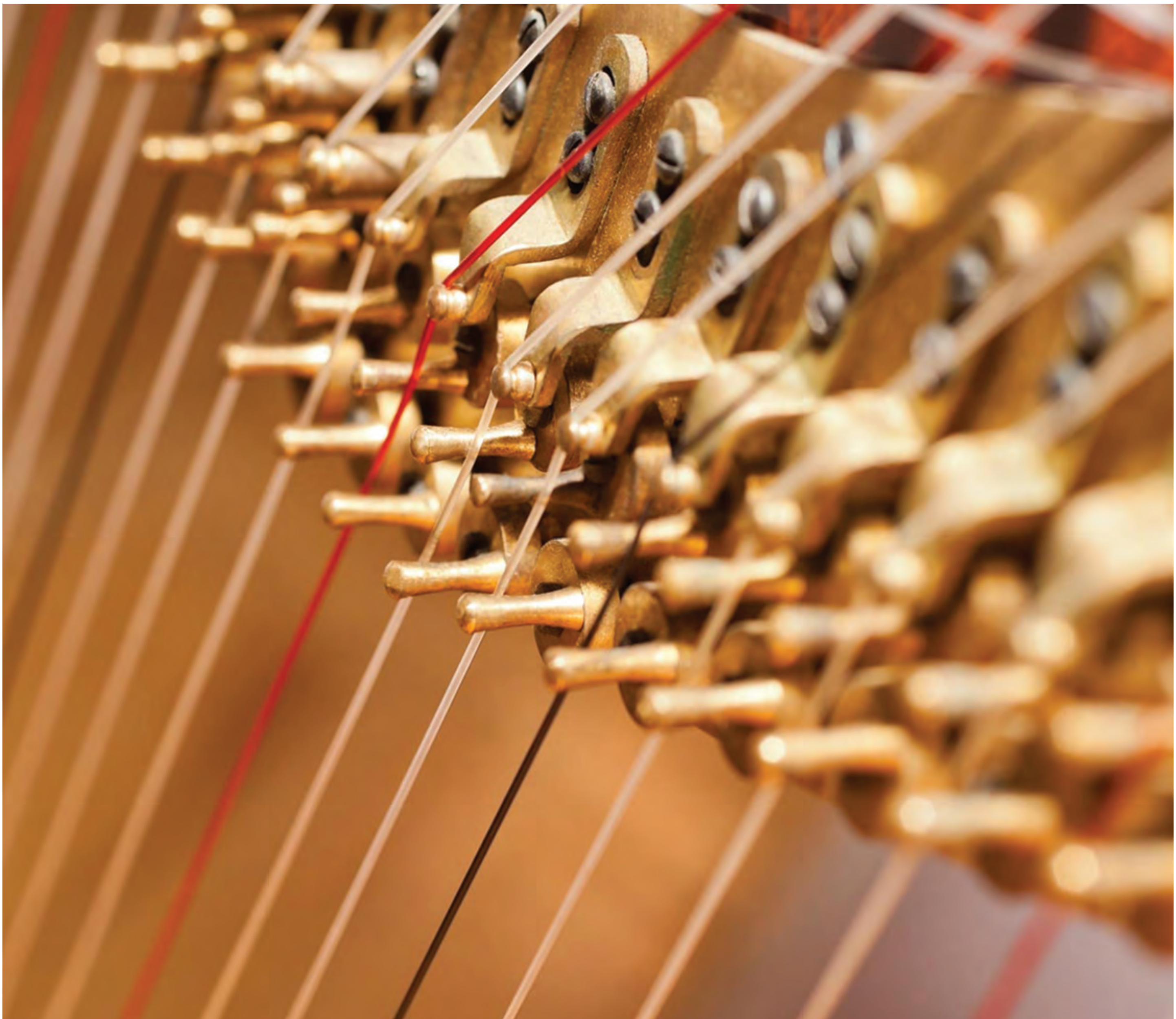
Highbridge Multi-Strategy Fund Limited

Formerly known as BlueCrest AllBlue Fund Limited

Financial Report for the year ended 31st December 2016



Contents

Financial Results

Company Key Figures

3.07%
2016 Sterling Share price increase[1]

98%
Sterling AllBlue proceeds received[2]

7.65%
Annualised Sterling NAV return (since inception[3])

Underlying Fund Key Figures for 2016[4]

2.1
Sharpe Ratio[5, 8]

0.13
Beta to FTSE 100[5, 6, 7, 8]

1/5th
of the volatility of the FTSE 100[5, 6, 7, 8]

+5.6%
Outperformance vs HFRI Fund of Funds Diversified Index[5, 9]

-0.03
Beta to Barclays Aggregate[5, 8, 10]

0.10
Beta to S&P 500[5, 8, 11]

Please note the disclaimers relating to this information on page 3. A glossary is provided at the end of this report on page 74.

FINANCIAL RESULTS DISCLAIMERS:

1. Information is for the Company as at 31st December 2016.
2. Information is for the Company as at 2nd March 2017.
3. Information is for the Company as at 31st December 2016. This alternative performance measure ('APM') is provided for shareholders information in addition to the audited financial statements on page 40. Shareholders should base their assessment on the financial performance of the Company on the information contained in the audited financial statements.
4. Information is for the Highbridge Multi-Strategy Fund (the 'Underlying Fund') as at 31st December 2016.
5. Performance represents returns for the Highbridge Multi-Strategy Fund's non-restricted Class D shares from 1st January 2016 to 31st December 2016, net of all applicable fees and expenses. Please note Class D returns are USD denominated and have been incorporated as a result of insufficient historical data being available for the Class F (GBP denominated) shares in which the Company is invested due to Class F (GBP denominated) being established on 1st March 2016. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.
6. Source: FTSE International Limited ('FTSE') © FTSE 2016. 'FTSE ®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices or underlying data. No further distribution of FTSE data is permitted without FTSE's express written consent.
7. The FTSE 100 Index (USD) ('FTSE 100') is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. Ticker: UKX Index (Currency USD). The index is USD denominated.
8. Annualised Volatility measures the dispersal or uncertainty in a random variable. It measures the degree of variation (in this case) of monthly net returns around the average monthly net return. For this reason, volatility is often used as a measure of investment risk. Values are calculated by applying the traditional sample standard deviation formula to monthly return data, and then annualised by multiplying the result by the square root of twelve. Volatility is annualised. The Underlying Fund's Beta is calculated as the realised slope of the portfolio's return to the index's return, based on monthly observations. The Sharpe ratio is a return/risk measure developed by Nobel Laureate William Sharpe. Return (the numerator) is defined as the incremental average monthly return of an investment over the risk free rate. Risk (the denominator) is defined as the standard deviation of the monthly investment returns less the risk free rate. The values for the risk free rate for the calculations are those of the 90 Day U.S. Treasury Bill. Values are presented in annualised terms; annualised Sharpe Ratios are calculated by multiplying the monthly Sharpe Ratio by the square root of 12.
9. Source: Hedge Fund Research, Inc. (HFR). The HFRI Fund of Funds Diversified Index includes fund of funds classified as 'Diversified' which exhibit one or more of the following characteristics: invests in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index. A fund in the HFRI FOF Diversified Index tends to show minimal loss in down markets while achieving superior returns in up markets. The index is USD denominated.
10. The Barclays Aggregate Bond Index ('Barclays Aggregate') represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The index is USD denominated. The Products are not sponsored, endorsed, sold or promoted by Barclays Capital, and Barclays Capital makes no warranty, express or implied, as to the results to be obtained by any person or entity from the use of any index, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with any Fund or for any other purpose. Barclays Capital's only relationship to the Licensee with respect to the Products is the licensing of certain trademarks and trade names of Barclays Capital and the Barclays Capital indexes that are determined, composed and calculated by Barclays Capital without regard to Licensee or the Products.
11. The S&P 500 Index ('S&P 500') consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. Ticker: SPX Index (Currency USD). The index is USD denominated.

Note: All index performance information has been obtained from third parties and should not be relied upon as being complete or accurate. Indices are shown for comparison purpose only. While an investor may invest in vehicles designed to track certain indices, an investor cannot invest directly in an index. Indices are unmanaged, do not charge fees or expenses, and do not employ special investment techniques such as leverage or short selling.

CHAIRMAN'S STATEMENT

2016 has been a significant year of change for your Company. The change to which I refer was triggered in December 2015 when BlueCrest Capital Management Limited ('BlueCrest') announced their intention to return capital to their investors. As a result of that announcement, as previously reported, Highbridge Capital Management, LLC ('Highbridge') was appointed as the replacement investment manager to the Company on 29th February 2016.

Your Board is pleased with the performance of Highbridge since it was appointed. The residual investments in the AllBlue and AllBlue Leveraged funds have reduced steadily during 2016 and have continued to do so post year end. The remaining balance in these funds now represents less than 3% of the current NAV of the Company and it is pleasing that realisation has been achieved at around the indicative NAVs of those funds. The balance is expected to be paid during 2017.

Review of Investment Performance for the Year

Total Net Asset Value ('NAV') was £219 million at the end of the year, after providing for the tender offer for 20% of the Company's Shares during October. The NAV per share grew a solid 5.53% for the year ended 31st December 2016 (this includes a negative performance of -0.7% for the first two months of 2016).

From 1st March 2016, until 31st December 2016, the Company's NAV increased by 6.2%, representing a very encouraging performance in a year of challenging market conditions. Furthermore, the Underlying Fund contributed significantly to this return, delivering a NAV return of 6.2% for the same period, with an annualised volatility of less than 3% and a realised Beta to the FTSE 100 of just 0.13[2].

Since launch in 2006, the Company has sought to deliver to Shareholders an attractive, risk-adjusted and uncorrelated return. Despite a series of global political and economic events in 2016, there was little negative impact to the Underlying Fund performance, which continued to be driven by idiosyncratic positions and not by directional calls around specific macroeconomic events. This resulted in a good risk adjusted return delivered with very low beta to both equity and fixed income indices.

The Company has always sought to offer both diversification and attractive returns to Shareholders and it has proven that it can do just that. Your Board believes, therefore, that the Company continues to have a relevant place in many portfolios. We are encouraged that a number of prominent global investors agree and form a cornerstone of our shareholder base.

Discount Management

At the time of the Half Yearly Financial Report, I commented that your Board was disappointed that the Company's shares had been trading at a wider discount than we would have expected and that the Board anticipated that the discount[3] would gradually narrow over the remainder of 2016. I am pleased to report that has happened.

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[2] Performance represents returns for the Underlying Fund's non-restricted Class D shares from 1st January 2016 to 31st December 2016, net of all applicable fees and expenses. Returns are estimated and unaudited for 2016. Please note Class D returns are USD denominated. Shareholders should note that past performance is not necessarily indicative of future results and that there can be no assurance that the Company's and/or the Underlying Fund's return objectives will be realised or that the Company and/or the Underlying Fund will not experience losses.

[3] Discount to NAV is calculated by dividing the difference between the Company's share price and its published net asset value by the net asset value. This APM is provided for shareholders information in addition to the audited financial statements on page 40. Shareholders should base their assessment on the financial performance of the Company on the information contained in the audited financial statements.

In the final quarter of 2016, the Board implemented a tender offer to buy back up to 20% of the Company's shares. In the recent months, the Company's share price discount has remained stable with an average discount of 5.2% during that period. After canvassing the views of a number of larger shareholders your Board decided not to offer a further quarterly tender opportunity in the first quarter of 2017 but, instead, reaffirmed that the Company would continue to repurchase shares in accordance with the buyback programme. Since then 4,261,000 shares have been repurchased, as at the date of publication. Your Board is investigating the availability of a credit facility to reduce any potential cash drag from the requirements to hold highly liquid assets to facilitate the buyback. We have undertaken active discussions with a number of potential lenders. I anticipate that an announcement will be made in the coming months to confirm that credit arrangements are in place.

Succession Planning

As mentioned in my predecessor's Chairman's statement last year, the Board has given considerable thought to succession planning. I remind you that Sarita Keen was appointed to the Board on 3rd June 2015 and Steve Le Page had been appointed as a board member the previous year. Furthermore, as a result of the additional work required in relation to the change of investment policy and appointment of a replacement investment manager in early 2016, John Le Prevost agreed to continue as a board member until 27th April 2016, being the date he stepped down from the Board.

I joined the Board in June 2016 and assumed the position of Chairman a month later when Richard Crowder retired at the AGM in July. Paul Meader was scheduled to step down as a director in late 2017. However, your Board considers it to be in the best interests of shareholders for Paul to remain a director for an additional 12 months beyond this date. Paul's knowledge and insight of the Company over many years adds real value to the Board's discussions and will ensure continuity. I am very pleased to confirm that Paul has agreed to remain on the Board until late 2018.

Other changes

PricewaterhouseCoopers CI LLP ('PwC') were appointed as auditors to replace Ernst & Young. As more fully disclosed in the Audit Committee report, your Board went through a full tender process before selecting PwC.

Likewise a similar tender process to review the Company's corporate brokers was undertaken in February 2017 when it was decided to appoint Peel Hunt in addition to re-appointing Fidante Capital.

Looking Forward

We believe the Company provides an opportunity to invest in an uncorrelated vehicle that offers genuine diversification benefits for investors. Every effort is being made to target new shareholders who recognise the benefits of the Company. After a year of consolidation and establishing a strong track record under the newly appointed investment manager, your Board is now fully focused on achieving growth in the shareholder base through the issuance of more shares. Key to this is our commitment to manage and to further narrow the discount range. I look forward to reporting to you again later in 2017 and, I hope, to welcoming a number of new shareholders to the Company.

Vic Holmes
Chairman 31st March 2017

INVESTMENT MANAGER REPORT

On the invitation of the Directors of the Company, this commentary has been provided by Highbridge as investment manager of both the Company and of the Underlying Fund and is provided without any warranty as to its accuracy and without any liability incurred on the part of the Company. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent advice and may not rely on this communication in evaluating the merits of investing in the Company. The commentary is provided as a source of information for Shareholders of the Company but is not attributable to the Company.

Overview of Markets and Performance

2016 saw a series of monumental global political and economic events from start to finish, which largely defined the year's market environment. As the year opened, global markets went through one of the most severe sell-offs in recent history, with the FTSE 100 down ~11%, S&P down ~10% and high yield down ~5% before all three staged sharp rebounds to finish the first quarter in positive territory and ultimately ground higher through the second quarter. Elevated volatility persisted up to, during and after the momentous Brexit vote. After this extraordinarily turbulent first half of the year, much of the third quarter was characterised by extremely depressed volatility. The fourth quarter brought the surprise election result in the US, which dominated markets through the remainder of the year. Since President Trump's surprise win, sharp rotations have taken hold in the market, and risk assets have quickly priced in the new President's promises of infrastructure and stimulus spending, relaxed regulation, tax reform and higher rates and inflation. Markets went into the US election on 8th November with high anxiety as evidenced by the rush of pre-election hedging activity and historic disconnect between implied and realised volatility. However, as with Brexit, risk markets showed resilience in the face of the surprise outcome. Topping the recovery from Brexit of only three days, the US equity market took approximately three hours to regain its pre-election composure and then, ultimately, reach to new highs by the middle of the following day. It has barely looked back since.

Despite equity market exuberance since the US election, a number of risks are on the horizon in 2017, and markets seem more focused on the potential positive outcomes rather than on the negative ones. While we might expect to see the options market pricing in high levels of implied volatility and event risk given the elevated political uncertainty associated with the new US President, S&P 500 implied volatility is close to record lows and has continued to fall in early 2017. The question of what President Trump can actually get done versus what the market has priced in may start to create volatility and challenge the sustainability of stock valuations, which sit at expensive levels by any historical measure. Trade protectionism and sharp shifts in US foreign policy are other unknowns that could have negative implications for valuations. Minimal details around a US fiscal package and the possibility that a new tax regime will not be enacted in 2017 have not put a damper on the bull market, and the reflation trade remains well and alive at the start of 2017. In Europe, Brexit concerns look set to persist and Sterling remains under pressure amidst the still unknown ramifications of a split. In addition, upcoming elections in Europe may follow a similar populist route and create additional uncertainty. While our returns at Highbridge will continue to be driven by our idiosyncratic security selection and not by directional positions related to specific macro event outcomes, this changing environment creates opportunities for our strategies.

From March through December 2016, during the first ten months under Highbridge's management, Highbridge Multi-Strategy Fund Limited delivered a 6.20% NAV return[4], and the Underlying Fund delivered a 6.26% net return[5] with low volatility and beta to major market indices. The largest contributors to performance were Convertible Credit & Capital Structure Arbitrage, Asia Arbitrage and Convertible & Volatility Arbitrage. The largest detractors were the European Relative Value Credit strategy (largely unwound during the first half of 2016) and Tactical Commodities (unwound during the first half of January 2017). Overall, in a year of extremely challenging market conditions for active managers, we are pleased to have delivered high quality, alpha-driven returns for 2016.

Strategy Review by Strategy Group

Fundamental Equity. As we have discussed in past communications, we reoriented our Fundamental Equity capability in early 2016, moving from few larger allocations covering numerous sectors to a greater number of sector-focused smaller allocations. In addition to the benefits of diversification – which are particularly important for long/short equity strategies since they can be quite volatile – we believe a sector-focused approach in long/short equity is key to having edge in the strategy. Because the range of outcomes for equity positions can be so broad, it is imperative to understand not only the details of a company's business, but also the competitor dynamics, sector sentiment, market positioning, etc. in order to have a well-informed view of what is priced into a stock's valuation. We believe that it is extremely challenging for one individual to understand all of these factors deeply across many sectors. As such, we have built out a sector-line up that encompasses Real Estate, Financials, Industrials, Consumer, TMT and Healthcare. For the year, the Sector-Focused Long/Short Equity strategies contributed +0.09% along with Asia Long/Short Equity which contributed +0.07%, while Real Estate Long/Short Equity detracted –0.05% from Underlying Fund performance. Looking to 2017, we see a significantly improving market environment for fundamental stock picking as correlation among sectors and stocks has fallen, and we have added capital to the strategy via increased allocations for the Financials, Industrials and Consumer portfolios, each of which offers a way to play the nascent reflation trade on both the long and short side.

Event-Driven Equity. Event strategies came to be a focus for us in recent years not only as a way to capitalise on the robust environment for M&A and other corporate activity we saw coming down the pipeline, but also because they can be less correlated to market moves and more dependent on outcomes of specific situations. Within our broad Event-Driven allocation, Highbridge maintains Merger Arbitrage and European and North American Event-Focused Long/Short Equity strategies, and we recently increased the allocation to our Equity Capital Markets strategy, which serves as an avenue to capitalise on the more active capital markets we expect for 2017, to a size that justifies its own allocation in our reporting. During 2016, Merger Arbitrage contributed +0.31%, Event-Focused European Long/Short Equity contributed +0.14% and Event-Focused North American Long/Short Equity detracted –0.11% from Underlying Fund performance.

[4] NAV return is the change in the net asset value of the Company over the given time period. This APM is provided for shareholders information in addition to the audited financial statements on page 40. Shareholders should base their assessment on the financial performance of the Company on the information contained in the audited financial statements.

