

ASSET MANAGEMENT BY

LYXOR

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**ADEQUITY TRUST :  
REVERSO USD GUARANTEED FUND**

**REPORTS AND FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED JANUARY 30, 2009**

**Managed By**  
**Lyxor Asset Management**  
**A 100% SG subsidiary**



**SOCIETE  
GENERALE**

## ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

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## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **ADMINISTRATION**

#### **Trustee**

Close Trustees (Cayman) Limited  
P.O. Box 1034GT  
Harbour Place, 4th Floor  
103 South Church Street  
Grand Cayman KY1-1102  
Cayman Islands

#### **Manager**

Lyxor Asset Management  
Tour Société Générale  
17 Cours Valmy  
92987 Paris-La Défense  
France

#### **Registered Office**

Close Trustees (Cayman) Limited  
P.O. Box 1034GT  
Harbour Place, 4th Floor  
103 South Church Street  
Grand Cayman KY1-1102  
Cayman Islands

#### **Custodian**

Société Générale  
29 boulevard Haussmann  
75009 Paris  
France

#### **Guarantor**

Société Générale  
29 boulevard Haussmann  
75009 Paris  
France

#### **Auditors**

PricewaterhouseCoopers  
P.O. Box 258GT  
Strathvale House  
George Town  
Grand Cayman KY1 – 1104  
Cayman Islands

# ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

## REPORT OF THE MANAGER

January 30, 2009

### ADEQUITY TRUST - REVERSO USD GUARANTEED FUND

#### MANAGEMENT REPORT FROM AUGUST 8, 2005 TO JANUARY 30, 2009

Cayman Fund offered in Hong Kong

Recommended minimal length of investment		2.5 years
Initial NAV/Unit	:	10.00 USD
NAV/Unit as of August 8, 2005	:	9.64 USD
NAV/Unit as of January 30, 2009	:	10.31 USD

The Fund has been established to provide investors with the opportunity to receive, in respect of each Unit:

- the **Guaranteed Coupon** of 4.00% of the **Offer Price** (equivalent to USD0.40) in respect of each Unit in issue and held by Unitholders as at each Coupon Date;
- the **redemption price** on **Maturity Date**, which is equal to the higher of:
  - USD10.00 x Reference Level (Minimum Positive Basket Performance less Maximum Negative Basket Performance)
  - Basket Performance (in absolute value) / 2)

100 percent of the **Offer Price** (equivalent to USD1 0.00 per unit)

The **Guaranteed Coupons** will only be payable in respect to Units in issue at the relevant **Coupon Date**. Units redeemed prior to the relevant **Coupon Date** will not be entitled to such **Coupon**.

**Evolution of the Underlyings of the Embedded Option**

From August 8, 2005 to January 30, 2009 on a NAV to NAV calculation basis in the respective currency of the underlying

Underlyings of the Embedded Option - Constituent Stock	Initial Price:	Price as of	Performance of the underlyings since inception of the Reverso USD Guaranteed Fund	Performance of the underlyings over 1 year up to	Performance of the underlyings over 3 years up to
	August 08, 2005	30 Jan 2009	30 Jan 2009	30 Jan 2009	30 Jan 2009
PHILIP MORRIS COMPANIES INC	66.15	49.62	-24.989%	-34.53%	-32.86%
ANHEUSER-BUSCH COS INC	44.3	31.8473	-28.110%	-30.01%	-24.19%
INTL BUSINESS MACHINES CORP	83.36	91.65	9.945%	-14.62%	12.27%
BRITISH TELECOM PLC	2.215	1.049	-52.641%	-59.50%	-49.49%
MARKS & SPENCER PLC	3.575	2.31	-35.385%	-47.97%	-52.49%
MATSUSHITA ELECTRIC INDL CO	1823	1755	-3.730%	-37.88%	-30.63%
VODAFONE GROUP PLC **	1,46118375	1,297	-11.236%	-26.01%	7.41%
HITACHI LTD	680	294	-56.765%	-63.02%	-64.58%
SEVEN & HOLDING *	3180	2435	-23.428%	-7.59%	-51.59%
COCA-COLA COMPANY	43.67	42.72	-2.175%	-27.80%	2.32%
GENERAL ELECTRIC CO.	33.76	12.13	-64.070%	-65.74%	-63.16%
HENKEN NV	26.01	23.05	-11.380%	-38.70%	-21.14%
SOUTHERN CO	33.83	33.45	-1.123%	-7.98%	-4.67%
DEUTSCHE TELEKOM AG	16.01	12.04	-24.797%	-41.30%	-1.39%
TELEFONICA S.A	13.84	13.93	0.650%	-28.71%	11.08%
Basket value	100.000%	78.051%	-21.949%	-35.423%	-24.208%

