN AMRO Clearing Bank N.V. of EUR Nil (31 December 2013: EUR 3,647).

As at 30 June 2014, amounts due to broker amount to EUR 876,800 (31 December 2013: EUR 1,369,547).

## Notes to the interim financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 5. Receivable for investments sold

As at 30 June 2014, receivable for securities sold amounts to EUR Nil

During 2013, the Fund redeemed shares from Equinox Fund International Ltd. Equinox Fund International Ltd. only makes full final payment of redemptions upon completion of their audit of the fiscal year. On these redemptions the Fund received partial payment, representing approximately 90% of the estimated redemption proceeds. The remaining proceeds were paid to the Fund during 2014. As at 31 December 2013 the receivable for shares redeemed from Equinox Fund International Ltd. amounted to EUR 254,944.

#### 6. Prepaid investments

During the period ended 30 June 2014 and the year ended 31 December 2013, the Fund subscribed for shares of investment funds which were to be settled on the first business day after the reporting date. Subscribers in investment funds are required to pay in advance prior to settlement. The prepaid investments represent the amounts paid in advance to the funds. All prepaid investments have been converted into the following investments subsequent to the reporting date.

<i>(All amounts in EUR)</i>	2014	2013
Glenview Capital Partners	690,184	1,004,148
Transtrend Omnitrend Plus Fund	500,000	-
<b>Total prepaid investments</b>	<b>1,190,184</b>	<b>1,004,148</b>

#### 7. Other receivables and prepaid expenses

At 30 June 2014 and 31 December 2013, the other receivables and prepaid expenses consist of the following:

<i>(All amounts in EUR)</i>	2014	2013
Prepaid custodian fees	10,153	2,526
Prepaid listing fees	4,502	-
Prepaid other general expenses	3,248	1,906
<b>Total</b>	<b>17,903</b>	<b>4,432</b>

#### 8. Accrued expenses and other payables

At 30 June 2014 and 31 December 2013, the accrued expenses and other payables consist of the following:

<i>(All amounts in EUR)</i>	2014	2013
Management fee payable	(47,486)	(142,705)
Administration fee payable	(11,707)	(13,582)
Legal fee payable	(10,776)	-
Marketing fee payable	(10,007)	-
Incentive fee payable	(7,920)	(114,782)
Regulator fee payable	(7,685)	-
Audit fee payable	(7,500)	(14,762)
Liquidity provider fee	(6,147)	-
Commitment fee payable	(2,973)	(1,750)
Custody fee payable	(595)	(3,594)
Interest payable	(185)	-
<b>Total</b>	<b>(112,981)</b>	<b>(291,175)</b>

## Notes to the interim financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 9. Share capital

The movement of equity in the Class A shares during the period is as follows:

<i>(All amounts in EUR)</i>	<b>01 January to 30 June 2014</b>	<b>01 January to 30 June 2013</b>
<i>Contributions of participants</i>		
Balance at the beginning of the period	19,050,199	30,266,775
Issue of participations	2,276,318	143,883
Redemption of participations	(6,122,053)	(4,865,347)
<b>Total contributions at the end of the period</b>	<b>15,204,464</b>	<b>25,545,311</b>
<i>Unappropriated gain/(loss)</i>		
Balance at the beginning of the period	807,921	(1,761,122)
Net gain	240,354	1,293,754
<b>Total undistributed gain/(loss) at the end of the period</b>	<b>1,048,275</b>	<b>(467,368)</b>
<b>Equity at the end of the period</b>	<b>16,252,739</b>	<b>25,077,943</b>

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 10. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains on assets and liabilities other than financial instruments at fair value through profit or loss. For the period ended 30 June 2014, this amounted to gains of EUR 43,841 (2013: losses of EUR 41,692).