[5] Represents the Underlying Fund. Returns are estimated, unaudited and based on HCC Class F (non-restricted, reduced fee) Shares from 1st March 2016 to 31st December 2016, net of all applicable fees and expenses. Returns are estimated and unaudited for 2016. Please note Class F returns are GBP denominated. Shareholders should note that past performance is not necessarily indicative of future results and that there can be no assurance that the Company's and/or the Underlying Fund's return objectives will be realised or that the Company and/or the Underlying Fund will not experience losses.

INVESTMENT MANAGER REPORT *CONTINUED*

Quantitative Equity. After a strong first three quarters of the year, Statistical Arbitrage faced challenges in the fourth quarter amidst losses across the strategy's European forecasts. Despite challenges at the end of the year, Statistical Arbitrage contributed +0.58% to 2016 Underlying Fund performance. In terms of sub-strategies, the majority of the strategy's performance was driven by the equities sub-strategy with a modest positive contribution from the options portfolio, while the futures/FX sub-strategy was a modest detractor. For the year, performance was largely driven by equities with all three forecast signals contributing and, more specifically, technical forecasts leading the way. Within the equities sub-strategy, Americas produced gains, while Europe and Asia were largely flat for the year. The options sub-strategy continued to provide diversification to the strategy's return stream and was a modest contributor for the year, while the futures/FX sub-strategy detracted.

Capital Structure Arbitrage. The Capital Structure Arbitrage strategy group was the largest contributor to 2016 Underlying Fund performance. Convertible Credit & Capital Structure Arbitrage contributed +5.20%, with outsized returns in 2016 coming from three key factors: (1) the benefit of preserving capital and having dry powder to deploy during the challenging 2014 – 2015 period for credit markets; (2) the normalisation of credit markets following the year-end 2015 dislocation, which benefited our positions; and (3) outstanding security selection. We continue to have incredibly high conviction in this strategy's positioning and believe it has inherent edge as a result of the team's expertise and process and because of the small and mid-cap nature of its focus market. Asia Capital Structure Arbitrage also had a very good 2016, particularly in the back half of the year, contributing +2.13% to 2016 Underlying Fund performance. The strategy's performance was relatively broad-based across convertibles, derivatives and capital structure trades.

Convertible & Volatility Arbitrage. Convertible & Volatility Arbitrage has been a solid performer in 2016, benefitting from diversifying away from traditional convertible arbitrage in favour of focusing on relative value volatility opportunities. The strategy has continued to adjust exposure levels in order to remain nimble, manoeuvring well in changing markets throughout the year. The strategy contributed +1.53% to Underlying Fund performance in 2016, with returns driven by idiosyncratic exposures in mandatories, warrants, options and event-oriented positions, along with new issue P&L.

Fundamental Credit. Fundamental Credit was the biggest detractor from 2016 Underlying Fund performance, with the European Relative Value Credit strategy detracting -3.52%. As discussed in previous communications, the strategy was largely unwound as of 1st June 2016. Distressed Credit, an allocation that serves to upsize distressed positions in the Convertible Credit & Capital Structure Arbitrage strategy, contributed +0.63% as key positions saw meaningful gains.

Macro. 2016 presented a choppy, politically-driven market, which was challenging for macro strategies. The Fundamental Macro strategy detracted a moderate -0.23% for the year and managed to post moderate profits in the last quarter of the year on some swift repositioning and well-executed deleveraging amidst a sharp about-turn in the markets in the aftermath of the unexpected Trump win, which saw a strong rebound in equities and a sharp fall in precious metals. Also within the broader macro strategy group, the Tactical Commodities strategy detracted -0.43% for 2016, and we eliminated the strategy at the beginning of January 2017 as overall returns from the strategy had deteriorated. The strategy's positions were fully unwound in one day.

Highbridge Capital Management, LLC
Investment Manager — 28th February 2017

COMPANY AND INVESTMENT OVERVIEW

The Company is a Guernsey domiciled closed-ended investment company listed on the Premium Segment of the Official List of the United Kingdom Listing Authority and traded on the Main Market of the London Stock Exchange with assets of approximately £211 million[6].

2016 Changes to Corporate Structure

Following the notification received from BlueCrest that all third party investors in AllBlue and AllBlue Leveraged would be redeemed effective 4th January 2016, an Extraordinary General Meeting was held on 24th February, 2016, at which the investment objective of the Company was changed to seek to provide consistent returns with low volatility through an investment policy of investing substantially all of its assets in the Highbridge Multi-Strategy Fund ('the Underlying Fund') or any successor vehicle of the Underlying Fund.

As part of this restructuring, in February 2016, all shareholders in the Company were offered the opportunity to redeem their shares in the Company and receive redemption proceeds from the Company in proportion to their holdings in the Company at the date of redemption within a week of the receipt by the Company of monies from AllBlue and AllBlue Leveraged, subject to the option of the directors to delay payment so as to aggregate payment to avoid the excessive costs of paying numerous small distributions. As a result of this 254,398,888 Sterling shares and 15,655,071 US Dollar shares were redeemed and subsequently cancelled on 29th February 2016. Former shareholders who had their shares redeemed pursuant to this cash exit opportunity are referred to herein as 'Cash Exit Creditors'.

Prior to the Extraordinary General Meeting the investment objective of the Company was to seek to provide consistent long-term capital growth through an investment policy of investing substantially all of its assets in AllBlue or any successor vehicle of AllBlue.

The Company

The Company has one class of shares in issue, the Sterling class (the Dollar class was closed in February 2016). The Company seeks to provide Shareholders with the following key benefits:

- Attractive returns which are not beholden to the direction of asset markets, created by skilled portfolio management and a non-correlated, multi-strategy approach.
- Strong capital preservation characteristics reflecting robust risk management and expert blending of various assets across discretionary and systematic strategies.
- Good liquidity occasioned by active trading in the Company's shares on the Main Market of the London Stock Exchange.

About the Underlying Highbridge Multi Strategy Fund

The Company invests into the Underlying Fund through Highbridge Capital Corporation ('HCC'), an exempted company incorporated with limited liability in the Cayman Islands.

The Underlying Fund is a global multi-strategy hedge fund focused on relative value strategies with idiosyncratic sources of return. The Underlying Fund allocates to a number of distinct strategies pursuing equity, credit, convertible bond, volatility, capital structure arbitrage and macro opportunities across the globe, as further described below.

[6] As at 17th March 2017.

COMPANY AND INVESTMENT OVERVIEW *CONTINUED*

Since its inception on 1st January 1993, the Underlying Fund has achieved 10.47% annualised net returns, 6.77% annualised volatility and low beta relative to equity and credit indices[7].

Key Features of the Underlying Fund

- **Consistent Returns**: The Underlying Fund targets attractive risk-adjusted returns with low volatility and low beta to broad markets. It has a track record of delivering consistent risk-adjusted returns over market cycles for more than 20 years.
- **Diversified Global Exposure**: Underlying investment strategies are diversified across asset classes, investment styles and geographies. Highbridge employs dedicated teams on the ground in London, New York and Hong Kong that seek to capture global investment opportunities.
- **Relative Value Focus**: The Underlying Fund focuses on relative value strategies with idiosyncratic sources of return.
- **Dynamic Capital Allocation**: Within the Underlying Fund there is flexibility to allocate capital dynamically across various asset classes and geographies.
- **Capital Preservation**: The investment process is focussed on robust risk management and drawdown protection.
- **Institutional Quality Infrastructure**: Highbridge's world-class trading and investment platforms are supported by infrastructure capabilities across risk management, compliance, client service, operations, technology and finance.

Investment Objective and Strategy of the Underlying Fund

The Underlying Fund seeks to achieve annualised net returns of 7 to 12%, with annualised volatility of 3 to 6%, and a beta to the S&P 500 below 25%[8].

The Underlying Fund utilises a diversified, multi-strategy approach to investing across the following seven strategy groups and unique sub-strategies within those groups[9]:

[7] As of 31st December 2016 net of all applicable fees and expenses. Returns are estimated and unaudited for 2016. Shareholders should note that past performance is not necessarily indicative of future results and that there can be no assurance that the Company's and/or the Underlying Fund's return objectives will be realised or that the Company and/or the Underlying Fund will not experience losses.

[8] The Underlying Fund's annual target net return and other fund objectives have been established by Highbridge based on its assumptions and calculations using data available to it and in light of current market conditions and available investment opportunities and is subject to various risks including, without limitations, those set out in the Company's Risk Disclosure Document (which can be found on the Company's website at www.highbridgemsfltd.co.uk). These fund objectives are for illustrative purposes only and are subject to significant limitations. An investor should not expect to achieve actual returns similar to the annual target return shown above. Because of the inherent limitations of the target returns, investors should not rely on them when making any investment decision. These objectives cannot account for the impact that economic, market and other factors may have on the implementation of an actual investment program. Unlike actual performance, the target return and other fund objectives do not reflect actual trading, liquidity constraints and other factors that could impact the future returns of the portfolio. The Underlying Fund's ability to achieve the target net return and fund objectives is subject to risk factors over which Highbridge may have no or limited control. There can be no assurance that the Underlying Fund will achieve its investment objective, the annual target net return or any other fund objectives. The actual returns achieved may be more or less than the annual target net return shown.

[9] As of 1st January 2017.

	Allocation	Description	Geographic Focus
Fundamental Equity	**Asia Long/Short Equity**	• Bottom-up long/short equity strategy focused on relative value and thematic opportunities	Asia
Fundamental Equity	**Sector-Focused Long/ Short Equity Strategies**	• Bottom-up, long/short equity strategies focused on specific sectors (currently includes Consumer, Financials, TMT, Industrials and Healthcare sectors)	North America
Fundamental Equity	**Real Estate Long/Short Equity**	• Bottom-up, long/short equity strategy focused on identifying relative value opportunities within the real estate sector	Global
Event Driven Equity	**Merger Arbitrage**	• Strategy employing qualitative and quantitative analysis to capture unique sources of spread generated from entities involved in M&A activity	North America/Europe
Event Driven Equity	**Event-Focused European Long/Short Equity**	• Event-driven long/short equity strategy focused on opportunities resulting from industry changing events and corporate catalysts such as M&A, restructurings and management changes	Europe
Event Driven Equity	**Event-Focused North American Long/Short Equity**	• Event-driven long/short equity strategy focused on opportunities resulting from industry changing events and corporate catalysts such as M&A, restructurings and management changes	North America
Quant. Equity	**Statistical Arbitrage**	• Systematic strategy focused on managing equities, futures and options investments	Global
Capital Structure Arbitrage	**Convertible Credit & Capital Structure Arbitrage**	• Fundamental, credit relative value strategy focused on underfollowed public middle market issuers	North America/Europe
Capital Structure Arbitrage	**Asia Capital Structure Arbitrage**	• Fundamental, relative value strategy focused on exploiting capital structure dislocations	Asia
Convertible & Volatility Arbitrage	**Convertible & Volatility Arbitrage**	• Relative value strategy employing quantitative techniques to capitalise on mispriced optionality embedded in convertible securities	North America/Europe
Credit	**Distressed Credit**	• Fundamental, middle market distressed strategy focused on generating idiosyncratic returns through active engagement in reorganisation process	North America
Macro	**Fundamental Macro**	• Fundamental analysis of monetary, fiscal and political themes in search of opportunities for potential changes in valuation and relative prices across asset classes and economies	Global

COMPANY AND INVESTMENT OVERVIEW *CONTINUED*

About Highbridge

Highbridge was founded in 1992 as one of the industry's first multi-strategy hedge fund managers. Highbridge has approximately US$5 billion in assets under management and a staff of over 180 employees, including approximately 60 investment professionals, with offices in London, New York and Hong Kong[10]. Highbridge established a strategic partnership with J.P. Morgan Asset Management ('JPMAM') in 2004. Highbridge is a subsidiary of JPMAM, which is itself a subsidiary of JPMorgan Chase & Co. (together with its affiliates, 'JPM'). JPMAM is a leading investment and wealth management firm, operating across the Americas, EMEA (Europe, Middle East and Africa), and Asia in more than 30 countries, with assets under management of $1.3 trillion[11].

All investment, capital allocation and risk management decisions for the Underlying Fund are independent of JPMAM. Highbridge is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended.

In addition to managing the Underlying Fund, Highbridge has also been appointed as the investment manager of the Company. As part of the new investment management arrangements, JPMAM provides certain support services to the Company as delegate of Highbridge, including the provision of investor relations, public relations and Board support. Neither Highbridge nor JPMAM receives a fee directly from the Company in relation to these services.

AllBlue

The Company was informed on 1st December 2015 that, effective 4th January 2016, AllBlue and AllBlue Leveraged were being redeemed from the seven underlying funds and were compulsorily redeeming the holdings of all investors, including the Company, on 4th January 2016. The Company retains a creditor interest equivalent to the value of its outstanding holding in AllBlue and AllBlue Leveraged. This is measured by reference to the valuation statements received monthly from the administrator of AllBlue and AllBlue Leveraged. Further information about the proceeds returned to the Company is available in Notes 10 and 18 to the Financial Statements.

[10] As of 1st January 2017.
[11] As of 31st December 2016.

BOARD OF DIRECTORS AND SECRETARY

At 31st December 2016 the Company had four Directors, all of whom were non-executive. All directors, with the exception of Vic Holmes, held office throughout the reporting year. All Directors held office at the date of this report. Vic Holmes was appointed as a director of the Company on 3rd June 2016 and Richard Crowder resigned as a director of the Company on 20th July 2016. All directors are members of the Audit, Risk, Nomination and Management and Remuneration Committees.

Vic Holmes, Chairman (aged 60) is an independent director of a diverse range of companies involved in various aspects of the Finance Sector. He was chief executive of Northern Trust's Channel Island businesses until he retired from full time employment in November 2011. He held chief executive and chairman roles for a period of 21 years, initially for a Baring Asset Management subsidiary in Ireland from 1990 to 2003, followed by a two year stint as chairman of all Baring Asset Management fund administration companies in five jurisdictions. He then worked as country head for Northern Trust in Ireland from 2005 to 2007 and then moved back to Guernsey in 2008 with Northern Trust. He has extensive board room experience which has been gained first hand as a director of multiple finance related companies over a 30 year period. He is a fellow of the Association of Chartered Certified Accountants and a resident of Guernsey.

Paul Meader, Chairman of the Investment and Market Risk Committee (the 'Risk Committee') and of the Management and Remuneration Committee and Senior Independent Director (aged 51) is an independent director of a number of investment management companies, insurers and investment funds. Until 2013, he was Head of Portfolio Management for Canaccord Genuity based in Guernsey, having previously held the role of Chief Executive of Corazon Capital Group which was acquired by Collins Stewart in 2010. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private-banking subsidiary in Guernsey. Mr Meader has 30 years' experience in financial markets with particular expertise in fixed income investments. He is a Chartered Fellow of the Chartered Institute of Securities & Investments and is past Chairman of the Guernsey International Business Association. He was appointed as a director of the Company in April 2006 and is resident in Guernsey.

Steve Le Page, Chairman of Audit Committee (aged 60), retired from partnership with PwC in the Channel Islands in September 2013 and joined the Board in June 2014 to succeed Jonathan Hooley who resigned on 25th April 2014. His career at PwC spanned 33 years, during which time he was partner in charge of their Assurance and Advisory businesses for ten years and Senior Partner for five years. In these executive positions he led considerable change and growth in that firm and also helped fund boards deal with regulatory and reporting issues. His experience spans initial listings, ongoing governance and reporting, continuation and going concern and even winding up of listed and unlisted entities. He is a Chartered Accountant and a Chartered Tax Advisor and he has a number of non-executive roles. He is resident in Guernsey.

Sarita Keen (aged 49) brings significant experience of fund administration of Guernsey companies. She was employed by Kleinwort Benson (Channel Islands) Fund Services (formerly Close Fund Services Limited), for over 25 years and prior to that she worked for Hambros in Guernsey. She is an Approved Person with the Guernsey Financial Services Commission and a Member of the Institute of Directors. Sarita holds a number of non-executive positions for various companies and, as part of this, chairs or is a member of those companies audit, risk and nominations committees. Miss Keen was appointed as a director on 3rd June 2015 and is resident in Guernsey.

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Financial Statements for the year ended 31st December 2016.

A description of important events which have occurred during the Financial Year, their impact on the performance of the Company as shown in the Financial Statements (on page 40) and a description of the principal risks and uncertainties facing the Company, together with an indication of important events that have occurred since the end of the Financial Year and the Company's likely future development is given in this Report, the Chairman's Statement and the notes to the Financial Statements and are incorporated here by reference.

Management of the Company

Manager

On 29th February 2016, Highbridge was appointed as investment manager to the Company. The principal responsibilities of the Investment Manager under the Investment Management Agreement are:

- To provide portfolio and risk management services in respect of the investments of the Company within the parameters of the Company's investment policy; and
- To effect or arrange and provide advice to the Company in relation to investments.

There is no compensation payable on termination of the Investment Management Agreement, which is terminable on six months' notice by either the Company or by the Investment Manager.

Pursuant to Listing Rule 15.6.2(2), the Board of the Company have concluded that the continuing appointment of the Investment Manager on the terms agreed is in the best interests of the Company's shareholders as a result of its strong performance, with low volatility and low correlation to equity markets in the year under review.

Highbridge does not receive any direct management or performance fees at the Company level for its appointment as investment manager to the Company. Instead, Highbridge receives management fees and incentive fees for its role as investment manager of the Underlying Fund, instead deriving its fees from the services provided to the Underlying Fund. Further information on these fees are disclosed in the circular published by the Company on 8th February 2016.

Secretary and Administrator

JTC Fund Solutions (Guernsey) Limited ('JTC') is a Guernsey incorporated company and provides administration and secretarial services to the Company pursuant to an Administration and Secretarial Agreement. In such capacity, JTC is responsible for the general secretarial functions required by the Law and ensures that the Company complies with its continuing obligations as well as advising on the corporate governance requirements and recommendations applicable to a company listed on the premium segment of the Official List and admitted to trading on the Main Market of the London Stock Exchange.

The administrator is also responsible for the Company's general administrative functions such as the calculation of the NAV of Shares and the maintenance of accounting and statutory records.

The Company

Information on the Company including its Investment Objective and Policies can be found on page 4 onward.

The Alternative Investment Fund Managers Directive ('AIFMD')

Highbridge is the Company's alternative investment fund manager ('AIFM'). For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

Directors

The Directors, all of whom are non-executive, are shown on page 13. No Director has a contract of service with the Company, nor are any such contracts proposed.

The following table details the interests of the Directors in the Shares of the Company, both as at 31st December 2016 and as at 31st March 2017.

Director	Number of Shares (31st March 2017)	Number of Shares (31st December 2016)
Mr Vic Holmes	25,250 Sterling Shares	25,250 Sterling Shares
Mr Steve Le Page	None	None
Ms Sarita Keen	None	None
Mr Paul Meader	22,000 Sterling Shares	22,000 Sterling Shares

Director Indemnification and Insurance

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent and dishonest actions.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditor

PricewaterhouseCoopers CI LLP has indicated its willingness to continue in office as Auditor and a resolution proposing its reappointment, and to authorise the Directors to determine its remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

Net Asset Value ('NAV')

The NAV per Sterling Share for accounting purposes, including all distributable reserves, as at 31st December 2016 was GBP 2.1177.