#### Explanation of NAV evolution

As of January 30, 2009, the fund Net Asset Value per Unit was USD 10.31, increasing by 3.10% from its initial offer value. The EMTN value increased over the period.

The **Guaranteed Coupon** equal to USD 0.40 per Unit was paid in February 2006 and August 2006.

The source of the underlying stocks prices is Bloomberg.

\* As SEVEN ELEVEN JAPAN CO LTD merged with DENNY'S JAPAN CO LTD and ITO-YOKADO CO LTD on 1 September 2005, the Closing Price of Seven Eleven Japan CO LTD is replaced by the Closing Price of Seven and Holdings CO LTD for calculation purposes

\*\* As VODAFONE GROUP PLC underwent consolidation and distribud a special cash dividend on 31 July 2006, the Initial Price is adjusted for calculation purposes.

Breakdown of the Net Asset Value:

Price in % of Nominal Amount as of		Price in % of Nominal Amount as of
		August 08, 2005
		January 30, 2009
EMTN	96.40%	103.15%
Other Assets minus Liabilities	0.00%	-0.05%
Total Net Asset Value	96.40%	103.10%
Total Net Asset Value in USD Amount		58,955,254,720 USD
		37,214,454,890 USD

The option value on valuation day of the REVERSO USD GUARANTEED FUND is calculated on the basis of the stocks closing prices of the immediately preceding day.

Expenses :

Total Expenses charged to the fund since inception (including up-front fees):

2,379,268.40 USD

The guarantee only applies to investors who hold the investment until the maturity date. Early redemptions prior to such date are fully exposed to fluctuations in the value of the Fund's assets and the realisation value may be lower than the guaranteed value. The REVERSO USD GUARANTEED FUND is a sub-fund of the Adequity Trust, a Cayman Islands registered fund. The guarantee is issued by Société Générale and is subject to issuer risk. Please refer to Fund Specific Memorandum for details of the guarantee.

This report has been prepared by Luxor Asset Management. This is neither an offer nor solicitation to purchase units of the fund. Investors should refer to the relevant Explanatory Memorandum and Fund Specific Memorandum ("the fund offering documents") for detailed information. Investments are not deposits or other obligations of, guaranteed or insured by the distributors, or any of their affiliates, or by any local governmental or insurance agency, and are subject to investment risks. Investors investing in funds denominated in non-local currency should be aware of the risk of exchange rate fluctuations that may cause a loss of principal. Past performance is not indicative of future performance; prices can go up or down. Distribution of this document may be restricted in certain jurisdictions; persons into whose possession this publication comes should inform themselves of and observe such restrictions. This document does not constitute the distribution of any information or the making of any offer or solicitation by anyone in any jurisdiction in which such distribution or offer is not authorized or to any person to whom it is unlawful to distribute such a booklet or make such an offer or solicitation.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **REPORT OF THE TRUSTEE**

In our opinion, the Manager, Lyxor Asset Management, has, in all material respects, managed the Adequity Trust : Reverso USD Guaranteed Fund for the period ended January 30, 2009 in accordance with the provisions of the Trust Deed dated March 7, 2002, as amended.

