

**Performa Reserve Fund Ltd. -  
Performa Equity Fund (USD)**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2019**

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Board of Directors of  
Performa Reserve Fund Ltd. – Performa Equity Fund (USD)

We have audited the accompanying financial statements of Performa Reserve Fund Ltd – Performa Equity Fund (USD) (the "Fund"), which comprise the statement of net assets, including the condensed schedule of investments, as at December 31, 2019, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### **Management responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 auditing standards generally accepted in the United States of America. Those standards require that we 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 Fund'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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and the results of its operations and changes in its net assets for the year then ended in accordance with accounting principles generally accepted in United States of America.

*Deloitte Ltd.*

March 13, 2020

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
STATEMENT OF NET ASSETS**  
as at December 31, 2019  
*(Expressed in U.S. dollars)*

ASSETS

Investments, at fair value (cost: \$214,763,880)	\$ 231,545,398
Cash pledged as collateral	7,567,264
Cash and cash equivalents	5,155,350
Dividends receivable	525,514
Due from broker	223,899
Derivative assets, at fair value (cost: \$16,910)	37,636
	245,055,061

LIABILITIES

Dividend withholding tax payable	153,739
Management fees payable	107,314
Accounts payable and accrued expenses	52,007
Derivative liabilities, at fair value (proceeds: \$17,061)	15,837
	328,897

NET ASSETS	\$ 244,726,164
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Class A Shares issued and outstanding	169,058
Net Asset Value per Class A Shares	\$ 1,447.58

Approved on behalf of the Board:

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Hugh Barit  
Director

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Gary M. LeBlanc  
Director

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
CONDENSED SCHEDULE OF INVESTMENTS**

as at December 31, 2019

*(Expressed in U.S. dollars)*

	No. of Shares	Fair Value \$	% of Net assets
<b>Investments, at fair value</b>			
<b>Common Stock</b>			
<b>United States</b>			
Basic Materials		2,081,406	0.85%
Communications		5,633,857	2.30
Consumer (Cyclical)		14,809,464	6.05
Consumer (Non-cyclical)		36,032,371	14.72
Energy		3,068,694	1.25
Financial		28,883,877	11.80
Industrial		32,246,398	13.18
Technology		19,162,687	7.83
		<hr/>	<hr/>
Total - United States (cost –\$136,402,676)		141,918,754	57.99%
		<hr/>	<hr/>
<b>Total investment in common stock (cost - \$136,402,676)</b>		141,918,754	57.99%
		<hr/>	<hr/>
<b>Exchange Traded Funds</b>			
<b>United States</b>			
Index Funds			
SPDR S&P 500	275,306	88,609,989	36.21%
Other		1,016,655	0.41
		<hr/>	<hr/>
Total - United States (cost - \$78,361,203)		89,626,644	36.62%
		<hr/>	<hr/>
<b>Total - Exchange Traded Funds (cost - \$78,361,203)</b>		89,626,644	36.62%
		<hr/>	<hr/>
<b>Total investments, at fair value (cost - \$214,763,880)</b>		231,545,398	94.61%
		<hr/> <hr/>	<hr/> <hr/>
<b>Derivative assets, at fair value</b>			
<b>Futures Contracts</b>			
Index derivative		9,386	0.00%
		<hr/>	<hr/>
<b>Options</b>			
Financial (cost – \$16,910)		28,250	0.01%
		<hr/>	<hr/>
<b>Total derivative assets, at fair value (cost-\$16,910)</b>		37,636	0.01%
		<hr/> <hr/>	<hr/> <hr/>

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
CONDENSED SCHEDULE OF INVESTMENTS (cont'd)**  
as at December 31, 2019  
*(Expressed in U.S. dollars)*

	<b>Fair value</b>	<b>% of</b>
<b>Derivative liabilities, at fair value</b>	<b>\$</b>	<b>Net Assets</b>
Options		
Financial (proceeds - \$17,061)	15,837	0.01%
	15,837	0.01%
<b>Total derivative liabilities, at fair value (proceeds - \$17,061)</b>	<b>15,837</b>	<b>0.01%</b>