Results and Dividends

The results for the year are set out in the Statement of Comprehensive Income on page 40. In accordance with the Investment Objective the Directors did not declare any dividends during the year under review and the Directors do not recommend the payment of a dividend as at the date of this report.

DIRECTORS' REPORT *CONTINUED*

Related Party Transactions

Other than the above-mentioned interests, none of the Directors, nor any persons connected with them, had a material interest in any of the Company's transactions.

There were no material related party transactions which took place in the Financial Year, other than those disclosed in the report of the Directors and at note 6 to the financial statements.

Notifiable Interests in the Company's Voting Rights

At the year-end, the following had declared a notifiable interest in the Company's voting rights:

Name	Date of Notification to Company	Number of Voting Rights	% of Voting Rights (as at 31st December 2016)
Rathbone Brothers Plc	18/03/2016	33,889,560	32.72
Sarasin & Partners LLP	07/01/2015	21,004,556	20.28
Smith and Williamson Holdings Limited	15/11/2016	12,429,320	12.00
Investec Wealth & Investment Limited	03/03/2016	8,098,324	7.82

At 27th March 2017, being the latest practicable date prior to publication, the following had declared a notifiable interest in the Company's voting rights:

Name	Date of Notification to Company	Number of Voting Rights	% of Voting Rights (as at 31st March 2016)
Rathbone Brothers Plc	01/03/2017	30,984,055	31.20
Sarasin & Partners LLP	07/01/2015	21,004,556	21.15
Smith and Williamson Holdings Limited	02/03/2017	11,706,186	11.79
Investec Wealth & Investment Limited	03/03/2016	10,222,921	10.29
Cornelian Asset Managers Limited	17/01/2017	5,152,690	5.19

No further changes to these holdings had been notified as at the date of this report.

Listing Rule 9.8.4 R

Listing Rule 9.8.4R requires that the Company include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

CORPORATE GOVERNANCE STATEMENT

Statement of Compliance with the AIC Code of Corporate Governance

In accordance with Listing Rule 9.8.7 the Company is required to comply with the requirements of the UK Corporate Governance Code. A copy of the UK Corporate Governance Code is available for download from the Financial Reporting Council's web-site (www.frc.org.uk).

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Guernsey domiciled Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company is also required to comply with the GFSC Code. As the Company reports under the AIC Code it is deemed to meet the requirements of the GFSC Code. The Board has undertaken to evaluate its corporate governance compliance on an on-going basis.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions not relevant to the position of the Company. The Company has therefore not reported further in respect of these provisions. The Company has complied with all Principles of the AIC Code and conforms with all detailed recommendations subject to the following explanations.

Board Composition

The Board comprises four non-executive Directors, all of whom are considered to be independent (with the Chairman being independent on appointment) for the purposes of principle two of the AIC Code and Listing Rule 15.2.12A. As part of their examination of the independence of the Board, the Board have considered the following matters, amongst others:

- Mr Meader holds a cross directorship with Mr Le Page but that company is not advised by or in any other way related to Highbridge or JPMorgan;
- Mr Meader sits on the Board of JPMorgan Global Convertibles Income Fund Limited. The Company does not share a manager with JPMorgan Global Convertibles Income Fund Limited; and
- Mr Meader has served on the Board since April 2006.

Having considered the information disclosed above, the Board have concluded that Mr Meader, Miss Keen, Mr Holmes and Mr Le Page remain independent under principle two of the AIC Code. Mr Le Prevost and Mr Crowder were considered independent throughout the year under review and until their resignations on 27th April and 20th July 2016.

CORPORATE GOVERNANCE STATEMENT *CONTINUED*

Biographies of the Directors appear on page 13, demonstrating the wide range of skills and experience they bring to the Board and highlights of their specific key skills and experience are included on page 19. In accordance with Principle Five of the AIC Code, below is a list of all other public company directorships and employments held by each Director and shared directorships of any commercial company held by two or more Directors at the date of this report:-

Vic Holmes
Picton Property Income Limited
Next Energy Solar Fund Limited

Paul Meader
Guaranteed Investment Products 1 PCC Limited
ICG-Longbow Senior Secured UK Property Debt Investments Ltd
JPMorgan Global Convertibles Income Fund Limited
Volta Finance Limited – non-executive directorship with Steve Le Page
Schroder Oriental Income Fund Limited

Steve Le Page
MedicX Fund Limited
Volta Finance Limited – non-executive directorship with Paul Meader

Board Meetings

The Board meets at least four times a year to consider the business and affairs of the Company. Between these meetings the Board keeps in contact by email and telephone as well as meeting to consider specific matters of a transactional nature. Directors have direct access to the Secretary and the Secretary is responsible for ensuring that Board procedures are followed and that there are good information flows both within the Board and between Committees and the Board. Additionally the Board holds an annual strategy meeting with its relevant advisors in attendance as appropriate. The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access, where necessary in the furtherance of their duties, to professional advice at the expense of the Company.

During the year under review the Board met 23 times. Of those meetings, three were quarterly Board meetings and the remainder were ad hoc meetings held at short notice to deal with specific matters including the Company's buy-back programme, developments relating to the underlying investments and the selection of an investment manager. As a result of structural changes in the Company at the beginning of the year, no quarterly Board meeting took place in the first quarter of 2016. Required director attendance is summarised below:

Director	Quarterly Board Meetings	Ad-Hoc Board Meetings	Audit Committee Meetings	Management and Remuneration Committee Meetings	Nomination Committee Meetings	Risk Committee Meetings
Vic Holmes[1]	2 of 2	11 of 20	N/A	1 of 1	1 of 3	1 of 1
Paul Meader	2 of 3	20 of 20	2 of 3	1 of 1	2 of 3	2 of 2
Steve Le Page	3 of 3	17 of 20	3 of 3	1 of 1	3 of 3	N/A
Sarita Keen	3 of 3	16 of 20	3 of 3	1 of 1	3 of 3	2 of 2

[1] Mr Holmes was appointed to the Board with effect from 3rd June, 2016, and thus did not attend the Board and Risk Committee meetings held prior to his appointment.

Letters of appointment for non-executive Directors do not set out a fixed time commitment for Board duties as the Board considers that the time required by Directors may fluctuate depending on the demands of the Company and other events. Therefore it is required that each Director will allocate sufficient time to the Company to perform their duties effectively and it is also expected that each Director will attend all quarterly Board meetings and meetings of committees of which they are a member. The Chairman has confirmed that he considers the performance of each director to be effective and that each director demonstrates continued commitment to their role.

Key Skills and Experience

A review of the skills and experience of the existing Board members is outlined below. All Board members in the below table held office throughout the Financial Year, except for Vic Holmes, who was appointed on 3rd June 2016.

Director	Key Skills and Experience
Vic Holmes Chairman	Wide knowledge of investment management as well as broad experience of non-executive directorship, chairmanship and executive directorship in quoted and unquoted companies.
Paul Meader Chairman of the Risk Committee and of the Management and Remuneration Committee	An experienced portfolio manager with in-depth knowledge of private wealth management and institutional asset management. Long term experience of asset allocation, fixed income and hedge funds. Significant financial services, fund management, regulatory and non-executive director experience.
Steve Le Page Chairman of the Audit Committee	Wide-ranging knowledge of audit, financial reporting, corporate governance and internal controls in the context of listed investment companies.
Sarita Keen	Extensive experience of Guernsey investment company administration and regulation.

Tenure

The Board approves the nomination for re-election of all directors on an annual basis. The above table summarises the rationale for re-election of directors. All Directors seeking to continue on the Board after the AGM will put themselves forward for re-election at each Annual General Meeting. On 20th July 2016, the most recent AGM, shareholders elected Vic Holmes, and re-elected Sarita Keen, Steve Le Page and Paul Meader.

The Board believes that changes to its composition, including succession planning for directors, can be managed without undue disruption to the Company's operations. Directors are able and encouraged to provide statements to the Board of their concerns and ensure that any items of concern are recorded in the Board minutes and the Chairman encourages all Directors to present their views on matters in an open forum. The Board is also scheduled to consider the tenure of Directors once any Director has been appointed to the Board for a continuous period of nine years. This occurred in 2015 for Mr Meader. Whilst the Board is of the view that directors can continue in certain circumstances beyond a tenure of nine years, thereafter such Directors will be subject to increasing scrutiny as to their effectiveness and independence.

In order to achieve orderly succession and to retain 'corporate memory', it is the intention of the Board that Mr Meader continues as a director of the Company until late 2018.

CORPORATE GOVERNANCE STATEMENT *CONTINUED*

Board Committees

The Board delegates certain responsibilities and functions to committees. Details of the membership of these committees are shown with the Directors' biographies on page 13. Details of the activities of each of the committees are set out below.

Audit Committee

In accordance with the AIC Code, an Audit Committee has been established and its Terms of Reference are available on the Company's website. All Board members are members of the Audit Committee. In the opinion of the Board, the constitution, terms of reference and activities of the Audit Committee fulfil all the requirements of the AIC Code, save that the Company does not maintain an internal audit function.

The report of the chairman of the Risk Committee can be found on page 29. The Board continues to seek to ensure that all areas of risk and control are addressed by either that committee or the Audit Committee. Consequently the terms of reference of each committee make the division of responsibilities between them clear. The Audit Committee is responsible for monitoring the effectiveness of the controls and systems in place to address, inter alia, the risks of loss or misappropriation of assets, mis-statement of liabilities or failure of financial reporting systems or processes, including valuation reporting and processes.

The Audit Committee conducted an audit tender in the course of the year under review, following which PricewaterhouseCoopers CI LLP ('PwC' or the 'Auditor') were appointed as the Company's auditor. The Audit Committee monitors the performance of the Auditor, and also examines the remuneration and engagement of the Auditor, as well as it's independence and any non-audit services provided by it.

Each year the Board examines the Audit Committee's performance and effectiveness, and ensures that its tasks and processes remain appropriate. The chairmanship of the Audit Committee is reviewed by the Chairman on an annual basis. Key areas covered included the clarity of the Audit Committee's role and responsibilities, the balance of skills among its members and the effectiveness of reporting of its work to the Board. The Board is satisfied that all members of the Audit Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date. Overall the Board considered the Audit Committee had the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year.

Management and Remuneration Committee

In accordance with the AIC Code, a Management and Remuneration Committee has been established and its Terms of Reference are available on the Company's website. All Board members are members of the Management and Remuneration Committee and the Committee is chaired by Paul Meader, Senior Independent Director. The function of the Management and Remuneration Committee is:

(a) to ensure that the Company's contracts of engagement with the Administrator, the Investment Manager and other service providers are operating satisfactorily so as to ensure the safe and accurate management and administration of the Company's affairs and business, and are competitive and reasonable for the shareholders and to make appropriate recommendations to the Board;

(b) to monitor and assess the appropriate levels of remuneration for all Directors; and

(c) to ensure that the Company complies to the best of its ability with applicable laws and regulations relating to engagement with service providers and director remuneration and adheres to the tenet of generally accepted codes of conduct.

During the year under review the Management and Remuneration Committee met once.

The chairmanship of the Management and Remuneration committee is reviewed annually by the Chairman. In addition, each Director's performance is assessed annually by the Chairman and the performance of the Chairman is assessed by the Senior Independent Director together with the remaining Directors.

The remuneration of the Directors is reviewed on an annual basis and compared with the level of remuneration for directorships of other similar investment companies. All Directors receive an annual fee (apart from Mr Dodd, who waived all fees in connection with his appointment to the Company and resigned on 3rd February, 2016) and there are no share options or other performance related benefits available to them.

The Board is committed to an evaluation of its performance being carried out every year. In accordance with Principle Seven of the AIC Code the Board intends to undergo a third external performance evaluation in 2017, the previous evaluations being performed by Optimus Group in 2011 and 2014. The Director's fees are disclosed below.

Description	Amount (per annum)
Director's fee	£42,000
Additional fee payable to chairman	£18,000
Additional fee payable to Audit Committee chairman	£8,000
Additional fee payable to senior independent director	£6,000

Nomination Committee

In accordance with the AIC Code, a Nomination Committee has been established and its Terms of Reference are available on the Company's website. All Board members are members of the Management and Remuneration Committee. Mr Holmes has been appointed as Chairman of this Committee, except when the Committee considers any matter in connection with the Chairmanship in which case the Committee will elect another Chairman. Given that the Board consists solely of non-executive directors, each of whom are members of the Committee, the Board does not consider the Chairman being a member of the Committee to be inappropriate.

The function of the Nomination Committee is to ensure that the Company goes through a formal process of reviewing the balance, independence and effectiveness of the Board, identifying the experience and skills which may be needed and those individuals who might best provide them and to ensure that the individual has sufficient available time to undertake the tasks required. When considering the composition of the Board, Directors will be mindful of diversity, inclusiveness and meritocracy. The outside directorships and broader commitments of Directors are also monitored by the Nomination Committee.

The Nomination Committee undertook the aforementioned formal review of the balance, independence and effectiveness of the Board in the year under review and concluded it did not have any objection to the current commitments of its members, including the shared directorships listed above and that no changes to the composition of the Board were required.

The Company supports the AIC Code provision that Boards should consider the benefits of diversity, including gender, when making appointments and is committed to ensuring it receives information from the widest range of perspectives and backgrounds. The Company's aim as regards the composition of the Board is that it should have a balance of experience, skills and knowledge to enable each Director and the Board as a whole to discharge their duties effectively. Whilst the Board of the Company agrees that it is entirely

CORPORATE GOVERNANCE STATEMENT *CONTINUED*

appropriate that it should seek to have diversity on its Board, it does not consider that this can be best achieved by establishing specific quotas and targets and appointments will continue to be made based wholly on merit. Accordingly should changes to the Board be required, the Nomination Committee would have regard to the Board's Diversity Policy that when recruiting Directors, a comparative analysis of candidates' qualifications and experience, applying pre-established clear, neutrally formulated and unambiguous criteria will be utilised to determine the most suitable candidate for the specific position sought and once appointed, the successful candidate will receive a full, formal and tailored induction.

In the course of the year under review, the committee conducted a structured search and selection process for the new chairman of the Company. As part of this process, the policies described above were applied, and Thomas and Dessain were engaged as external search consultants. As a result of this process, Mr Holmes was appointed to the Board of Directors of the Company.

Investment and Market Risk Committee

The Investment and Market Risk Committee was established in 2014 and its membership and Terms of Reference are available on the Company's website.

The Committee's primary focus is around investment risk in its broadest sense, including elements such as counterparty risk and credit risk.

The Committee's work has focused on two levels:

(1) the direct exposures of the Company itself, for instance to the Underlying Fund, AllBlue, AllBlue Leveraged and cash counterparties; and

(2) the exposures embedded within the Underlying Fund, its investment characteristics and the risks associated with owning the Underlying Fund.

The Committee meets regularly and has, over the course of the year under review, spent time considering the scope and mandate of its operations, reviewing key documentation, regularly reviewing key reporting and interacting with Highbridge and JTC to examine and understand the risks that the Company is exposed to at both levels, agreeing a reporting framework with Highbridge in order to monitor the risk metrics of the Underlying Fund.

Further information relating to the work of the Risk Committee is explained in the Risk Committee report on page 29.

Terms of Reference

The Nomination Committee, Management and Remuneration Committee, Audit Committee and Investment and Market Risk Committee each have written terms of reference. Copies of these are available for inspection on request at the Company's registered office, and are also available on the Company's website.

Going Concern

The Company now invests the majority of its assets into the Underlying Fund, and, as indicated in the Investment Manager's report, that fund has achieved 10.47% annualised net returns since inception. Whilst this historic performance is no indication for the future, the Directors therefore have a reasonable expectation that positive returns will be made in the future. In addition, at the date of publication of this report, the Company holds a cash balance which exceeds normal operating expenditure anticipated during the next twelve months. Finally, the Directors have reasonable grounds for believing that the quarterly tender offers, if any, during the next twelve months will be funded primarily by redemptions from the Underlying Fund supported by further receipts from its creditor interests.

The Company's financial risk management objectives and policies, details of its financial instruments and its exposures to market price risk, credit risk, liquidity risk and interest rate risk are set out at note 15 to the Financial Statements. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months. Accordingly, they continue to adopt the going concern basis in the preparation of this annual financial report.

The Financial Statements are prepared on the going concern basis in light of the Board's assessment of:

- shareholders' appetite to continue their investments in the Company; and
- the expectation of the Directors that the Company will continue for the 12 months from the date of approval of the Financial Statements.

Shareholder Communication

All holders of Shares in the Company have the right to receive notice of, and attend, all general meetings of the Company, during which the Directors are available to discuss issues affecting the Company, and the Directors also meet periodically with major shareholders. The Directors are always available to enter into dialogue with shareholders and make themselves available for such purpose whenever required. The Chairman and the Senior Independent Director can also be contacted by shareholders via the Secretary if they have any concerns.

The Annual General Meeting also provides a forum for shareholders to raise any queries or concerns directly with the Board in person. Both Highbridge and JP Morgan meet regularly with the Company's major shareholders and reports are provided at least quarterly to the Board of Directors on those shareholders' views about the Company and any issues or concerns they have raised. The Board regularly reviews the Company's share register at its formal meetings to monitor the shareholder profile and the Board has implemented measures to ensure that information is presented to its shareholders in a fair, balanced and understandable manner.

The Company announces the confirmed net asset value of its shares on a monthly basis. During the year under review a commentary on the investment performance of the Company's investments in the Underlying Fund was provided in the Company's monthly factsheet. The estimated net asset value of the Company's shares is, and will continue to be, announced weekly via a Regulatory Information Service. The daily market closing prices of Shares are available on Reuters, Bloomberg, in the Financial Times and the Daily Telegraph. A copy of the Registration Document, Summary Note and Securities Note of the Company can be found on the Company's website, https://www.highbridgemsfltd.co.uk/.

All Shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. The buying and selling of Shares may be settled through CREST.

The Company's register of shareholders is maintained by Anson Registrars Limited in Guernsey and they can be contacted on +44 (0)1481 711301.

CORPORATE GOVERNANCE STATEMENT *CONTINUED*

Bribery

The Directors have undertaken to operate the business in an honest and ethical manner and accordingly take a zero-tolerance approach to bribery and corruption. The key components of this approach are implemented as follows:

- The Board is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- The Company will implement and enforce effective procedures to counter bribery; and
- The Company requires all its service providers and advisors to adopt equivalent or similar principles.

Risk Management and Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an on-going process for identifying, evaluating and monitoring the significant risks faced by the Company.