On behalf of the Board of  
Close Trustees (Cayman) Limited

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## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Adequity Trust: Reverso USD Guaranteed Fund

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Adequity Trust: Reverso USD Guaranteed Fund, which comprise the balance sheet, including the schedule of investments, as of January 30, 2009, and the related income statement, the statement of changes in net assets attributable to holders of redeemable participating units and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated March 7, 2002 (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Adequity Trust: Reverso USD Guaranteed Fund as of January 30, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of the financial statements, which indicates that the fund is scheduled to mature on July 8, 2009.

### *Other legal and regulatory requirements*

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

**BALANCE SHEET  
AS AT JANUARY 30, 2009**

	<b>Note</b>	<b>JANUARY 30, 2009 USD</b>	<b>JANUARY 31, 2008 USD</b>
<b>Assets</b>			
Cash and cash equivalents	2(i)	4.70	10.73
Financial assets at fair value through profit or loss	1, 2(d), 8	37,232,244.36	41,184,766.14
<b>Total assets</b>		<b>37,232,249.06</b>	<b>41,184,776.87</b>
<b>Liabilities</b>			
Accrued expenses and other payables	2(k)	17,794.17	22,799.00
<b>Liabilities (excluding net assets attributable to holders of redeemable participating units)</b>		<b>17,794.17</b>	<b>22,799.00</b>
<b>Net assets attributable to holders of redeemable participating units</b>		<b>37,214,454.89</b>	<b>41,161,977.87</b>
<b>Total Liabilities</b>		<b>37,232,249.06</b>	<b>41,184,776.87</b>

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

Close Trustees (Cayman) Limited

Lyxor Asset Management



**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

**INCOME STATEMENT  
FOR THE YEAR ENDED JANUARY 30, 2009**

	<b>Note</b>	<b>JANUARY 30, 2009 USD</b>	<b>JANUARY 31, 2008 USD</b>
<b>Revenue</b>			
Realised gain/(loss) on investments		221,063.34	(365,663.82)
Net change in unrealised gain/(loss) on investments		2,032,654.72	3,494,278.60
<b>Net gain/(loss) on financial assets at fair value through profit or loss</b>	<b>2(d)</b>	<b>2,253,718.06</b>	<b>3,128,614.78</b>
<b>Total Investment Income/(loss)</b>		<b>2,253,718.06</b>	<b>3,128,614.78</b>
<b>Expenses</b>			
Management and other fees	3	(39,458.57)	(49,831.80)
<b>Total Operating expenses</b>		<b>(39,458.57)</b>	<b>(49,831.80)</b>
<b>Operating profit/(loss)</b>		<b>2,214,259.49</b>	<b>3,078,782.98</b>
<b>Increase/(decrease) in net assets attributable to holders of redeemable participating units from operations</b>		<b>2,214,259.49</b>	<b>3,078,782.98</b>

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

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE  
TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS  
FOR THE YEAR ENDED JANUARY 30, 2009**

	<b>Note</b>	<b>JANUARY 30, 2009 USD</b>	<b>JANUARY 31, 2008 USD</b>
Net assets attributable to holders of redeemable participating units at beginning of the period		41,161,977.87 -----	51,556,352.90 -----
Proceeds from redeemable participating units issued	6	0.00	0.00
Redemptions of redeemable participating units	6	(6,161,782.47) -----	(13,473,158.01) -----
<b>Total</b>		<b>35,000,195.40</b>	<b>38,083,194.89</b>
Increase/(decrease) in net assets attributable to holders of redeemable participating units from operations		2,214,259.49 =====	3,078,782.98 =====
<b>Net assets attributable to holders of redeemable participating units at end of the period</b>	<b>7</b>	<b>37,214,454.89</b>	<b>41,161,977.87</b>