*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
STATEMENT OF OPERATIONS**  
for the year ended December 31, 2019  
*(Expressed in U.S. dollars)*

INCOME

Dividend income (net of withholding tax of \$893,516)	\$ 2,267,674
Other income	68,534
Interest income	2,715
	2,338,923

EXPENSES

Management fees (Note 4)	593,369
Administration fees (Note 4)	91,480
Miscellaneous fees	60,562
Professional fees	58,477
Custodian fees (Note 4)	42,366
	846,254

NET INVESTMENT INCOME	1,492,669
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REALIZED AND UNREALIZED GAIN ON INVESTMENTS

Net realized gain on investments and derivatives	10,960,942
Change in unrealized gain of investments and derivatives	28,389,846
	39,350,788

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 40,843,457
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*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
STATEMENT OF CHANGES IN NET ASSETS**

December 31, 2019

*(Expressed in U.S. dollars)*

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 40,843,457
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CAPITAL TRANSACTIONS	
Issuance of Shares	87,447,620
Redemption of Shares	(15,701,673)
<hr/>	
NET INCREASE IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS	71,745,947
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NET INCREASE IN NET ASSETS	112,589,404
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NET ASSETS, BEGINNING OF YEAR	132,136,760
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NET ASSETS, END OF YEAR	\$ 244,726,164
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*The accompanying notes form an integral part of these statements*

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

*(Expressed in U.S. dollars)*

1. THE FUND

Performa Reserve Fund Ltd. (the “Company”) was incorporated under the laws of Bermuda on March 21, 1997, as an open-ended limited liability investment company.

The Company is organized into distinct Sub-Funds. All income and capital gains earned on the assets of each Sub-Fund shall accrue to such Sub-Fund, as will all expenses and liabilities related to a particular Sub-Fund. Any redemption of the Shares related thereto shall be charged to and paid from the Sub-Fund in question. Thus, the trading results of any one Sub-Fund should have no effect on the value of any other Sub-Fund and the holders of any class of Share will not have any interest in any assets of the Company other than the Sub-Fund attributable to the class of Shares held by them.

Performa Reserve Fund Ltd. – Performa International Bond Fund (USD) and Performa Reserve Fund Ltd. – Performa Equity Fund (USD) (the “Fund”) are the only Sub-Funds of the Company. Although the Company is a separate legal entity, each Sub-Fund is not, and therefore all assets of the Sub-Funds would be available to satisfy creditors.

The Investment Advisors, P.R.P. Performa Limited and Performa Limited (US), LLC (collectively the “Investment Advisor”), provide investment management advisory services to the Fund.

The Company seeks to achieve, through individual portfolios, an above average rate of total return by investing primarily in equity securities, via a diversified approach, with exposure to different equity markets characterized by company market capitalization, geography.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting:

The financial statements have been prepared in conformity with accounting principles generally accepted in United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Fund is classified as an investment company as defined in Accounting Standards Update (“ASU”) 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements. The Fund applies the guidance set forth in Accounting Standards Codification (“ASC”) Topic 946, *Financial Services – Investment Companies* (“ASC 946”) in its financial statements and related notes.



**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

*(Expressed in U.S. dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b. Investments:

Trading activity is recorded on a trade date basis. Securities that are listed on a national securities exchange are valued at their last sales prices on the date of valuation on the largest national securities exchange on which such securities have traded on such date. If no sales of such securities occurred on the date of valuation, the securities are valued at the “bid” price on the largest national securities exchange on which such securities are traded. The resulting unrealized appreciation and depreciation of securities is reflected in the statement of operations. Realized gains and losses on sales of securities are calculated using the first-in, first-out basis of accounting.

c. Cash and cash equivalents:

As at December 31, 2019 cash and cash equivalents consists of an investment of \$5,155,350 in a money market fund which is managed by the Investment Advisor.

As at December 31, 2019 there was cash pledged as collateral in the amount of \$7,567,264 to be used for futures trading.

d. Investment income:

Interest is recorded on the accrual basis of accounting.

e. New accounting standards:

For the year ended December 31, 2019, there were no recent accounting pronouncements that would significantly impact the financial statements of the Fund.