The Audit Committee, on behalf of the Board, carries out an annual review of the internal financial controls of the Company. In addition, ISAE 3402 (or equivalent) reports have been obtained from the relevant service providers where available to verify these reviews. The Management and Remuneration Committee also conducts regular reviews of the Company's service providers. The internal controls are designed to meet the Company's particular needs and the foreseeable risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Company has put in place arrangements with BlueCrest and Highbridge for the Company to receive monthly NAVs in relation to AllBlue and AllBlue Leveraged and the Underlying Fund and estimated weekly NAVs in relation to the Underlying Fund electronically as soon as they are released, together with certain factsheets produced on each fund and other administrative information and reports. The purpose of these arrangements is to ensure that the Directors have sufficient timely information to enable them to monitor the Company's investments.

The Risk Committee of the Company meets regularly to review risk reporting information and consider the Company's risk management systems, including consideration of a risk matrix which covers various areas of risk including corporate strategy, accuracy of published information, compliance with laws and regulations, relationships with service providers and investment and business activities. The Board considers that the Company has adequate and effective systems in place to identify, mitigate and manage the primary risks to which the Company is exposed.

Highbridge is the investment manager of HCC and acts as investment manager of the Company. BlueCrest is the investment manager of AllBlue and AllBlue Leveraged. Administration and Secretarial duties for the Company are performed by JTC. The Board considers that the systems and procedures employed by the Administrator and other service providers provide sufficient assurance that a sound system of internal controls is in place.

The Directors of the Company clearly define the duties and responsibilities of their agents and advisors. The appointment of agents and advisors is conducted by the Board after consideration of the quality of the parties involved and the Management and Remuneration Committee monitors their on-going performance and contractual arrangements. The Board has also specified which matters are reserved for a decision by the Board and which matters may be delegated to its agents and advisers.

Specific matters reserved exclusively for the decision of the Board include the approval and variation of terms on which any overdraft or credit facility is used to finance operating costs and the invocation of any premium or discount control mechanisms.

Principal Risks and Uncertainties

The principal risks associated with the Company are:

- Operational risk: The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Company has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure both operational performance and the regulatory obligations are met. The Company uses well established, reputable and experienced service providers and their continued appointment is assessed at least annually.
- Investment risk: The Board is responsible for the investment policy but, given that the investment objective of the Company is to invest substantially all of its assets in HCC, the Board has little discretion in such management. The success of the Company depends on the diligence and skill of the investment manager of the Company's primary investment, the Underlying Fund. There is a risk that any underperformance of funds in which the Company's capital is invested would lead to a reduction of the net asset value or of the share price rating. The Board formally monitors the investment performance each quarter, and meets with the investment manager on a regular basis.
- Share price discount risk: The share price is continually monitored and, if appropriate, the Board have the discretion to make a quarterly tender offer to shareholders. Furthermore, the Board also consider whether any additional control measures need to be implemented, including the implementation of a buyback programme. The articles of incorporation of the Company (adopted on 20th July, 2016) also include a provision that a continuation vote will be held in 2021.
- Concentration risk: The Company's principal exposure is to the Underlying Fund, with additional exposure to AllBlue and AllBlue Leveraged through its creditor interests in these funds and, therefore, the Company is exposed to concentration risk. The Board considers that the Company is highly diversified in its exposures, given the range of individual positions and exposures of the Underlying Fund. The Board believes that this mitigates the concentration risk. The Board actively monitors the exposures to the Underlying Fund, AllBlue, and AllBlue Leveraged.
- Leverage risk: The Company does not undertake structural borrowings but will not maintain exactly 1:1 economic exposure to the Underlying Fund at all times because of factors including, but not limited to, exposure to AllBlue and AllBlue Leveraged pending the final distribution of all proceeds from the compulsory redemption of all outside investors effective 4th January 2016, share issuance and buybacks and general expenses. Neither HCC nor AllBlue undertake direct structural leverage. AllBlue Leveraged sought to maintain a position which is approximately 2x leveraged to AllBlue. This leverage may not have been constant because of changes to the leverage facility made available to AllBlue Leveraged. The Board monitored the performance of the Company against the performance of AllBlue and will continue to do so against the performance of the Underlying Fund. Leverage exists in the investments of the Underlying Fund and AllBlue

CORPORATE GOVERNANCE STATEMENT *CONTINUED*

including through loans by the fund's prime brokers for the purchase or sale of securities or embedded in derivative positions. Some of the investments will be exposed to significant gross leverage.

- Counterparty risk: The Company is exposed to counterparty risk directly and indirectly via the Underlying Fund, AllBlue, AllBlue Leveraged and their investments. The Company seeks to ensure that it does not have undue direct counterparty exposures in line with market practices. AllBlue Leveraged had counterparty exposure to the leverage provider. The Company also has counterparty exposure via its cash exposure to Barclays, who provide banking services to the Company.
- Credit risk: The Company is exposed to credit risk directly through cash and cash equivalents and applies controls accordingly. The Company is also exposed to credit risk more broadly through the Underlying Fund, AllBlue, AllBlue Leveraged and the underlying investments. The Board believes that credit risk is well diversified through the exposures taken by Highbridge as investment manager of the Underlying Fund and given the reduced size of the Company's interest in AllBlue.
- Regulatory risk: The Company is required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority and the requirements imposed by the Guernsey Financial Services Commission. Any failure to comply could lead to criminal or civil proceedings. Although responsibility ultimately lies with the Board, the Secretary and Corporate Brokers also monitor compliance with regulatory requirements.

Shareholders' attention is also drawn to the Company's Risk Disclosure Document (which can be found on the Company's website) which sets out information on certain risks and other aspects of the Company's investment in the Underlying Fund.

Viability Statement

As stated on page 9, the investment objective of the Company is currently to seek to provide consistent returns with low volatility through an investment policy of investing substantially all of its assets in the Underlying Fund or any successor vehicle of the Underlying Fund. Prior to the Extraordinary General Meeting ('EGM') held on 24th February 2016, it was to seek to provide consistent long-term capital growth through an investment policy of investing substantially all of its assets in AllBlue or any successor vehicle of AllBlue. However, in considering the Company's viability, the Directors have only given consideration to the current objective.

Since 29th February 2016 the Company's investment performance has largely depended upon the performance of its underlying investment into the Sterling Class of HCC which is also managed by Highbridge, the Company's investment manager. The Directors, in assessing the viability of the Company have paid particular attention to the risks faced by the Company in seeking to achieve its stated objective, which are set out on page 25. The Board has established a risk management framework which is intended to identify, measure, monitor, report and where appropriate, mitigate the risks to the Company's investment objective. The Board does not consider any other risks faced by the Company to be principal risks, as defined in the Corporate Governance Code.

The Directors confirm that their assessment of the principal risks facing the Company was robust and in doing so they have considered models projecting future cash flows during the three years to 31st December 2019. This model assumes that the Company will be able to meet any requirements for cash either from redemption proceeds from its investment in HCC or from further cash receipts from its creditor interests in AllBlue and AllBlue

Leveraged. The Board considers these assumptions to be reasonable, having regard to the information received by the Company to date. The model also assumes that future performance will reflect the actual performance of HCC during the last few years. These models have then been flexed to reflect the impact of some plausible but severe scenarios similar to those experienced by investment markets in the past. The viability assessment covers a period of three years because the Directors are of the opinion that given the Company's recent change of investment policy and investment manager it would be imprudent for them to attempt to assess any longer period. The Directors consider this period to be sufficient given the inherent uncertainty of the investment world.

At the time of writing, the Company's assets exceed its liabilities by a considerable margin, since the resolutions passed at the EGM on 24th February 2016 and the subsequent compulsory conversion of the remaining US Dollar Shares had the effect, inter alia, of causing the Company's issued shares to be treated as equity, not current liabilities under IFRS. Further, the main requirement for cash is to meet any potential future quarterly tender and since this is entirely at the Directors' discretion it could therefore be curtailed or discontinued if necessary to manage cash needs. In making their viability assessment, the Directors have included a reasonable level of on market buy backs or tender offers in their cash flow projections, albeit that as noted above any resulting cash outflow is assumed to be matched by an inflow from HCC or the creditor interests. The actual level and timing of any tender or buy back and how it is to be funded will be determined at the Directors' discretion, considering the performance of the Company, anticipated investor demand and the level of the discount, if any, of the Company's share price to its Net Asset Value, and therefore cannot be estimated with accuracy in advance.

The continuation of the Company in its present form is dependent on the Investment Management Agreement with Highbridge remaining in place. The Directors note that the Investment Management Agreement with the Investment Manager is terminable on six months' written notice by either party. The Directors have no current reason to assume that either the Company or Highbridge would serve notice of termination of the Investment Management Agreement during the three year period covered by this viability statement. The Articles require that the Directors put a Continuation Resolution to the Annual General Meeting of the Company to be held in 2021, but this is after the period of this assessment.

The Directors, having duly considered the risks facing the Company, their mitigation and the cash flow modelling, have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each Financial Year which give a true and fair view of the state of affairs of the Company as at the end of the Financial Year and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- Ensure that the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for a shareholder to assess the Company's performance, business model and strategy;
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures discussed and explained in the Annual Report and Accounts; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report and Audited Financial Statements include the information required by the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (together 'the Rules'). They are also responsible for ensuring that the Company complies with the provisions of the Rules which, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions, of the corporate governance code applicable to the Company.

Responsibility Statement

The Board of Directors, as identified at pages 13 and 19, jointly and severally confirm that, to the best of their knowledge:

This report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces;

The Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profits of the Company;

The Annual Report and Audited Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy; and

The Annual Report and Audited Financial Statements includes information required by the UK Listing Authority for ensuring that the Company complies with the provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions, of the corporate governance code applicable to the Company.

By order of the Board

Vic Holmes, Director — 31st March 2017

RISK COMMITTEE REPORT

Membership

The Risk Committee was established in April 2014 and the current membership comprises Paul Meader (Chairman, appointed on establishment), Vic Holmes (appointed in June, 2016), Steve Le Page (appointed in October, 2016) and Sarita Keen (appointed in June, 2015). Richard Crowder and John Le Prevost served as Committee members during the period and until their resignation as Directors. Prior to his appointment to the committee, Steve Le Page, as the remaining director and chairman of the Audit Committee, had right of attendance and attended all of the Committee meetings during the period.

Change of Investment Manager and Underlying Exposures

On 29th February 2016, the Company appointed Highbridge as its investment manager and AIFM and invested the majority of its assets in HCC. Considerable work was undertaken by the Company as a whole regarding the appropriateness and suitability of HCC and an external party was engaged to undertake thorough due diligence on Highbridge and HCC. During this period it was felt appropriate that this work should be undertaken with the full involvement of all directors at board meetings. Accordingly, the Risk Committee recommenced its activities following the appointment of Highbridge.

Role of the Committee

The Committee subsequently reconsidered its mandate and role given that the Company is now in-scope of the AIFMD and has appointed Highbridge as its AIFM, with consequent risk management responsibilities.

The Committee decided that its role should remain substantially unchanged from 2015 although certain responsibilities, such as cash management, have shifted.

The Committee’s Activities during 2016

The Committee’s activities relate to investment risk. Other risks, such as operational risk or regulatory risk, are overseen by the Board. The Risk Committee considered:

- the direct exposures of the Company itself – to HCC, AllBlue (‘AB’), AllBlue Leveraged (‘ABL’) and cash counterparts;
- the exposures embedded within HCC, its investment characteristics and the risks associated with owning HCC; and
- the residual interest in AB & ABL, their exposures and cashflows.

During 2016, the Committee utilised data from Highbridge, BlueCrest, JTC, HedgeServ (the administrator of HCC), GlobeOp (the administrator of AB & ABL) and the Company’s Corporate Brokers to review and monitor investment risk exposures. The work of the Committee revolved primarily around:

- Market risk;
- Credit risk;
- Counterparty risk;
- Interest rate risk;
- Liquidity risk; and
- Leverage risk.

Clearly, the Company is in the business of taking investment risk and so the Committee does not seek to eliminate investment risks. Rather, it seeks to ensure that the risks taken accord

RISK COMMITTEE REPORT *CONTINUED*

with the risk appetite of the Company, that no undue or abnormal exposures are taken and that all relevant controls are operating appropriately. The Company's principal investment risks relate to its holdings of investment funds and the Company's ability to control the risks embedded in these funds is limited to its role as a shareholder in those funds. Nonetheless, the Committee monitored underlying investment risks in some detail and had a relationship of constructive engagement with Highbridge.

During the year, AllBlue & AllBlue Leveraged returned capital and, as a result, the proportion of the Company invested in AllBlue & AllBlue Leveraged diminished over the year such that it represented approximately 96% of the continuing shareholders' exposure at year end. Despite requests, BlueCrest ceased to provide meaningful look-through information in the spring of 2016 and, as a result, the Committee's role became relatively passive in relation to AllBlue & AllBlue Leveraged.

During the year, all investment risks were considered by the Committee to lie within normal ranges.

Engagement with Highbridge

The relationship with Highbridge has operated successfully from the date of their appointment and there has been considerable engagement with senior personnel from Highbridge, including in their risk department.

During the year, a due diligence visit was undertaken to Highbridge in London. This included meetings with key personnel and examination of risk controls and processes.

Exposure Monitoring

As proceeds from AllBlue & AllBlue Leveraged were received during the year, these were redeployed into HCC or retained for distribution to those shareholders who elected to exit or tender their shares during the year. In addition, smaller cash balances were retained for operational purposes and to permit the repurchase of shares.

Accordingly, the exposure to HCC was maintained at as high a level as possible in these circumstances. At the end of the year the exposures were:

	Ongoing Shareholders
Cash	3%
AllBlue Limited and AllBlue Leveraged Feeder Limited	3%
Invested in HCC	94%

	Cash Exit Creditors
Cash	3%
AllBlue Limited and AllBlue Leveraged Feeder Limited	4%
Distributed	93%

	Tender Creditors
Cash	4%
AllBlue Limited and AllBlue Leveraged Feeder Limited	4%
Highbridge Capital Corporation	92%
Distributed	0%

Cash balances were maintained during the period in accordance with the Treasury Policy.

Paul Meader
Risk Committee Chairman

AUDIT COMMITTEE REPORT

In accordance with the AIC Code, an Audit Committee has been established and its membership and Terms of Reference are available on the Company's website. In the opinion of the Board, the constitution, terms of reference and activities of the Audit Committee meet all the requirements of the AIC Code, save that the Company does not maintain an internal audit function, and that the Chairman of the Company was a member of the Committee as the Board considered that he was independent on appointment.

The report of the chairman of the Risk Committee can be found on page 29. The Board continues to seek to ensure that all areas of risk and control are addressed by either that committee or the Audit Committee. Consequently the terms of reference of each committee make the division of responsibilities between them clear. The Audit Committee is responsible for monitoring the effectiveness of the controls and systems in place to address, inter alia, the risks of loss or misappropriation of assets, mis-statement of liabilities or failure of financial reporting systems or processes, including valuation reporting and processes.

The Audit Committee also examines the remuneration and engagement, of the Auditor, PricewaterhouseCoopers CI LLP (or 'PwC'), as well as their independence and any non-audit services provided by them. The external audit contract was tendered in 2016 (being ten years from the initial appointment of the previous auditor), and more information about the tender process is given below. The Audit Committee will continue to monitor the performance of the new auditor with the aim of ensuring a high quality and effective audit.

Each year the Board examines the Audit Committee's performance and effectiveness, and ensures that its tasks and processes remain appropriate. Key areas covered included the clarity of the Audit Committee's role and responsibilities, the balance of skills among its members and the effectiveness of reporting of its work to the Board. The Board is satisfied that all members of the Audit Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date. Overall the Board considered the Audit Committee had the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year.

Membership

The current Chairman of the Audit Committee is Steve Le Page, who became Chairman on his appointment to the Board on 3rd June 2014. Paul Meader was a member of the Committee throughout 2015 and 2016, Sarita Keen joined the Committee on 3rd June 2015 on her appointment to the Board and Vic Holmes joined the Committee on 10th October 2016. Richard Crowder resigned from the Committee on 13th January 2015, since he was Company Chairman at the time and John Le Prevost joined the Committee on 28th November 2014 and served until 27th April 2016, the date of his resignation from the Board.

Key Activities of the Audit Committee

In the period since the last Audit Committee report, the key activities of the Committee have been:

- Monitoring and assessing the financial systems and controls operated by the Company's key service providers;
- Overseeing the preparation and publication of, and giving appropriate advice to the Board in respect of, the interim report for the six months ended 30th June 2016 and the current annual report for the year ended 31st December 2016; and
- Carrying out a tender process for the position of auditor to the Company, Ernst & Young having served for ten years prior to the tender, and also reflecting the changes to the Company's investment objectives resulting from the EGM on 22nd February 2016.

Each of these key activities is covered in more detail in the following sections.

AUDIT COMMITTEE REPORT *CONTINUED*

Financial Systems and Controls Operated by Service Providers

In common with most investment funds, the Company is reliant on the systems, processes and controls operated by its service providers. Throughout the year, the Committee is alert to any indication that service providers may not be performing as expected, such as inaccurate or delayed information, shareholder feedback and the level and standard of interaction between service providers. In so doing the Committee uses its collective knowledge of how other entities are serviced as well as their own experience from previous roles and with other service providers. The Committee has noted that an error occurred in the compulsory conversion of the US Dollar shares in March 2016, and I have, as Chairman, thoroughly investigated the circumstances giving rise to this error on its behalf. The Committee has concluded that the error was an isolated incident, arising outside of the normal activities and processes of the Company and its service providers, and that it therefore does not indicate a weakness in the systems and controls usually applied to the Company.

In addition, the Committee has reviewed the third party controls reports (ISAE 3402 or equivalent reports) provided by the following key service providers during 2017:

ISAE 3402 Report from the administrator of the Underlying Fund; and

ISAE 3402 Report from the Administrator.

As noted in last year's report, during the process of selecting Highbridge as the Company's new investment manager, an operational due diligence report was obtained from an independent agency experienced in carrying out such work. That report did not identify any control or operational weaknesses at Highbridge which were of concern to the Board or the Company. In September the non-executive directors all visited Highbridge to discuss their investment processes and activities and their possible impact on the Company.

On the basis of the ongoing monitoring of the Company's service providers described above, the Committee identified some delays and inaccuracies, none of which resulted in any financial loss. As a result, the Committee is satisfied that the Company's reliance on service providers during 2016 was not misplaced and that the systems of internal control operated on the Company's behalf, both during the calendar year 2016 and currently, should prevent material error or misstatement of financial information.

Preparation of Interim and Annual Reports

Prior to each reporting period end, the Committee met with the Secretary and Administrator, and also with the auditor prior to the annual reporting date. As Chairman, I also met with each of these parties separately. The primary purpose of all of these meetings was to consider the timetable for production of the reports, to review the proposed scope of the external audit of the annual report, and the arrangements for cooperation between the Company's service providers. The Company's key risks, principal accounting policies and significant areas of judgment or estimation (all as disclosed elsewhere in this annual report) were also considered for appropriateness and completeness. As a result of these meetings we were able to conclude that the annual report production process had been properly planned and prepared for.