The following average and closing rates have been applied in the preparation of these interim financial statements as at 30 June:

	<b>2014</b>		<b>2013</b>	
	<b>Average</b>	<b>Closing</b>	<b>Average</b>	<b>Closing</b>
<i>Showing the equivalent of 1 Euro</i>				
United States Dollar	1.3710	1.3692	1.3131	1.3010

## Notes to the interim financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

#### 11. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses as at 30 June.

<i>(All amounts in EUR)</i>	<b>2014</b>	<b>2013</b>
<b>Expenses accruing to Fund Manager</b>		
Management fee	(92,097)	(166,796)
Incentive fee	(7,920)	(65,610)
<b>Other expenses</b>		
Administration fee	(22,360)	(22,336)
Marketing fee	(19,834)	-
Liquidity provider fee	(12,397)	(12,397)
Custody fee	(12,060)	(9,438)
Legal fee	(11,256)	(8,143)
Interest expenses	(9,778)	(20,552)
Auditor's fee	(7,863)	(7,320)
Custodian fee	(7,499)	(7,452)
Listing fees	(4,427)	(4,300)
Transfer agency fee	(3,200)	(3,600)
Other general expenses	(19,455)	(13,842)
Bank charges	-	(48)
<b>Total</b>	<b><u>(230,146)</u></b>	<b><u>(341,834)</u></b>

#### 12. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

##### Fund Manager

The following transactions occurred between the Fund and the Fund Manager during the reporting period.

##### *2014 transactions and balances as at 30 June 2014*

	<b>Paid EUR</b>	<b>Balance EUR</b>
Management fee	187,316	47,486
Incentive fee	114,782	7,920

##### *2013 transactions and balances as at 31 December 2013*

	<b>Paid EUR</b>	<b>Balance EUR</b>
Management fee	358,384	142,705
Incentive fee	9,363	114,782

As per 30 June 2014 one of the Directors of the Fund Manager holds 2,950 (31 December 2013: 2,950) shares in the Fund and another Director holds 11,406 (31 December 2013: 11,406) shares in the Fund.

## Notes to the interim financial statements

### 12. RELATED PARTY TRANSACTIONS (CONTINUED)

On 1 March 2012, participations valued at EUR 27,293,834 were issued to Theta Legends Fund, as part of its liquidation process and were distributed to the participants of the Theta Legends Fund as liquidation proceeds. The Fund did not receive a payment in cash but a contribution in-kind consisting of a pro-rata part of the assets of the Theta Legends Fund.

### 13. NET ASSET VALUE AS ISSUED

The following schedule shows the reconciliation between the NAV in accordance with the Prospectus and the NAV in accordance with Dutch Accounting Standard 210 ("Dutch GAAP").

The Prospectus states that incorporation costs should be amortised over 5 years. Dutch GAAP states that incorporation costs be expensed immediately.

To determine the NAV in accordance with Dutch GAAP the following schedule is presented, as at 30 June:

	2014 EUR	2013 EUR
<b>Net assets attributable to holders of participations in accordance with the Prospectus</b>	16,302,382	25,157,338
<b>Adjustments</b>		
Unamortised incorporation costs	(49,643)	(79,395)
<b>Adjusted net assets to holders of participations in accordance with Dutch GAAP</b>	<u>16,252,739</u>	<u>25,077,943</u>
Number of participations	161,211	269,080
NAV per participation in accordance with the Prospectus	<u>101.12</u>	<u>93.49</u>
Adjusted NAV per participation in accordance with Dutch GAAP	<u>100.82</u>	<u>93.20</u>



## Notes to the interim financial statements

### 14. SCHEDULE OF INVESTMENTS BY INVESTMENT STRATEGY

Strategy	30 June 2014 EUR	% of NAV	30 June 2013 EUR	% of NAV
Global Macro: Discretionary Thematic	3,406,507	21.0	7,106,964	28.4
Equity Hedge: Fundamental Value	3,177,542	19.6	9,515,542	37.9
Relative Value/Event Driven: Special Situation	2,847,662	17.5	-	-
Relative Value/Event Driven: Fixed Income Corporate	2,664,922	16.3	7,134,281	28.5
Relative Value/Event Driven: Multi-Strategy	1,675,666	10.3	3,346,275	13.3
Global Macro: Systematic Diversified	1,202,191	7.4	1,834,395	7.3
	<b>14,974,490</b>	<b>92.1</b>	<b>28,937,457</b>	<b>115.4</b>

### 15. EVENTS AFTER REPORTING PERIOD

After 30 June 2014 there was a subscription in-kind for EUR 8 million. This subscription in-kind included investments of EUR 7,184,896 and cash of EUR 815,104.

No other important events that may impact the financial position as reported in this interim report have occurred after the balance sheet date.

### 16. PROVISION OF INFORMATION

The interim financial statements and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: <http://www.thetacapital.com>.