3. SHARE CAPITAL

The Company’s total authorized share capital is 12,000 Founder Shares with a par value of \$1.00 each and 10,000,000 Common Shares with a par value of \$0.01 each.

The Founder Shares are voting, non-participating and, non-redeemable and are not entitled to any dividends. The Founder Shares have been issued and are unpaid. The Company has issued all of the Founder Shares to P.R.P. Performa Limited. The Common Shares are non-voting, and are redeemable. Any number of classes of Common Shares can be issued as determined by the Directors of the Fund.

The Performa Equity Fund (USD) Class A is the only class of Common Shares outstanding at December 31, 2019.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

*(Expressed in U.S. dollars)*

3. SHARE CAPITAL (cont'd)

Share transactions for the year ended December 31, 2019, were as follows:

Class	Shares at December 31, 2018	Issued	Redeemed	Shares at December 31, 2019
Class A	115,374	66,107	(12,423)	169,058

4. MANAGEMENT, ADMINISTRATION AND CUSTODIAN FEES

Under the terms of the Fund's prospectus:

- a. The Investment Advisor provides investment management and advisory services to the Fund. The Investment Advisor is responsible for the investment of the Fund's assets and are entitled to receive an advisory fee up to 0.70% per annum, calculated daily on the Fund's total assets and paid monthly in arrears.

Effective November 1, 2019, the Investment Advisor appointed Champlain Investment Partners, LLC as a Sub Investment Advisor. Pzena Investment Management, LLC continues to provide sub investment management advisory services. Each Sub Investment Advisor is paid a portion of the advisory fee.

For the year ending December 31, 2019, there were no management fees charged for the Exchange Traded Funds held in the U.S. Passive Equity Strategy.

- b. STP Investment Services, Inc. (the "Administrator") provides services as the Administrator, Share Registrar & Transfer Agent for the Fund. For these services, the Administrator receives an administration fee calculated at the following rates:

0.055% per annum on first \$1,250 million  
0.045% per annum on the next \$250 million  
0.040% per annum on the next \$500 million  
0.035% per annum on the excess of \$2,000 million

The administration fee is calculated daily on the total assets and paid monthly in arrears.

- c. The custodian, Comerica Bank, is entitled to receive fees calculated at the following rates:

0.030% per annum on the first US\$400 million  
0.025% per annum on the next US\$600 million  
0.015% per annum on the next US\$1,000 million  
0.010% per annum on the excess of US\$2,000 million

The custodian fee is calculated daily on the net assets and is paid quarterly in arrears.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

*(Expressed in U.S. dollars)*

5. CREDIT RISK

In the normal course of business, the Fund manages a variety of risks including market risk, credit risk and liquidity risk.

Market risk is the potential for changes in the value of investments due to market changes, including interest and foreign exchange rate movements and fluctuations in security prices. Market risk is directly impacted by the volatility and liquidity in the markets in which the underlying assets are traded. The Fund manages its exposure to market risk related to trading instruments on an aggregate basis combining the effects of cash instruments and fixed income securities.

As at December 31, 2019, the custody of cash and cash equivalents and investments are with Comerica Bank and Interactive Brokers LLC. The Fund has all its individual counterparty concentration with these parties who are both based in the United States of America.

Transactions in OTC derivative contracts are entered into with major commercial and investment banks. Estimated credit risk exposure with respect to the Fund's outstanding OTC derivatives is \$Nil as of December 31, 2019.

The following table identifies the fair value amounts of derivative instruments included in the Statement of Net Assets as derivative liabilities at fair value, categorized by primary underlying risk, as of December 31, 2019:

	<b>Derivative Assets, at fair value</b>
<b>Futures contracts</b>	
Index	\$ 9,386
<b>Options</b>	
Financial	28,250
	\$ 37,636
	<b>Derivative Liabilities, at fair value</b>
<b>Options</b>	
Financial	\$ 15,837

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019

*(Expressed in U.S. dollars)*

5. CREDIT RISK (cont'd)

The following table presents the impact of derivative financial instruments on the statement of operations, arranged by type of contract. The Fund did not designate any derivatives as hedging instruments for the year ended December 31, 2019.