The Committee reviewed the draft interim and annual reports, in detail, for compliance with International Financial Reporting Standards (as adopted by the European Union) and applicable Laws, regulations, and corporate governance requirements, and also reconsidered the key risks, principal accounting policies and significant areas of judgment or estimation to ensure the disclosure of these items and their application in the reports remained appropriate. This review and reconsideration included further meetings with the auditor and the Secretary and Administrator. It also included certain activities connected with the review of service providers, as detailed above.

The significant issues which the Committee considered in relation to these Financial Statements, in addition to those set out elsewhere in this section, were the existence and valuation of the Company's investment holdings. Existence was verified by obtaining direct confirmation from the administrator of HCC, and from the administrator of AllBlue and AllBlue Leveraged. The price at which each investment is valued was also confirmed directly in this way. In addition, the Committee considered the results of the service provider monitoring referred to above and also reviewed the cash and valuation statements received post year end. The Committee concluded that the investments existed and were properly valued in accordance with the accounting policy of the Company, set out on page 51.

Having carried out the activities set out above the Committee concluded that the Financial Statements were fairly stated. The Committee also read the entire annual report for consistency both internally and with their detailed knowledge of the Company throughout the year, and also considered whether it was as clear and as concise as possible. We then considered the information needs of the likely users of the annual report and whether they were met. Our conclusion was that, taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Finally in respect of the annual report, the Committee considered the regular monitoring of the Company's cash position carried out by the Board, together with a detailed cash forecast for the period until 30th April 2018. The principal uncertainty involved in the forecasting of the Company's cash requirements is the level at which cash will be utilised in support of any on market buyback of Shares or any quarterly tender offer to Shareholders, which may be proposed by the Directors in their sole discretion. The Committee is satisfied that with the level of cash held, the regular monitoring by the Board and the liquidity of the Company's investments, it is appropriate to prepare the Financial Statements on a going concern basis.

Tender Process for the Auditor for the 2016 External Audit

As indicated in previous annual reports, the Committee was considering holding a tender for the external audit contract during 2016 because Ernst & Young had been auditor for ten years and because the audit partner for the Company was required to rotate off the audit during 2016. The change in investment policy and advisor in February of 2016 added to the reasons for holding a tender, and so a process was carried out during July to October 2016.

As Audit Committee Chairman, I led this tender process. However, the Committee as a whole set out the criteria we were to measure applicants against, and I subsequently wrote to five potential audit firms (not including Ernst & Young but including two firms from outside of the so called 'Big 4') at the end of July, asking them to set out their interest in becoming the Company's auditor and their credentials for measurement against the agreed criteria. A copy of this letter is available on the Company's website. The Committee then selected a shortlist of three firms, including Ernst & Young, for interview. Each of the firms on the shortlist were given full access to the Committee and to the Company's service providers and were asked to prepare an audit planning document 'as if' they had already been appointed and to present this to the Committee.

Subsequent to these presentations, PricewaterhouseCoopers CI LLP were recommended for appointment by the Board. I would like to mention at this point that because of my long association with that firm in the past, I did not vote on the final decision to recommend or appoint PwC, but that both decisions were unanimous amongst the other members.

AUDIT COMMITTEE REPORT *CONTINUED*

Auditors

As noted above members of the Committee have met with the new auditors on several occasions and this has given us the opportunity to assess the quality of the people involved in our audit and of the content and relevance of their presentations. During our meetings with them we considered their risk assessment, planned responses and general approach as well as their actual delivery against plan, and we separately discussed with our Administrator the degree of challenge they experienced from the auditors. We concluded that the external audit process was appropriate to the Company's circumstances and likely to prove effective.

The new auditors do not provide any non-audit services to the Company, and it is the Committee's expectation that this situation will continue, as we do not currently anticipate the need to seek any services from them. The Committee has a formal policy concerning non-audit services, detailed on the Company's website, should the need arise.

The Committee has also considered all the aspects of auditor independence set out in the Code and in the Ethical Standards applicable to our auditor, at both the planning and final delivery stages of the audit. We note that PwC are also auditors to HCC and to certain other structures managed or advised by Highbridge and/or JP Morgan. We have carefully considered whether these other audit relationships might impinge upon the independence of our auditors and have concluded that any perceived risk in this respect is adequately safeguarded against.

The Committee having concluded that the external audit is effective and that the auditors are independent and competent has recommended to the Board that a resolution to reappoint PricewaterhouseCoopers CI LLP be put to the forthcoming AGM of the Company.

Steve Le Page
Chairman of the Audit Committee

31st March 2017

Independent Auditor's Report

TO THE MEMBERS OF HIGHBRIDGE MULTI-STRATEGY FUND LIMITED

Report on the audit of the financial statements

Our opinion
In our opinion, the financial statements give a true and fair view of the financial position of Highbridge Multi-Strategy Fund Limited (the 'Company') as at 31st December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at 31st December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to shareholders for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality'

- Overall Company materiality was £2.2 million which represents 1% of net assets.

Audit Scope

- The Company is a standalone investment fund based in Guernsey which engages Highbridge Capital Management LLC (the 'Investment Manager') to manage its assets.
- We conducted our audit of the financial statements from information provided by JTC Fund Solutions (Guernsey) Limited (the 'Administrator') to whom the board of Directors has delegated the provision of certain administrative functions.
- From 1st June 2016, the transactions relating to the Company were migrated to a new general ledger system. Our audit work was performed over the transactions recorded in both systems operated during the financial year and our work dealt with the migration of data between these two systems.
- We conducted our audit work in Guernsey.

Key audit matters

- Valuation and existence of investments.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Directors made subjective judgements; in particular, in respect of significant accounting estimates that involved making assumptions over the valuation of illiquid investments. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The investment into Highbridge Capital Corporation ('HCC') followed the commencement of a programme of capital return from the legacy AllBlue funds during the year. Our audit included testing of investment transactions and our procedures performed on the year end valuations are discussed under *Key Audit Matters* below.

We obtained evidence on the controls of the Administrator by examining a detailed report prepared by management and opined on by an independent audit firm. We supplemented this understanding through inquiry and inspection of documentation provided by the Administrator.

Our examination of the data migration involved a manual reconciliation of schedules prepared by the Administrator to system generated reports, and was substantive in nature.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	£2.2 million.
How we determined it	1% of net assets.
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to members. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.1 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of Investments The investment portfolio at the year-end was valued at £224.1 million and principally comprised the investment in HCC of £195.8 million together with the remaining investments held in the legacy AllBlue funds of £28.3 million. Additional information on investments is included in Note 7 to the financial statements. During the year, the Company changed its investment strategy, which involved divestment of all positions held in the AllBlue funds, the return of cash to those investors who elected for that option and the investment into HCC for all remaining shareholders electing to continue to be invested with the Company. As at 31st December 2016, the Company was not fully divested from all positions held in the AllBlue funds. We focused on the valuation of the investment portfolio because investments represent the principal element of the net asset value as disclosed on the statement of financial position. The AllBlue funds are categorised as level 3 investments under the IFRS 13 fair value hierarchy and as such we identified an increased level of inherent uncertainty associated with their valuation.	• The internal control environment at the Administrator over the valuation of the investment portfolio and the production of the net asset value for the Company was understood and evaluated through the examination of a controls report opined upon by an independent audit firm. • We assessed the accounting policy for investment valuation for compliance with accounting standards, performed testing to check that investment valuation had been accounted for in accordance with the stated accounting policy and determined that the accounting policy complied with accounting standards and had been consistently applied. • We examined the due diligence performed on behalf of the Directors prior to their proposal to investors for the Company to invest in HCC. • We audited management's reconciliation of the Company's valuation of HCC to the audited financial statements for HCC as at 31st December 2016. No misstatements were identified which required reporting to those charged with governance. • Audited financial statements at 31st December 2016 were not available for the positions held in the AllBlue funds. Therefore, our audit work focused on the judgements exercised by the directors to value these positions, the available investor reports to support the fair value of the positions at 31st December 2016 together with the testing of cash redemption proceeds received post year end. No misstatements were identified which required reporting to those charged with governance.

Other information

The Directors are responsible for the other information. The other information comprises the financial results, strategic report, chairman's statement, investment manager's report, company and investment overview, the board of Directors and secretary, directors' report, corporate governance statement, statement of directors' responsibilities, risk committee report, audit committee report, schedule of investments, notice of annual general meeting, glossary and directors and service providers (but does not include the financial statements and our auditor's report thereon).

Other than as specified in our report, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted in the European Union and the requirements of Guernsey law, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we are required to review under the Listing Rules:

- the Directors' statement set out on page 23 in relation to going concern. As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

John Roche
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

31st March 2017

a. The maintenance and integrity of the Highbridge Multi-Strategy Fund Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Net gain on non current financial assets at fair value through profit or loss	7	13,922,400	–	13,922,400
Net gain on current financial assets at fair value through profit or loss	7	1,316,759	(335,153)	1,467,911
Net gain on current financial liabilities at fair value through profit or loss	9	(5,261,595)	–	(5,261,595)
Bank interest received		305,149	–	305,149
Dividends received		2,359	–	2,359
Other income		33,600	–	33,600
Operating expenses	3	(1,332,107)	(4,035)	(1,334,919)
		8,986,565	(339,188)	9,134,905
Other Comprehensive Income that will be reclassified to profit or loss in future periods				
Currency aggregation adjustment	1(g)	–	–	1,229,733
Increase/(decrease) in net assets attributable to shareholders after other comprehensive income		**8,986,565**	**(339,188)**	**10,364,638**
		Pence (£)	**Cents ($)**	
Earnings per share for the year – Basic and Diluted	5	(0.02)	(0.05)	

In arriving at the results for the financial year, all amounts above relate to continuing operations.

There is no Other Comprehensive Income for the year other than as disclosed above.

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2015

	Notes	Sterling Share Class £	Shares US Dollar Share Class $	Total £
Net gain on current financial assets at fair value through profit or loss	7	20,775,843	1,806,344	22,312,758
Net gain on purchase of own shares		2,604,064	269,550	2,780,413
Bank interest received		60,639	1,345	61,519
Operating expenses	3	(990,834)	(39,001)	(1,016,350)
Other Comprehensive Income that will be reclassified to profit or loss in future periods				
Currency aggregation adjustment	1(g)	–	–	1,709,374
Increase in net assets attributable to shareholders after other comprehensive income		**22,449,712**	**2,038,238**	**25,847,714**
		Pence (£)	**Cents ($)**	
Earnings per share for the year – Basic and Diluted	5	5.75	6.67	

In arriving at the results for the financial year, all amounts above relate to continuing operations.

There is no Other Comprehensive Income for the year other than disclosed above.

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

	Notes	Ordinary Shares Sterling Share Class £	Ordinary Shares US Dollar Share Class $	Total £
Non current assets				
Unquoted financial assets designated as at fair value through profit or loss	7	195,819,170	–	195,819,170
Current assets				
Unquoted financial assets designated as at fair value through profit or loss	7	28,306,522	–	28,306,522
Quoted financial assets designated as at fair value through profit or loss	7	–	–	–
Cash and cash equivalents		26,554,506	–	26,554,506
Prepayments and receivables	8	60,529,309	–	60,529,309
		115,390,337	**–**	**115,390,337**
Current liabilities				
Unquoted financial liabilities designated as at fair value through profit or loss	9	91,808,555	–	91,808,555
Other sundry accruals and payables		66,250	–	66,250
		91,874,805	**–**	**91,874,805**
Net assets		219,334,702	–	219,334,702
Equity				
Share Capital	10	–	–	–
Treasury Shares	12	(58,200,465)	–	(58,200,465)
Reserves	13	277,535,167	–	277,535,167
Shareholder's equity	12	**219,334,702**	**–**	**219,334,702**
Shares in issue	10	103,571,119	–	
NAV per share	17	£2.1177	$0.0000	

The Financial Statements on pages 40 to 48 were approved and authorised for issue by the Board of Directors on 31st March 2017 and are signed on its behalf by:

Vic Holmes
Chairman

Steve Le Page
Chairman of the Audit Committee

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

	Notes	Shares Sterling Share Class £	 US Dollar Share Class $	Total £
Current assets				
Unquoted financial assets designated as at fair value through profit or loss	7	713,801,407	42,776,629	742,840,902
Quoted financial assets designated as at fair value through profit or loss	7	47,841,642	–	47,841,642
Cash and cash equivalents		5,275,540	64,312	5,319,199
Prepayments and receivables	8	290,628	2,168	40,648
		767,209,217	**42,843,109**	**796,042,391**
Current liabilities (excluding net assets attributable to shareholders)				
Other sundry accruals and payables		278,406	379,359	288,863
		278,406	**379,359**	**288,863**
Net current assets		766,930,811	42,463,750	795,753,528
Net assets attributable to shareholders	12	766,930,811	42,463,750	795,753,528
Due after less than one year		**766,930,811**	**42,463,750**	**795,753,528**
Shares in issue	10	381,566,044	22,192,929	
NAV per share	17	£2.0099	$1.9133	

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	Ordinary Shares Sterling Share Class £	Ordinary Shares US Dollar Share Class $	Total £
Opening Balance		766,930,811	42,463,750	795,753,528
Decrease in net assets attributable to shareholders		(5,322,237)	(339,188)	(6,169,933)
Net assets prior to transfer to equity		**761,608,574**	**42,124,562**	**789,583,595**
Transfer to Equity on 29th February	10	(761,608,574)	(42,124,562)	(789,583,595)
Balance at 31st December 2016		–	–	–

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	Ordinary Shares Sterling Share Class £	Ordinary Shares US Dollar Share Class $	Total £
Opening balance		–	–	–
Transfer from Net assets attributable to holders of redeemable ordinary shares on 29th February 2016	10	761,608,574	42,124,562	789,583,595
Redemptions of Ordinary shares	13	(507,271,382)	(29,708,629)	(528,582,999)
Share conversions - shareholders	13	8,889,173	(12,415,933)	–
On-market purchases of Ordinary Shares	12	(4,120,599)	–	(4,120,599)
Off-market purchases of Ordinary Shares	12	(54,079,866)	–	(54,079,866)
Increase in net assets attributable to shareholders after other comprehensive income		14,308,802	–	16,534,571
Balance at 31st December 2016		**219,334,702**	**–**	**219,334,702**

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31ST DECEMBER 2015

		Ordinary Shares		
		Sterling Share Class	US Dollar Share Class	Total
	Notes	£	$	£
Opening balance		774,106,600	71,203,170	819,817,051
Adjustment to allocation of reserves brought forward	10	338,972	(417,356)	–
Accretive gain transfer between share classes	13	(206,348)	215,756	–
Increase in net assets attributable to shareholders	13	22,449,712	2,038,238	25,847,714
On-market purchases of Ordinary Shares	12	(46,443,652)	(5,107,925)	(49,911,237)
Share conversions		16,685,526	(25,468,133)	–
Balance at 31st December 2015		**766,930,811**	**42,463,750**	**795,753,528**

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2016

	Ordinary Shares Sterling Share Class £	Ordinary Shares US Dollar Share Class $	Total £
Operating activities			
Increase/(decrease) in Shareholder's equity	8,986,565	(339,188)	10,364,638
Decrease in unrealised appreciation on financial assets at fair value through profit or loss	155,028,146	4,689,566	158,258,951
Increase in unrealised gains on financial liabilities at fair value through profit or loss	5,628,209	–	5,628,209
Realised losses on sales of financial liabilities	(366,614)	–	(366,614)
Realised gains on sales of financial assets	(170,267,305)	(4,354,413)	(173,649,261)
Interest income	(305,149)	–	(305,149)
Currency aggregation adjustment	–	–	(1,229,733)
Decrease in payables	(222,613)	–	(222,613)
Increase in receivables	(5,785,554)	–	(5,785,554)
Net cashflow used in operating activities	**(7,304,315)**	**(4,035)**	**(7,307,126)**
Investing activities			
Interest received	305,149	–	305,149
Purchase of financial assets	(254,508,624)	(31,467,362)	(276,052,575)
Proceeds from sale of financial assets	813,435,132	65,035,565	858,087,746
Net cashflow from investing activities	**559,231,657**	**33,568,203**	**582,340,320**
Financing activities			
Purchase of own shares	(58,200,465)	–	(58,200,465)
Payments to Cash Exit shareholders	(496,129,940)	–	(496,129,940)
Net cashflow used in financing activities	**(554,330,405)**	**–**	**(554,330,405)**
Cash and cash equivalents at beginning of period	5,275,540	64,312	5,319,199
Increase/(decrease) in cash and cash equivalents	(2,403,063)	33,564,168	20,702,789
Transfer to GBP Class	23,682,029	(33,628,480)	–
Cash and cash equivalents at end of year	**26,554,506**	**–**	**26,554,506**

The notes on pages 49 to 69 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015

	Ordinary Shares			
	Sterling Share Class £	Euro Share Class €	US Dollar Share Class $	Total £
Operating activities				
Increase in net assets attributable to shareholders after other comprehensive income	22,449,712	–	2,038,238	25,847,714
Decrease in unrealised appreciation on financial assets at fair value through profit or loss	1,092,841	–	2,841,115	2,788,254
Realised gains on sales of financial assets	(21,501,565)	–	–	(21,501,565)
Realised gains on conversions	(367,119)	–	(4,647,459)	(3,522,110)
Gain on purchase of own shares	(2,604,064)	–	(269,550)	(2,780,413)
Interest income	(60,639)	–	(1,345)	(61,519)
Currency aggregation adjustment	–	–	–	(1,709,374)
Adjustment to allocation of reserves brought forward	338,972	–	(417,356)	–
Adjustment to share conversions	(5,667,997)	–	8,617,347	–
Accretive gain transfer between share classes	(206,348)	–	215,756	–
Increase/(decrease) in payables	209,205	(34,132)	(3,546,380)	189,070
Decrease in receivables	2,266,809	–	1,630	3,098
Net cashflow (used in)/from operating activities	**(4,050,193)**	**(34,132)**	**4,831,996**	**(746,845)**
Investing activities				
Interest received	60,639	–	1,345	61,519
Purchase of financial assets	(122,968,481)	–	–	(122,968,481)
Proceeds from sale of financial assets	130,990,000	–	–	130,990,000
Net cashflow used in investing activities	**8,082,159**	**–**	**1,345**	**8,083,038**
Financing activities				
Purchase of own shares	(43,839,588)	–	(4,838,375)	(47,130,824)
Net cashflow used in financing activities	**(43,839,588)**	**–**	**(4,838,375)**	**(47,130,824)**
Cash and cash equivalents at beginning of year	45,083,160	34,132	69,347	45,154,187
Currency aggregation adjustment	–	–	–	(40,357)
Decrease in cash and cash equivalents	(39,807,620)	(34,132)	(5,035)	(39,794,631)
Cash and cash equivalents at the end of year	**5,275,540**	**–**	**64,312**	**5,319,199**

The notes on pages 49 to 69 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

The Financial Statements have been prepared in conformity with International Financial Reporting Standards ('IFRS') as adopted by the European Union and applicable Guernsey law. The Financial Statements have been prepared on an historical cost basis except for the measurement at fair value of financial assets designated at fair value through profit or loss.

For a detailed discussion about the Company's performance and financial position (including the restructuring of the Company following an EGM held on 24th February 2016) please refer to the Chairman's Report on pages 4 to 5 and Investment Manager's Report on pages 6 to 8.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates in ('the functional currency'). The functional currency is Sterling, The Company has adopted the Sterling as its presentation currency.

(b) Going concern

The Directors believe that the Company has adequate financial resources and as consequence the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the 12 month period from the approval of the financial statements. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

(c) Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged an annual fee of £1,200.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses relating to the Company were previously allocated across the two (2015: two) share classes proportionally based on their individual net asset values. As described in Note 10, the remaining US Dollar Class shares were converted into Sterling shares on 29th February 2016 thus there is no longer the need to allocate in the future.

(e) Interest income

Interest income is accounted for on an accruals basis.

(f) Cash and cash equivalents

Cash and cash equivalents are defined as call deposits, money market funds, short dated bonds and short term deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value, together with bank overdrafts. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and deposits at bank, together with bank overdrafts facilities.

(g) Foreign currency translation

The Financial Statements are presented in Sterling, which is the Company's functional and presentation currency. Operating expenses in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Investments in the US Dollar share class are initially recorded in their respective currencies and translated into the Company's functional currency at the reporting date. All differences on these foreign currency translations are taken to the Statement of Comprehensive Income.

At the reporting date the results of the Share Classes are shown on the Statement of Comprehensive Income in their respective currencies. These are then converted using the average exchange rate for the period and the Sterling total presented. Any exchange difference arising on the aggregation of share classes is presented on the Statement of Comprehensive Income as other Comprehensive Income. As described in Note 10, the remaining US Dollar Class shares were converted into Sterling shares on 29th February 2016.

(h) Segment information

For management purposes, the Company is organised into one business unit, and hence no separate segment information has been presented.

1. Accounting policies *continued*

(i) Shares

The Shares are initially recognised on the date of issue at the net of issue proceeds and share issue costs.

The shares in issue have been previously classified as liabilities in accordance with IAS 32 because of the provisions contained in the Company's Articles of Association, and the continuation vote being triggered in 2015.

Following the closure of the US Dollar share class in 2016, the Sterling Shares no longer meet the definition of a financial liability in accordance with IAS 32 and as such are classified and accounted for as equity. Net gain on purchase of own shares was previously presented on the Statement of Comprehensive Income. The net gain/(loss) of purchased Shares by the Company was derived from the difference between the NAV and the purchase cost at purchase date. As the shares are now equity and not debt, all payments for share buybacks are set off against Reserves and there is thus no gain in the SOCI.

In the Statement of Comprehensive Income, the profit from the beginning of the year until the closure of the US Dollar share class is included in 'increase in net assets attributable to shareholders' for shares classified as liabilities whereas profit after the closure of the US Dollar share class until the year end is included in 'Profit for the year' for shares classified as equity. The movement in the net assets until the closure of the US Dollar share class is presented in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Ordinary Shares whilst the movement in net assets from the time the shares were classified as equity is presented in the Statement of Changes in Shareholders' Equity.

(j) Financial Assets

The classification depends on the purpose for which the investments were acquired. The Company's financial assets consist of unquoted financial assets designated as at fair value through profit and loss; Quoted financial assets designated as at fair value through profit and loss; and Prepayments and Receivables. Unquoted financial assets include the investments from which the Company is in the process of redeeming. Refer to note (k) for further detail.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Financial assets (Quoted and Unquoted) at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

(k) Financial Liabilities (Redemption Liability and Repurchase Portfolio)

Classification – The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. The Company's financial liabilities consist of financial liabilities measured at amortised cost (trade payables and other short-term monetary liabilities) and financial liabilities measured at fair value (Redemptions liability payable to cash exit shareholders being Shareholders of the Blue Crest AllBlue Fund that opted to exit the fund and not join the new Highbridge Fund and the Repurchase portfolio as a result of the Tender Offer. Refer to note 9). The Redemption liability and repurchase portfolio value meets the following classification criteria of IAS 32 Fair Value Through Profit and Loss (FVTPL):

- Where designation as at FVTPL eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and loss on them on different bases.
- The Redemption Liability is based on the amounts due to Cash Exit shareholders which is not a static amount, but changes as the fair value (NAV) of the investments in the AllBlue Limited and AllBlue Leveraged funds changes. Thus there would be a mismatch if the liability is recorded at amortised cost whilst the 'matching' investment is at fair value. In a similar way the amount to be paid to shareholders represented by the repurchase portfolio is linked to the realisation of the underlying assets at fair value.

Recognition and measurement – Financial liabilities at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net changes in fair value of financial liabilities at fair value through profit or loss in the period in which they arise.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that, period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements and estimates that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Fair Value hierarchy classification

In determining the level within the fair value of financial assets and financial liabilities hierarchy, set out in IFRS 13, the Directors consider whether inputs to a fair value measurement are observable, and significant to its measurement. This requires judgement based on the facts and circumstances around the published NAV of the underlying funds. The Directors consider the availability of the NAV, at the reporting date, and whether holdings would be redeemable at such a NAV with evidence of redemptions at reporting date. They also consider whether unobservable adjustments, such as liquidity discounts, have been made by the Company. In the event there is any change in the above factors, a transfer between fair value hierarchy will be deemed to have occurred at the end of the period and would be disclosed in Note 7.

Valuation of current investments

In order to assess the fair value of the unquoted non-current and current investments, the NAV of the underlying investments in Highbridge, AllBlue, and AllBlue Leveraged is taken into consideration. The Company's holdings in AllBlue and AllBlue Leveraged were realisable at their NAV on quarterly dealing days until 1st December 2015 and the Company's holdings in ICS were realisable at their NAV on daily dealing days facilitated by the administrators of these funds. Having taken account of the Company's history of successfully realising its holdings at NAV, and in the absence of gating or suspension of redemptions of the funds at the Company's year end, the Directors are satisfied that the reported NAV is a reasonable estimation of fair value of the Company's holdings. The Directors have considered the circumstances surrounding the compulsory redemption of the Company's investments in AllBlue and AllBlue Leveraged and consider that the NAV supplied by the independent administrator of AllBlue and AllBlue Leveraged remains a reasonable estimation of the fair value of the Company's holdings in AllBlue and AllBlue Leveraged as at 31st December 2016.

The Company's NAV is based on valuations of unquoted investments. As described above, in calculating the NAV and the NAV per share of the Company, the Administrator relies on the NAVs of the shares supplied by the Administrator of the Underlying Fund, AllBlue, AllBlue Leveraged and ICS Funds. Those NAVs are themselves based on the NAV of the various investments held by the Underlying Fund, AllBlue, and AllBlue Leveraged.

On 18th February 2016 BlueCrest announced that two of the funds underlying AllBlue, BlueCrest Multi Strategy Credit Master Fund and BlueCrest Capital International Master Fund, may be entitled to award proceeds as a result of a US civil litigation matter regarding the pricing transparency of certain credit default swaps. Award proceeds were received by AllBlue in early 2017, although it is uncertain whether further proceeds will be received.

The Company's holdings in AllBlue and AllBlue Leveraged were realisable at their NAV on quarterly dealing days until 1st December 2015. The Directors have considered the circumstances surrounding the compulsory redemption of the Company's investments in AllBlue and AllBlue Leveraged and have no reasonable grounds to consider that the NAV supplied by the independent administrator of AllBlue and AllBlue Leveraged is not a fair estimation of the fair value of the Company's holdings in AllBlue and AllBlue Leveraged as at 31st December 2016.

The Company's holdings in the Underlying Fund are realisable at their NAV on quarterly dealing days. The Company has no practical experience of realising such holdings, but the Directors have considered carefully the circumstances of the Underlying Fund and its history of meeting requests for realisations from other investors and consider that the NAV provided by the independent administrator of the Underlying Fund is a fair estimation of the fair value of the Company's holdings.

3. Operating expenses

	1st Jan 2016 to 31st Dec 2016 Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Administration Fees	134,404	1,508	135,455
Directors' remuneration	338,215	3,128	340,394
Registration fees	97,453	1,298	98,358
Audit fees	33,286	350	33,530
Legal and Professional fees	(22,216)	(627)	(22,653)
Loss/ (profit) on exchange	–	(12,989)	(9,053)
Other operating expenses	750,965	11,367	758,888
Total expenses for the period	**1,332,107**	**4,035**	**1,334,919**

	1st Jan 2015 to 31st Dec 2015 Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Administration Fees	164,648	9,452	170,832
Directors' remuneration	216,114	12,407	224,231
Registration fees	76,834	4,411	79,720
Audit fees	24,185	1,388	25,093
Legal and Professional fees	315,347	18,104	327,191
(Profit)/Loss on exchange	(40,920)	(21,798)	(55,181)
Other operating expenses	234,626	15,037	244,464
Total expenses for the year	**990,834**	**39,001**	**1,016,350**

4. Directors' remuneration

	31st December 2016 £	31st December 2015 £
Richard Crowder, Chairman (resigned 20.07.2016)	52,898	60,000
Steve Le Page, Chairman Audit Committee	69,800	50,000
Paul Meader, Senior Independent Director	76,731	48,000
John Le Prevost (resigned 27.04.2016)	46,865	42,000
Sarita Keen	61,800	24,231
Vic Holmes	32,300	–
Andrew Dodd (resigned 03.02.2016)	Waived	Waived
	340,394	**224,231**

Vic Holmes was appointed as Director of the Company with effect from 3rd June 2016, and was appointed as Chairman of the Board of Directors at the Annual General Meeting on 20th July 2016 (after the resignation of Richard Crowder on the same day).

The agreed annual directors fees are shown on page 21. Where applicable pro rata fees have been paid on resignation and from appointment date.

Included in the table above, the Company paid the following ad hoc fees to its directors for the additional work undertaken in connection with the appointment of a replacement manager at the beginning of the year under review: John Le Prevost £33,250, Steve Le Page £19,800, Paul Meader £28,731.43, Sarita Keen £19,800 and Richard Crowder £19,800. The Company's administrator and secretary, JTC Group, reimbursed the Company £33,600 as a contribution to the directors' fees incurred in the course of correcting the conversion error which occurred in February 2016.

5. Earnings per share

	1st Jan 2016 to 31st Dec 2016 Ordinary Shares	
	Sterling Share Class	US Dollar Share Class
The net gain/(loss) for the year	£8,986,565	($339,188)
The weighted average number of shares in issue during the year	162,488,622	6,606,465
	Pence (£)	Cents ($)
Earnings/(loss) per share	0.06	(0.05)

	1st Jan 2015 to 31st Dec 2015 Ordinary Shares	
	Sterling Share Class	US Dollar Share Class
The net gain for the year	£22,449,712	$2,038,238
The weighted average number of shares in issue during the year	389,791,806	30,540,760
	Pence (£)	Cents ($)
Earnings per share	5.75	6.67

6. Related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in an arm's length transaction.

Anson Registrars Limited is the Company's registrar, transfer agent and paying agent. John R Le Prevost is a director and controller of Anson Registrars Limited and was, during the year, until 27th April 2016 a director of the Company. £63,088 (31st December 2015: £79,720) of costs were incurred by the Company with this related party in the year, of which £4,000 (31st December 2015: £7,862) was payable at 31st December 2016.

Director's remuneration is disclosed in note 4.

7. Investments designated at fair value through profit or loss

	As at 31st December 2016		
	Ordinary Shares		
Unquoted financial assets	**Sterling Share Class £**	**US Dollar Share Class $**	**Total £**
Portfolio cost carried forward	202,427,124	–	202,427,124
Unrealised appreciation on valuation carried forward	21,698,568	–	21,698,568
Valuation carried forward	**224,125,692**	**–**	**224,125,692**
Realised gains on sales and conversions	170,162,429	4,354,413	173,544,386
Decrease in unrealised appreciation	(154,387,819)	(5,579,621)	(158,258,951)
Transfer from USD Class to GBP Class	(640,327)	890,055	–
Net gains on financial assets at fair value through profit or loss	**15,134,283**	**(335,153)**	**15,285,435**

	As at 31st December 2015		
	Ordinary Shares		
Unquoted financial assets	**Sterling Share Class £**	**US Dollar Share Class $**	**Total £**
Portfolio cost carried forward	537,715,020	37,197,008	562,966,713
Unrealised appreciation on valuation carried forward	176,086,387	5,579,621	179,874,189
Valuation carried forward	**713,801,407**	**42,776,629**	**742,840,902**
Realised gains on sales and conversions	21,849,734	4,647,459	25,004,725
Decrease in unrealised appreciation	(1,170,178)	(2,841,115)	(2,788,254)
Net gains on financial assets at fair value through profit or loss	**20,679,556**	**1,806,344**	**22,216,471**

	As at 31st December 2016		
	Ordinary Shares		
Quoted financial assets	**Sterling Share Class £**	**US Dollar Share Class $**	**Total £**
Portfolio cost carried forward	–	–	–
Unrealised appreciation on valuation carried forward	–	–	–
Valuation carried forward	**–**	**–**	**–**
Realised gains on sales and conversions	104,876	–	104,876
Decrease in unrealised appreciation	–	–	–
Net gains on financial assets at fair value through profit or loss	**104,876**	**–**	**104,876**

Quoted financial assets	As at 31st December 2015 Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Portfolio cost carried forward	47,758,312	–	47,758,312
Unrealised appreciation on valuation carried forward	83,330	–	83,330
Valuation carried forward	**47,841,642**	–	**47,841,642**
Realised gain on sales	18,950	–	18,950
Increase in unrealised appreciation	77,337	–	77,337
Net gains on financial assets at fair value through profit or loss	**96,287**	–	**96,287**

IFRS 13 requires fair value to be disclosed by the source of inputs, using a three-level hierarchy

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of the unquoted investments held by the Company are based on the NAV of the Underlying Fund, AllBlue and AllBlue Leveraged. On the basis that the significant input to the fair value is observable and no significant unobservable adjustments are made to the valuations, the Company categorises all these investments as Level 2. In the prior year, following the announcement from BlueCrest on 1st December 2015 that AllBlue Limited and AllBlue Leveraged Fund were closed to redemptions, the unquoted financial assets transferred from Level 2 to Level 3, on the basis that the NAV was no longer observable due to the return of capital programme. The quoted investments previously held by the Company, the ICS Funds, were in an active market with a directly observable price. The Company therefore classified the investment as Level 1 in accordance with the fair value hierarchy.

Details of the value of the classifications are listed in the table below. Values are based on the fair value of the investments as at the reporting date:

Financial assets at fair value through profit or loss

	Fair value as at 31st December 2016 GBP	Fair value as at 31st December 2015 GBP
Level 1	–	47,841,642
Level 2	195,819,170	–
Level 3	28,306,522	742,840,902
	224,125,692	**790,682,544**
Financial liabilities at fair value through profit or loss		
Level 1	–	–
Level 2	(52,843,598	–
Level 3	(38,964,958)	–
	(91,808,556)	**–**

7. Investments designated at fair value through profit or loss *continued*

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of investments categorised within Level 3 between the beginning and the end of the reporting period:

	2016 GBP Financial Assets	2016 GBP Financial Liabilities
Balance at beginning of year	742,840,902	–
Acquisitions	–	(531,849,311)
Disposals	(716,157,392)	496,129,940
Net realised gain on valuation for the year	170,283,345	366,614
Movement in unrealised losses on valuation	(168,660,333)	(3,612,201)
Transfer (to)/from Level 2	–	–
Balance at end of year	**28,306,522**	**(38,964,958)**

On 1st December 2015, BlueCrest, the Investment Manager to the BlueCrest suite of funds, and the board of Directors of each of the relevant BlueCrest funds (or General Partner, where appropriate) announced that the BlueCrest funds would embark upon a programme to return the capital managed in these funds to investors.

During the year, the Company received redemption proceeds from the AllBlue funds as detailed below.

Sterling Share Class

06/01/2016	£	332,678,288	
12/01/2016	£	2,804,217	
28/01/2016	£	165,354,783	
24/02/2016	£	7,668,573	
25/02/2016	£	31,646,298	
29/03/2016	£	16,434,016	
28/04/2016	£	7,367,438	
27/05/2016	£	16,326,193	
29/06/2016	£	3,077,889	
30/06/2016	£	745,838	
13/07/2016	£	19,303,481	
14/07/2016	£	4,677,645	
26/08/2016	£	7,116,793	
29/09/2016	£	32,107,484	
02/11/2016	£	4,323,360	
30/11/2016	£	3,960,034	
20/12/2016	£	17,802,497	
TOTAL:	**£**	**673,394,827**	**96% returned (estimated)**

US Dollar Share Class

12/01/2016	$	22,400,077	
29/01/2016	$	9,063,077	
25/02/2016	$	2,118,038	
30/03/2016	$	891,737	
28/04/2016	$	140,748	
27/05/2016	$	885,611	
29/06/2016	$	207,336	
13/07/2016	$	1,300,688	
26/08/2016	$	386,155	
29/09/2016	$	1,742,190	
02/11/2016	$	240,001	
30/11/2016	$	215,084	
20/12/2016	$	966,590	
TOTAL:	**$**	**40,557,332**	**93% returned (estimated)**

On 24th February 2016 the Company's investment policy was changed to permit investment into the Underlying Fund. The Company's investment into the Underlying Fund took effect from 1st March 2016. The Company's name was also changed to Highbridge Multi-Strategy Fund Limited.

The following investments were made into Underlying Fund through the non restricted series sterling share class of HCC.

01/03/2016	204,153,922
03/05/2016	6,450,450
31/05/2016	1,977,382
02/06/2016	4,604,004
01/07/2016	1,316,277
28/07/2016	7,897,664
01/09/2016	1,100,000
01/10/2016	11,069,892
01/12/2016	3,875,000

8. Prepayments and receivables

	31st December 2016 £	31st December 2015 £
Prepayments	36,743	40,648
Securities sold receivable	60,492,566	–
	60,529,309	**40,648**

9. Financial liabilities designated at fair value through profit or loss

	Fair value as at 31st December 2016 GBP	Fair value as at 31st December 2015 GBP
Designated at Fair value through profit and loss at inception:		
Redemption liability at inception[1]	(528,582,999)	–
Repurchase portfolio[2]	(54,093,902)	–
Repayments	496,129,940	–
Realised loss since inception	366,614	–
Change in Unrealised since inception	(5,628,209)	–
	(91,808,556)	**–**
Other net changes in fair value on financial liabilities at fair value through profit or loss:		
Realised loss	366,614	–
Change in Unrealised	(5,628,209)	–
Total gains	**(5,261,595)**	**–**

[1] The Redemption liability is the liability raised for redemptions to Cash Exit shareholders that opted out of the Company on 22nd February 2016. The redemption amounts payable are based on the NAV of the investments in the AllBlue funds thus the recognition of the liability and the asset match (please refer to note 1(j) for further details).

[2] The Repurchase portfolio is the portfolio that has been set aside to cover the share buyback costs once realised, pertaining to the tender offer of 21st October 2016. A liability has thus been raised that matches the fair value of the assets in the repurchase portfolio.

Please refer to note 7 for the IFRS 13 Level 3 reconciliation.