<b>Derivative Type</b>	<b>Net realized gain/(loss) on investment and foreign currency</b>	<b>Net change in unrealized gain/(loss) on investments and foreign currency</b>	<b>Number of contracts bought/sold during the year ended December 31, 2019</b>
Futures Contracts	\$ 1,168,441	\$ (105,687)	58
Options	\$ 433,089	\$ 12,271	130

The Fund had no derivative positions during the year that were subject to a master netting agreement.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgment by the Investment Advisor. The Investment Advisor considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Investment Advisor's perceived risk of that instrument.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2019  
(Expressed in U.S. dollars)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments can be exchange-traded or privately negotiated over-the-counter (“OTC”). Exchange-traded derivatives, such as futures contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

OTC derivatives, including currency forwards, are valued using third party quotations which are calculated using straight line interpolation of mid forward points as reported by time zone close from the market on which the foreign currency primarily trades. Certain OTC derivatives, such as generic forwards, have inputs which can generally be corroborated by market data and are therefore classified within level 2.

Those OTC derivatives that have less liquidity or for which inputs are unobservable are classified within level 3. While the valuations of these less liquid OTC derivatives may utilize some level 1 and/or level 2 inputs, they also include other unobservable inputs which are considered significant to the fair value determination. At each measurement date, the Investment Advisor updates the level 1 and level 2 inputs to reflect observable inputs, though the resulting gains and losses are reflected within level 3 due to the significance of the unobservable inputs. There were no level 3 financial instruments held during the period or at period end.

The following table presents the financial instruments carried on the Statement of Net Assets by caption and by level within the valuation hierarchy as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b>Investments in securities</b>				
Common Stock				
Basic Materials	\$ 2,081,406	\$ -	\$ -	\$ 2,081,406
Communications	5,633,857	-	-	5,633,857
Consumer (Cyclical)	14,809,464	-	-	14,809,464
Consumer (Non-Cyclical)	36,032,371	-	-	36,032,371
Energy	3,068,694	-	-	3,068,694
Financial	28,883,877	-	-	28,883,877
Industrial	32,246,398	-	-	32,246,398
Technology	19,162,687	-	-	19,162,687
Exchange Traded Funds				
Index Funds	89,626,644	-	-	89,626,644
	<u>\$ 231,545,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,545,398</u>

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019  
*(Expressed in U.S. dollars)*

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Derivative Assets, at fair Value</b>				
Futures	\$ 9,386	\$ -	\$ -	\$ 9,386
Options	-	28,250	-	28,250
	<u>\$ 9,386</u>	<u>\$ 28,250</u>	<u>\$ -</u>	<u>\$ 37,636</u>
<b>Derivative Liabilities, at fair Value</b>				
Options	\$ -	\$ 15,837	\$ -	\$ 15,837

7. TAXES

Under current laws, there are no income, profit, capital or capital gains taxes levied in Bermuda, and accordingly, no provision for such taxes has been recorded by the Fund. In the event that such taxes are levied, the Fund has received an undertaking from the Government of Bermuda exempting it from all such taxes until March 31, 2035.

Management has reviewed the Fund's tax positions for all open tax years and has concluded that no provision for uncertain tax positions is required in the Fund's financial statements as of December 31, 2019. Such open tax years remain subject to examination by tax authorities.

**PERFORMA RESERVE FUND LTD. –  
PERFORMA EQUITY FUND (USD)  
NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2019  
*(Expressed in U.S. dollars)*

8. FINANCIAL HIGHLIGHTS

Financial highlights of the Fund for the year ended December 31, 2019 is as follows:

Per share operating performance

Net asset value per share at beginning of year	\$ 1,145.29
Net investment income	11.86
Net realized and unrealized gain on investments	290.43
	302.29
Net increase in net assets resulting from operations	302.29
Net asset value per share at end of year	\$ 1,447.58
TOTAL RETURN:	26.39%
RATIO TO AVERAGE NET ASSETS:	
Expenses	0.51%
Net investment income	0.90%

An individual investor's return may vary from these returns based on the timing of capital transactions.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated up to the date of the audit report for recognition and disclosure and determined that there were no material events that would require recognition or disclosure in the Fund's financial statement through that date.