10. Stated capital

Authorised share capital

An unlimited number of unclassified shares of no par value each.

	Ordinary Shares		
Issued	Sterling Share Class	US Dollar Share Class	Total
Number of shares in issue at 1st January 2015	396,504,386	38,229,946	434,734,332
Conversions	8,324,658	(13,337,017)	(5,012,359)
Purchase of own shares	(23,263,000)	(2,700,000)	(25,963,000)
Number of shares in issue at 31st December 2015	**381,566,044**	**22,192,929**	**403,758,973**
Redemptions	(254,398,888)	(15,655,071)	(270,053,959)
Conversions	4,460,577	(6,537,858)	(2,077,281)
Purchase of own shares	(28,056,614)	–	(28,056,614)
Number of shares in issue at 31st December 2016	**103,571,119**	**–**	**103,571,119**

As explained in Note 1(i) the share classes were previously recognised as liabilities as at the 31st December 2015 year end, however the remaining share class (Sterling) is recognised as equity for the current year.

In the event of a return of capital on a winding-up or otherwise, the holders of Shares are entitled to participate in the distribution of capital after paying all the debts and satisfying all the liabilities attributable to the relevant Share class.

The holders of Shares of the relevant Share class shall be entitled to receive by way of capital any surplus assets of the Share class in proportion to their holdings. In the event that the Share class has insufficient funds or assets to meet all the debt and liabilities attributable to that Share class, any such shortfall shall be paid out of funds or assets attributable to the other Share classes in proportion to the respective net assets of the relevant Share classes as at the date of winding-up.

Pursuant to Section 276 of the Law, a share in the Company confers on the shareholder the right to vote on resolutions of the Company, the right to an equal share in dividends authorised by the Board of Directors, and the right to an equal share in the distribution of the surplus assets of the Company.

All the Company's shareholders were offered the opportunity to redeem up to 100% of their Shares in the Company (the Cash Exit Offer) as at the 22nd February 2016 Record Date. This Cash Exit Offer closed at 5.00 p.m. on 22nd February 2016. The final number of Shares to be redeemed pursuant to the Cash Exit Offer was as follows:

Sterling Share Class 254,398,888 (67% of total share class).

US Dollar Share Class 15,655,071 (71% of total share class).

On 29th February 2016 6,537,858 US Dollar Shares remaining following completion of the Cash Exit Offer were compulsory converted into 4,460,577 Sterling Shares using the net asset value as at 19th February 2016. As a result of this, the Company's assets exceeded its liabilities by a considerable margin as a result of the Company's issued shares being treated as equity, not current liabilities.

On 1st March 2016 Sterling Share class investors participating in the Cash Exit Offer received £1.54 per Sterling share totalling £391,774,288.

On 1st March 2016, US Dollar Share Class investors participating in the Cash Exit Offer received $1.51 per US Dollar share totalling $23,639,157.

On 16th May 2016 £0.06 per sterling share and $0.02 per US Dollar shares was received by investors participating in the Cash Exit Offer totalling £15,263,933 and $313,101.

On 7th June 2016 £0.05 per sterling share and $0.05 per US Dollar shares was received by investors participating in the Cash Exit Offer totalling £12,719,944 and $782,753.

On 17th August 2016 £0.11 per sterling share and $0.10 per US Dollar shares was received by investors participating in the Cash Exit Offer totalling £27,983,877.68 and $1,565,507.

On 12th October 2016 £0.11 per sterling share and $0.10 per US Dollar shares was received by investors participating in the Cash Exit Offer totalling £28,263,716.46 and $1,590,555.

On 21st October 2016 the Company announced in accordance with the terms and conditions of the Tender Offer, and following the passing of the proposed special resolutions at an Extraordinary General Meeting (the 'EGM'), tenders for 25,892,614 Shares (representing c. 20% of the Shares in issue at the Record Date) were accepted by the Company. Following the above a repurchase portfolio was created as described in the circular dated 26th September, 2016. The total number of Shares in issue, as at 31st December, 2016 was 131,627,733, of which 28,056,614 Shares were held in treasury, and the total number of shares in issue excluding treasury shares was 103,571,119.

11. Discount management provision

On 24th February 2016, the Company's Articles were amended by special resolution to remove the previous discount management provision, and to insert the following provision:

The Directors shall at the Annual General Meeting of the Company to be held in 2021 propose an Ordinary Resolution that the Company continues its business as a closed-ended collective investment scheme (a 'Continuation Resolution'). If a Continuation Resolution is passed at such Annual General Meeting then the Directors shall be required to propose a further Continuation Resolution at every fifth Annual General Meeting thereafter.

If a Continuation Resolution is not passed, then the Directors shall, within six months of such Continuation Resolution not being passed, put proposals to Shareholders for the reconstruction, reorganisation or winding up of the Company.

11. Discount management provision *continued*

In addition, the current Articles enable the Directors, at their absolute discretion, to make a quarterly tender offer to Shareholders for up to 20% of the issued share capital of the Company. In the event that the Directors choose to exercise this discretion in any quarter, they may tender for any number of shares, up to 20% of the issued capital.

Until 24th February 2016 the Company's Articles incorporated a discount management provision (which applied to each class of Ordinary Shares individually), requiring a continuation vote to be proposed in respect of the particular class of Ordinary Shares at a class meeting of the relevant shareholders (by way of ordinary resolution) if, over the previous 12 month rolling period commencing from 1st January 2008, the relevant class of Ordinary Shares has traded, on average (calculated by averaging the closing mid-market share price on the dates which are five Business Days after the date on which each estimated Published NAV announcement is made for each NAV Calculation date over the period) at a discount in excess of 5% to the average NAV per Ordinary Share of that class (calculated by averaging the NAV per Ordinary Share of that class as at the NAV Calculation Date at the end of each month during the year).

In the event that a vote to continue is proposed and passed for any class of Ordinary Shares as a result of the operation of such mechanism, no further continuation vote was capable of being proposed for that class for a further 12 months from the date of the passing of the continuation resolution.

If such continuation vote is not passed, the Directors were to be required to formulate redemption proposals to be put to the Shareholders of that class offering to redeem their Ordinary Shares at the relevant published NAV on the NAV Calculation Date immediately preceding such redemption (less the costs of all such redemptions). However, where one or more such resolutions in respect of the same period is/are not passed and the class(es) of Ordinary Shares involved represent 75%, or more of the Company's net assets attributable to all Ordinary Shares at the last NAV Calculation Date on or immediately preceding the date of the latest continuation resolution being defeated, the Directors may first (at their discretion) put forward alternative proposals to all Shareholders to offer to repurchase their shares or to reorganise, reconstruct or wind up the Company. If, however, such alternative proposals are not passed by the necessary majority of shareholders of the relevant class, the Directors must proceed to offer to redeem the relevant class(es) of Ordinary Shares on the terms described above.

Where following redemption of any class of Ordinary Shares under the discount management provision in place prior to 24th February 2016, the number of Ordinary Shares of that class remaining in issue represent less than 25%, of the Ordinary Shares of that class in issue immediately before such redemption or the listing for such class of Ordinary Shares on the Official List is withdrawn or threatened to be withdrawn or the Directors determine that the conditions for the continued listing of that class are not (or they believe will not be) met, then the Company may redeem the remaining issued Ordinary Shares of that class within three months of such determination at a redemption price equal to the NAV of the Ordinary Shares of that class on the NAV Calculation Date selected by the Directors for such purpose (less the costs of such redemption).

On 30th October 2015, the Company's rolling 12 month discount floor provision was triggered for the Sterling class of the Company's shares by reference to the final NAV as at 30th October 2015. In accordance with the company's articles of incorporation, a continuation vote was required to be proposed for this class by way of ordinary resolution. As a result, the unquoted financial assets as at 31st December 2015 were disclosed as current rather than non current assets. This requirement was waived by Shareholders at the EGM held on 24th February 2016, and the unquoted Financial assets (excluding the AllBlue funds) are disclosed as non current in the year under review.

12. Treasury shares

The Capital and Reserves disclosure below is intended to highlight the legal nature, under applicable Company Law, of the amounts attributable to shareholders and also the existence and effect of the Treasury shares held by the Company. This is supplemental disclosure and not required under International Financial Reporting Standards ('IFRS').

	Notes	As at 31st December 2016 Sterling Share Class £	US Dollar Share Class $	Total £
Capital and reserves				
Stated capital	10	–	–	–
Treasury shares		(58,200,465)	–	(58,200,465)
Reserves	13	277,535,167	–	277,535,167
		219,334,702	**–**	**219,334,702**

	Notes	As at 31st December 2015 Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Capital and reserves				
Stated capital	10	–	–	–
Treasury shares		(79,026,334)	(4,114,619)	(81,317,613)
Reserves	13	845,957,145	46,578,369	877,071,141
		766,930,811	**42,463,750**	**795,753,528**

Treasury shares	As at 31st December 2016 Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Balance as at 1st January 2016	79,026,334	4,114,619	81,317,613
Acquired during year	58,200,465	–	58,200,465
Cancelled during the period	(79,026,334)	(4,114,619)	(81,317,613)
Balance as at 31st December 2016	**58,200,465**	**–**	**58,200,465**

	As at 31st December 2015 Ordinary Shares Sterling Share Class £	US Dollar Share Class $	Total £
Balance as at 1st January 2015	86,173,604	6,021,297	89,759,256
Acquired during year	46,443,652	5,107,925	49,911,237
Cancelled during the period	(53,590,922)	(7,014,603)	(58,352,880)
Balance as at 31st December 2015	**79,026,334**	**4,114,619**	**81,317,613**

12. Treasury shares *continued*

Following the EGM held on 24th February 2016, all remaining treasury shares in the Company were cancelled. As a result, cancellation of 79,026,334 (31st December 2015: 26,847,727) Sterling Shares and 4,114,619 (31st December 2015: 3,808,984) US Dollar Shares took place at that point. Following the EGM on 19th October 2016, a tender offer was put to the shareholders to repurchase up to 20% of the shares (Refer to Note 9). As a result of the above repurchases, the total number of Shares in issue is 131,627,733, of which 28,056,614 Shares are held in treasury, and the total number of shares in issue excluding treasury shares is 103,571,119. The treasury shares reserve represents 28,056,614 (31st December 2015: 40,326,746) Sterling Shares and Nil (31st December 2015: 2,156,861) Dollar Shares.

As a result cancellation of 79,026,334 (31st December 2015: 26,847,727) Sterling Shares and 4,114,619 (31st December 2015: 3,808,984) US Dollar Shares took place during the year.

During the year ended 31st December 2016, the Company bought back 28,056,614 (31st December 2015: 23,263,000) Sterling shares, including 25,892,614 shares repurchased pursuant to the tender offer on 21st October 2016, with an average price of £1.9033 (31st December 2015: £1.8861) and discount of 5.62% to NAV.

During the year ended 31st December 2015 the Company bought back 2,700,000 Dollar Shares with an average price of £1.7948 pence and discount of 5.32% to NAV.

13. Reserves

	As at 31st December 2016 Ordinary Shares		
	Sterling Share Class £	US Dollar Share Class $	Total £
Balance as at 31st December 2015	845,957,145	46,578,369	877,071,141
Increase/(Decrease) in Shareholder's Equity after other comprehensive income	8,986,565	(339,188)	10,364,638
Treasury shares cancelled during the year	(79,026,334)	(4,114,619)	(81,317,613)
Share conversions - shareholders	8,889,173	(12,415,933)	–
Redemptions	(507,271382)	(29,708,629)	(528,582,999)
Balance as at 31st December 2016	**277,535,167**	**–**	**277,535,167**

	31st December 2015		
	Sterling Share Class £	US Dollar Share Class $	Total £
Balance as at 1st January 2015	860,280,204	77,224,467	909,576,307
Increase in net assets attributable to shareholders after other comprehensive income	22,449,712	2,038,238	25,847,714
Adjustment to allocation of reserves brought forward	338,972	(417,356)	–
Accretive gain transfer between share classes	(206,348)	215,756	–
Treasury shares cancelled during the period	(53,590,922)	(7,014,603)	(58,352,880)
Share conversions	16,685,526	(25,468,133)	–
Balance as at 31st December 2015	**845,957,145**	**46,578,369**	**877,071,141**

14. Financial instruments

The Company's main financial instruments at the year end comprised:

(a) Cash and cash equivalents that arise directly from the Company's operations;

(b) Shares held in the Underlying Fund, AllBlue and AllBlue Leveraged;

The Company's main financial instruments at the prior year end comprised:

(a) Cash and cash equivalents that arise directly from the Company's operations;

(b) Shares held in AllBlue and AllBlue Leveraged; and

(c) Shares held in ICS.

15. Financial risk management objectives and policies

The main risks arising from the Company's financial instruments concern its holding of shares in the Underlying Fund as well as the investments in the AllBlue funds and the AllBlue Leveraged funds. The risks attaching to those shares are market risk, credit risk and liquidity risk.

So far as the Company is concerned, the only risk over which the Board can exercise direct control is the liquidity risk attaching to its ability to realise shares in the Underlying Fund for the purpose of meeting share buy backs and ongoing expenses of the Company. Since the change of investment policy and the appointment of Highbridge as Investment Manager, the Company has held a modest Cash reserve to cover the running costs of the Company. Additionally, proceeds available from its creditor interests and the possibility of redeeming from the Underlying Fund enable the Company to meet its liabilities as they fall due. Thereafter the Board recognises that the Company has via its holding of shares in Underlying Fund an indirect exposure to the risks summarised below.

It must also be noted that there is little or nothing which the Board can do to manage each of the other risks within the Underlying Fund or the investments in which the Underlying Fund invests under the current investment objective of the Company. With regard to the recoverability of the investment in respect of the AllBlue and AllBlue Leveraged funds, the Company is reliant on the programme initiated by BlueCrest to return the capital managed in these funds to investors.

(a) Market Risk

Price Risk

The success of the Company's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities' prices and the liquidity of the Underlying Fund's investments. Volatility or illiquidity could impair the Underlying Fund's profitability or result in losses.

Details of the Company's Investment Objective and Policy are given on page 9.

Price sensitivity

The Company invests substantially all its assets in the Underlying Fund and does not undertake any structural borrowing or hedging activity at the Company level. Its performance, therefore, is principally directly linked to the NAV of the Underlying Fund, which holds a large number of positions in listed and unlisted securities.

At 31st December 2016, if the NAV of the underlying investments had been 10% higher/lower with all the other variables held constant, the shareholders' equity as at 31st December 2016 would have increased/decreased by £13,231,714 (31st December 2015: increase/decrease in net assets attributable to Shareholders of £76,164,305 for the Sterling Class and $4,277,663 for the Dollar Class). This change arises due to the net increase/decrease in the fair value of financial assets and financial liabilities at fair value through profit or loss.

Currency Risk

The Company is not exposed directly to material foreign exchange risk as the Sterling Shares in the Company are directly invested in Sterling denominated shares of the Underlying Fund.

15. Financial risk management objectives and policies *continued*

(a) Market Risk *continued*

Interest Rate Risk

The prices of securities tend to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of long positions and short positions adopted to move in directions which were not originally anticipated. Generally, an increase in interest rates will increase the carrying costs of investments. However, the Company's investments and liabilities designated as at fair value through profit or loss are non interest bearing, and therefore are not directly exposed to interest rate risk.

The Company's own cash balances are not materially exposed to interest rate risk as cash and cash equivalents are held on floating interest rate deposits with banks and the Company does not rely on income from bank interest to meet day to day expenses.

(b) Credit Risk

Credit Risk is the risk that financial losses arise from the failure of a customer or counterparty to meet it's obligations under a contract. Direct credit risk arises from cash and cash equivalents, securities sold receivables and other receivables. The Company only deposits money with appropriately rated counterparties.

The nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of any one prime broker or custodian defaulting on its obligations to the Underlying Fund, the effects of such a default may have negative effects on other prime brokers with whom the Underlying Fund deals. The Underlying Fund and the Company may, therefore, be exposed to systemic risk when the Underlying Fund deals with prime brokers and custodians whose creditworthiness may be interlinked.

The assets of the Underlying Fund may be pledged as margin with prime brokers or other counterparties or held with prime brokers or banks. In the event of the default of any of these prime brokers, banks or counterparties, the Underlying Fund may not receive back all or any of the assets pledged or held with the defaulting party.

The maximum exposure to credit risk, excluding any credit exposures in the Underlying Fund and before any credit enhancements at 31st December 2016 is the carrying amount of the financial assets as set out below:

	31st December 2016 £	31st December 2015 £
Prepayments and Receivables	60,529,309	40,648
Cash and Cash Equivalents	26,554,506	5,319,199
	87,083,815	5,359,847

(c) Liquidity Risk

In some circumstances, investments held by the AllBlue, AllBlue Leveraged Funds and the Underlying Fund may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted for them on the various exchanges. Accordingly, the ability of the manager of AllBlue, AllBlue Leveraged and the Underlying Fund to respond to market movements may be impaired and, consequently, they may experience adverse price movements upon liquidation of its investments which may in turn affect the value of the Company's investment. Settlement of transactions may be subject to delay and administrative formalities.

In order to realise its investment in the Underlying Fund, the Company generally may, as of any calendar quarter-end, upon at least 65 days' prior written notice to the administrator of the Underlying Fund, redeem up to, but not exceeding, 25% of the number of the HCC shares issued to the Company upon each subscription. Redemption proceeds may be paid in cash or, at the discretion of HCC, in kind. In addition, HCC is not required to permit redemptions of more than 10% of the aggregate net asset value of the participating shares of HCC as of any redemption date. If the redemption requests for a particular redemption date exceed 10% of the aggregate net asset value of the participating shares of HCC, HCC may limit redemptions to 10% of the aggregate net asset value of the participating shares and determine that all redeeming investors will receive a prorated redemption.

There can be no assurance that the liquidity of the Company's investments will always be sufficient to meet redemption requests as, and when, made. Any such lack of liquidity may affect the ability of the Company to realise its shares in its investments and the value of Shares in the Company. For such reasons the treatment by the managers of the Company's investments of redemption requests may be deferred in exceptional circumstances including if a lack of liquidity may result in difficulties in determining their NAV and their NAV per share. This in turn would limit the ability of the Directors to realise the Company's investments should they consider it appropriate to do so and may result in difficulties in determining the NAV of a Share in the Company. Please refer to Note 7 for the capital redemption programme with respect to the BlueCrest Funds.

The market prices, if any, for such illiquid investments tend to be volatile and may not be readily ascertainable and the Underlying Fund may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The size of the Underlying Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by the counterparties with which the Underlying Fund enters into repurchase/reverse repurchase agreements or derivative transactions, to reduce the level of leveraging, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Underlying Fund's portfolio.

The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

AllBlue, AllBlue Leveraged and the Underlying Fund may not be able readily to dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

The table below details the residual contractual maturities of financial assets and liabilities:

	As at 31st December 2016			
	1-3 months £	3-12 months £	More than 1 year £	Total £
Assets				
Unquoted Financial assets designated at fair value through profit and loss	5,934,682	22,371,840	195,819,170	224,125,692
Prepayments and Receivables	60,529,309	–	–	60,529,309
Cash	26,554,506	–	–	26,554,506
Liabilities				
Unquoted Financial liabilities designated at fair value through profit and loss	–	(91,808,555)	–	(91,808,555)
Accrued expenses	(66,250)	–	–	(66,250)

15. Financial risk management objectives and policies *continued*

(c) Liquidity Risk *continued*

	As at 31st December 2015			
	1-3 months £	3-12 months £	More than 1 year £	Total £
Assets				
Unquoted Financial assets designated at fair value through profit and loss	556,586,175	186,254,727	–	742,840,902
Quoted Financial assets designated at fair value through profit and loss	47,841,642	–	–	47,841,642
Prepayments and Receivables	40,648	–	–	40,648
Cash	5,319,199	–	–	5,319,199
Liabilities				
Unquoted Financial liabilities designated at fair value through profit and loss	–	(795,753,528)	–	(795,753,528)
Accrued expenses	(288,863)	–	–	(288,863)

Net assets attributable to shareholders are no longer considered liabilities. Refer to Note 1(i) for further details.

(d) Leverage by the Underlying Fund and by funds underlying AllBlue

Certain funds underlying AllBlue in which the Company has an economic interest, operated with a substantial degree of leverage, may still contain leverage and are not limited in the extent to which they either may borrow or engage in margin transactions. The positions maintained by such underlying funds may in aggregate value be in excess of the NAV of AllBlue and AllBlue Leveraged. This leverage presents the potential for a higher rate of total return but will also increase the volatility of AllBlue, AllBlue Leveraged and, as a consequence, the Company, including the risk of a total loss of the amount awaiting redemption.

Similarly, the Underlying Fund may also invest with leverage, may borrow and engage in margin transactions. Such leverage may take a variety of forms, including margin loans by the Underlying Fund's prime brokers for the purchase or sale of securities and implicitly as a result of low margin requirements, certain futures contracts and other derivative investments. This leverage represents the potential for a higher rate of total return but will also increase the volatility of the Underlying Fund and present the risk of a total loss of the amount invested in the Underlying Fund.

(e) Assets and Liabilities not carried at fair value but for which fair value is disclosed

The following table analyses the Company's assets and liabilities (by class) not measured at fair value at 31st December 2016 and 2015 but for which fair value is disclosed.

	31st December 2016 £	31st December 2015 £
Assets		
Prepayments and Receivables	60,529,309	40,648
Cash and Cash Equivalents	26,554,506	5,319,199
	87,083,815	**5,359,847**

	31st December 2016 £	31st December 2015 £
Liabilities		
Accrued Expenses	66,250	288,863
	66,250	**288,863**

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

(f) Capital management

The investment objective of the Company prior to 25th February 2016 was to provide Shareholders with consistent long-term capital growth through an investment policy of investing substantially all of its assets in AllBlue or any successor vehicle to AllBlue. Since 25th February 2016, the Company's investment objective is to seek to provide consistent returns with low volatility through an investment policy of investing substantially all of its assets in the Underlying Fund or any successor vehicle of the Underlying Fund.

As the Company's Ordinary Shares are of no par value, distributions are not paid and Guernsey Company law does not require the maintenance of a Share premium account, the Directors regard the otherwise distributable reserves of the Company to be its capital for the purposes of this disclosure. Capital for the reporting year under review is summarised in Note 9 to these financial statements.

At the last Annual General Meeting held pursuant to section 199 of the 2008 Law, the Directors were granted authority to buy back up to 14.99% of the Ordinary Shares in issue. The Company's authority to make purchases of its own issued Ordinary Shares will expire at the conclusion of the next general meeting of the Company to be held pursuant to section 199 of the 2008 Law and renewal of such authority will be sought at the next general meeting. The timing of any purchases will be decided by the Board.

The Directors intend that purchases will only be made pursuant to this authority through the market, for cash, at prices below the prevailing NAV per Share where the Directors reasonably believe such purchases will be of material benefit to the Company.

The Company's authorised Share capital is such that further issues of new Ordinary Shares could be made, subject to waiver of pre-emption rights. Subject to prevailing market conditions, the Board may decide to make one or more further such issues or reissues of Ordinary Shares for cash from time to time. Any further issues of new Ordinary Shares or reissues of Ordinary Shares held in treasury will rank pari passu with Ordinary Shares in issue.

15. Financial risk management objectives and policies *continued*

(f) Capital management *continued*

There are no provisions of the Law which confer rights of pre-emption in respect of the allotment of Shares but there are pre-emption rights contained in the Articles. The Directors have, however, been granted the power to issue 13 million further Shares on a non pre-emptive basis for a period concluding on 31st December 2017, by a special resolution of Shareholders passed on 20th July 2016, unless such power is previously revoked by the Company's Shareholders in a general meeting pursuant to section 199 of the Law. The Directors intend to request that the authority to allot Shares on a non-pre-emptive basis is renewed at each annual general meeting of the Company.

Unless authorised by Shareholders, the Company will not issue further Ordinary Shares or reissue Ordinary Shares out of treasury for cash at a price below the prevailing NAV per Share unless they are first offered pro rata to existing shareholders.

16. Changes in accounting policies and disclosures

The following Standards or Interpretations have been adopted in the current year. Their adoption has not had any impact on the amounts reported in these Financial Statements.

IAS 34 Interim Financial Reporting – Amendments resulting from September 2014 Annual Improvements to IFRSs, effective for annual periods beginning on or after 1st January 2016.

IFRS 7 Financial Instruments: Amendments resulting from September 2014 Annual Improvements to IFRSs, effective for annual periods beginning on or after 1st January 2016.

IAS 1 Presentation of Financial Statements – Amendments from the disclosure initiative effective for annual periods beginning on or after 1st January 2016.

The following Standards or Interpretations that are expected to be applicable to the Company have been issued but not yet adopted. Other Standards or Interpretations issued by the IASB or IFRIC are not expected to be applicable to the Company. The Board have reviewed the impact of the standards below on the Company and they do not expect there to be any changes to the measurement of items in the Financial Statements but recognise additional disclosure may be required.

IFRS 7 Financial Instruments: Disclosures – Deferral of mandatory effective date of IFRS 9 and amendments relating to additional hedge accounting disclosures (and consequential amendments). Applies only when IFRS 9 is adopted, which is effective for accounting periods beginning on or after 1st January 2018.

IFRS 9 Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition, which is effective for accounting periods beginning on or after 1st January 2018.

17. Net asset value per share

The NAV per share per the Financial Statements is equal to the published NAV per share in the current year. The published NAV per share for Sterling share class was £2.1177 (31st December 2015: £2.0067) and US Dollar share class $nil (31st December 2015: $1.9103) which represents the NAV per share attributable to shareholders in accordance with the Prospectus. In prior years the published NAV per share was amended by the Directors using a discounted cashflow methodology. This resulted in differences between the NAV per share as per the Financial Statements and the published NAV per share in the prior year due to the Financial Statements not allowing for this discount in prior years under IFRS. The Financial Statements in the prior year reflected a NAV per share for the Sterling share class as £2.0099 and US Dollar share class $1.9133.

18. Events after the Year End

As stated in note 7, BlueCrest, the Investment Manager to the BlueCrest suite of funds, and the Board of Directors of each of the relevant BlueCrest funds (or General Partner, where appropriate) announced on 1st December 2015 that the BlueCrest funds would embark upon a programme to return the capital managed in these funds to investors. Subsequent to the 31st December 2016 year, the Company has received redemption proceeds as follows:

Sterling Share Class

07/02/2017	£	5,391,962	
28/02/2017	£	303,504	
02/03/2017	£	3,920,619	
24/03/2017	£	1,965,301	
27/03/2017	£	477,982	
TOTAL:	**£**	**12,059,368**	98% returned to date (estimated)

US Dollar Share Class

07/02/2017	$	298,230	
02/03/2017	$	229,940	
24/03/2017	$	131,712	
TOTAL:	**$**	**659,882**	95% returned to date (estimated)

Further payments after the year end to the Company's shareholders as per the Cash Exit Offer as detailed in Note 9 were as follows:

Sterling Share Class

01/12/2017 £17,375,443

US Dollar Share Class

01/12/2017 £992,518

Further distributions to investors participating in the cash exit opportunity, and subscriptions into the Underlying Fund, will take place as advised in the Circular dated 8th February 2016 once proceeds are received from the Company's investments in AllBlue and AllBlue Leveraged.

The Company made payments to shareholders an amount equal to £2.0549 per Sterling Share repurchased pursuant to the tender offer in October, 2016, totalling £53,206,732 on 22nd February 2017.

The Company made the decision to recommence the purchase of Shares in the market at 30th June 2016.

Subsequent to 31st December 2016 the following purchases of the Company's shares and held in Treasury were made (totalling of £8,498,348).

500,000	6th January 2017 (Average price 198.5 pence)
900,000	13th January 2017 (Average price 198.5 pence)
924,000	20th January 2017 (Average price 198.493 pence)
635,000	27th January 2017 (Average price 198.444 pence)
211,000	3rd February 2017 (Average price 198.89 pence)
671,000	10th February 2017 (Average price 201.372 pence)
250,000	17th February 2017 (Average price 202.25 pence)
170,000	10th March 2017 (Average price 201.61 pence)
4,261,000	

Schedule of Investments

Unaudited Schedule of Investments as at 31st December 2016

Investment assets	Nominal holdings	Valuation source currency	Valuation GBP	Total net assets %
Securities portfolio				
Highbridge Multi Strategy Fund Class F Series N – RF/Mar 16	153,912	£163,544,992	£163,544,992	74.56
AllBlue Limited Sterling Share	80,504	£21,788,466	£21,788,466	9.93
AllBlue Leveraged Feeder Limited Sterling Shares	15,454	£5,244,110	£5,244,110	2.39
Highbridge Multi Strategy Fund Class F Series N – RF/June	5,265	£5,554,968	£5,554,968	2.53
Highbridge Multi Strategy Fund Class F Series N – RF/May 16	5,160	£5,432,789	£5,432,789	2.48
AllBlue Limited US Dollar Shares	5,585	$1,501,439	£1,216,725	0.55
Highbridge Multi Strategy Fund Class F Series RF/July 16	1,053	£1,108,114	£1,108,114	0.51
Highbridge Multi Strategy Fund Class F Series RF/August 16	6,318	£6,500,184	£6,500,184	2.96
Highbridge Multi Strategy Fund Class F Series	880	£898,838	£898,838	0.41
Highbridge Multi Strategy Fund Class F Series RF/October	8,856	£8,931,682	£8,931,682	4.07
Highbridge Multi Strategy Fund Class F Series RF/December	3,875	£3,904,824	£3,904,824	1.78
			£224,125,692	102.18

Unaudited Schedule of Investments as at 31st December 2015

	Nominal holdings	Valuation source currency	Valuation GBP	Total net assets %
Securities portfolio				
AllBlue Limited Sterling Shares	2,968,821	£637,351,774	£637,351,774	80.09
AllBlue Leveraged Feeder Limited Sterling Shares	284,177	£76,449,632	£76,449,632	9.61
Institutional Sterling Government Liquidity Fund – Core (Acc) Shares	472,479	£47,841,642	£47,841,642	6.01
AllBlue Limited US Dollar Shares	200,723	$42,776,629	£29,039,496	3.65
			£790,682,544	99.36

Highbridge Multi-Strategy Fund Limited

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 44704)

Notice of Annual General Meeting

Notice is hereby given that an annual general meeting (the '**AGM**') of the shareholders of Highbridge Multi-Strategy Fund Limited (the '**Company**') will be held at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT, Channel Islands on Wednesday, 19th July 2017 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions.

Ordinary business: to be proposed as ordinary resolutions

1. To receive the annual financial report for the year ended 31st December 2016.
2. To re-appoint PricewaterhouseCoopers CI LLP as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting to be held in 2018 under section 199 of The Companies (Guernsey) Law, 2008, as amended (the '**Law**') and to authorise the directors to determine its remuneration.
3. To re-elect Mr Vic Holmes as a director.
4. To re-elect Miss Sarita Keen as a director.
5. To re-elect Mr Steve Le Page as a director.
6. To re-elect Mr Paul Meader as a director.

Special business: to be proposed as an ordinary resolution

7. That, in replacement for all previous authorities, the Company be authorised, in accordance with section 315(1)(a) of the Law, to make market purchases (within the meaning of section 316 of the Law) of ordinary shares of no par value each ('**Shares**') in the capital of the Company, and to cancel such Shares or hold such Shares as treasury shares, provided that:

   (i) the maximum number of Shares hereby authorised to be purchased shall be up an aggregate of 14,886,586 Shares or such number as shall represent 14.99% of each class of Shares in issue on the date on which this resolution is passed, whichever is less (in either case excluding Shares held in treasury);

   (ii) the maximum price which may be paid for a Share shall be the higher of: (a) an amount equal to 105% of the average of the middle market quotations for a Share (as derived from the Daily Official List of the London Stock Exchange Plc) for the five business days immediately preceding any such purchase; and (b) the price of the last independent trade and highest current independent bid on the London Stock Exchange when the purchase is carried out, provided that the Company shall not be authorised to acquire Shares at a price above the estimated prevailing net asset value per Share on the date of purchase; and

   (iii) the minimum price which may be paid for a Share shall be one penny;

   and that the authority conferred by this resolution shall expire on the earlier of 31st December 2018 or the date of the next annual general meeting of the Company (save that the Company may, prior to such expiry, enter into a contract to purchase Shares, which trade may be executed wholly or partly after such date).

Special business: to be proposed as a special resolution

8. That the pre-emption rights granted to Shareholders pursuant to article 12(2) of the Articles of Incorporation of the Company (the 'Articles') shall not apply in respect of the issue or sale out of treasury to any person or persons of equity securities (as defined in the Articles) up to a number not exceeding the lesser of 14,886,586 Shares or such number as shall represent 10% of the Company's issued share capital at the time of issue of the equity securities AND that this dis-application of such pre-emption rights shall expire on the earlier of 31st December 2018 or the date of the next annual general meeting of the Company, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be issued pursuant to any such offer or agreement as if the power hereby conferred had not expired.

By order of the Board

For and on behalf of
JTC Fund Solutions (Guernsey) Limited
Secretary

Registered Office: Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT

31st March 2017

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to speak and vote instead of them. A proxy need not be a member of the Company. Completion and return of the Form of Proxy will not preclude members from attending or voting at the AGM if they so wish.
2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
3. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against each resolution.
4. A Form of Proxy is enclosed for use at the AGM. To be valid, the Form of Proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must reach the Company's Registrar, Anson Registrars Limited, P.O. Box 426, Anson House, Havilland Street, St Peter Port, Guernsey GY1 3WX not less than 48 hours before the time for holding the AGM.
5. All persons recorded on the register of shareholders as holding shares in the Company as at 10.00 a.m. on Monday 17th July 2017 or, if the AGM is adjourned, as at 48 hours before the time of any adjourned AGM (excluding any day which is not a business day), shall be entitled to attend and vote (either in person or by proxy) at the AGM and, on a poll, shall be entitled to one vote per share held.
6. The quorum of the AGM shall be two or more Shareholders present in person or represented by proxy representing not less than 1/20th of the Shares in issue.
7. If the AGM falls to be adjourned because it is not quorate, it will be adjourned to 10.00 a.m. on Wednesday 26th July, 2017, whereupon those shareholders then present in person or by proxy shall form the quorum. In the event of any such adjournment, the Company will announce the adjournment via a regulatory information service, but no separate notification will be sent to Shareholders.
8. Where there are joint registered holders of any Shares, such persons shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election, the person whose name stands senior on the register of shareholders shall alone be entitled to vote.
9. On a poll votes may be given either personally or by proxy and a shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
10. Any corporation which is a shareholder may by resolution of its board of directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual shareholder.
11. None of the directors has a contract of service with the Company.
12. Holders of Shares with the ISIN GB00B13YVW48 have the right to attend, speak and vote at the AGM.

Glossary

Unless the context suggests otherwise, references within this report to:

‘**AIFM**’ means Alternative Investment Fund Manager.

‘**AIFMD**’ means the Alternative Investment Fund Managers Directive.

‘**AIC**’ means the Association of Investment Companies, of which the Company is a member.

‘**AIC Code**’ means the AIC Code of Corporate Governance.

‘**AllBlue Leveraged**’ means AllBlue Leveraged Feeder Limited.

‘**AllBlue**’ means AllBlue Limited.

‘**Articles**’ means the Articles of Incorporation of the Company.

‘**Beta**’ means the covariance of a portfolio’s returns with its benchmark’s returns, divided by the variance of a benchmark’s returns.

‘**BlueCrest**’ means BlueCrest Capital Management Limited.

‘**Board**’ means the Board of Directors of the Company.

‘**Business Day**’ means any day on which banks are open for business in the Cayman Islands, United Kingdom and/or Guernsey and/or such other place or places as the Directors may from time to time determine.

‘**Company**’ means Highbridge Multi-Strategy Fund Limited.

‘**funds underlying AllBlue**’ means the seven underlying funds of AllBlue comprising BlueCrest Capital International Limited, BlueTrend 2x Leveraged Fund Limited (with effect from 1st July 2015, BlueTrend Fund Limited prior to 1st July 2015), BlueCrest Multi Strategy Credit Fund Limited, BlueCrest Emerging Markets Fund Limited, BlueCrest Mercantile Fund Limited, BlueCrest Equity Strategies Fund Limited and BlueCrest Quantitative Equity Fund Limited (together, including the master funds into which such funds invest).

‘**GFSC Code**’ means the Guernsey Financial Services Commission Financial Sector Code of Corporate Governance.

‘**Highbridge**’ means Highbridge Capital Management, LLC.

‘**HCC**’ means Highbridge Capital Corporation, an exempted company incorporated with limited liability in the Cayman Islands.

‘**ICS**’ means the Institutional Cash Series plc (‘ICS’) (an umbrella investment company with variable capital and having segregated liability between its funds).

‘**IFRS**’ means the International Financial Reporting Standards as adopted by the European Union.

‘**JTC**’ or the ‘Administrator’ means JTC Fund Solutions (Guernsey) Limited.

‘**Law**’ means the Companies (Guernsey) Law 2008 (as amended).

‘**Shares**’ means the Sterling Shares and US Dollar Shares of the Company in issue.

‘**Sharpe Ratio**’ means the average return earned in excess of the risk-free rate per unit of volatility or total risk.

‘**Underlying Fund**’ means the multi-strategy fund managed by Highbridge into which the Company invests substantially all of its assets, via its investment in Class F shares of Highbridge Capital Corporation.

‘**UKLA**’ means United Kingdom Listing Authority.

‘**VaR**’ means Value at Risk.

‘**Website**’ means the Company’s website, https://www.highbridgemsfltd.co.uk.

Directors and Service Providers

Directors
Vic Holmes
Steve Le Page
Paul Meader
Sarita Keen

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Administrator and Company Secretary
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Notes

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J.P. Morgan Helpline

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Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.

J.P.Morgan
Asset Management