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

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JANUARY 30, 2009**

	<b>JANUARY 30, 2009</b>	<b>JANUARY 31, 2008</b>
	USD	USD
<b>Cash flows from operating activities</b>		
Purchase of financial assets	0.00	0.00
Proceeds from sale of financial assets (including realized gains)	6,161,776.44	13,473,162.42
Dividend Income	0.00	0.00
Amount received on financial assets	44,463.40	55,728.38
Operating expenses paid	(44,463.40)	(55,728.38)
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>6,161,776.44</b>	<b>13,473,162.42</b>
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable participating units	0.00	0.00
Proceeds from redeemable participating units issued	0.00	0.00
Redemptions of redeemable participating units	(6,161,782.47)	(13,473,158.01)
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(6,161,782.47)</b>	<b>(13,473,158.01)</b>
 <b>Net increase/(decrease) in cash and cash equivalents</b>	 <b>(6.03)</b>	 <b>4.41</b>
 <b>Cash and cash equivalents at 1 February</b>	 <b>10.73</b>	 <b>6.32</b>
<b>Cash and cash equivalents at 30 January</b>	<b>4.70</b>	<b>10.73</b>

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

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **Definitions**

"Basket Performance"	means, in respect of the Basket of Stocks, the value calculated on the each Observation Date (t) since Launch Date according to the formula described in the Fund Specific Memorandum.
"Closing Price"	means in respect of each Constituent Stock comprising the Basket of Stocks, the closing price of such stock on the Exchange which is the relevant exchange for that stock on the relevant Observation Date (or if such day is not an Exchange Business Day the next Exchange Business Day).
"Constituent Stock"	means any stock included in the Basket of Stocks, collectively referred to as the "Constituent Stocks".
"Coupon Date"	means February 8, 2006 and August 8, 2006, or if any such day is not a Business Day and an Exchange Business Day the next following Business Day and Exchange Business Day Altogether "Coupon Dates".
"Coupon Payment Date"	means within 14 Business Days after the relevant Coupon Date.
"Guaranteed Coupon"	means the guaranteed coupon of 4.00% of the Offer Price (equivalent to USD 0.40 per Unit) payable in respect of each Unit in issue and held by a Unitholder as at each Coupon Date Altogether "Guaranteed Coupons".
"Guaranteed Realisation Price"	means 100% of the Offer Price (equivalent to USD10.00 per Unit).
"Initial Price"	means, in respect of each Constituent Stock, the closing price of the relevant Constituent Stock on the Exchange which is the relevant exchange for that stock on the Launch Date.
"Launch Date"	means August 8, 2005 or such later date as the Manager may determine in the event that the Offer Period is extended.
"Maximum Positive Basket Performance"	means the highest Basket Performance which is above 0 recorded among the 16 Observation Dates.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

"Maximum Negative Basket Performance"	means the lowest Basket Performance which is below 0 recorded among the 16 Observation Dates.
"Observation Date (t) or Observation Dates (t= 1 to 16)"	<p>means November 8, 2005, February 8, 2006, May 8, 2006, August 8, 2006, November 8, 2006, February 8, 2007, May 8, 2007, August 8, 2007, November 8, 2007, February 8, 2008, May 8, 2008, August 8, 2008, November 10, 2008, February 9, 2009, May 8, 2009 and Maturity Date or, if such day is not an Exchange Business Day for one particular Exchange, the next following Exchange Business Day, altogether 16 Observation Dates.</p> <p>If there is no Exchange Business Day within the five Business Day period following the original date which would have been the relevant Observation Date, then the last Business Day of such period shall be deemed to be the Observation Date for each relevant Constituent Stock and the value of the/these relevant Constituent Stock(s) shall be the Manager's good faith estimate of the fair market value of such/these Constituent Stock(s) which will reflect the current conditions prevailing on the market on the last day of such period.</p>
"Offer Period"	means the period from 9.00 a.m. (Hong Kong time) on June 22, 2005 to 5.00 p.m. (Hong Kong time) on July 27, 2005 (or such later time or date as the Manager shall determine).
"Offer Price"	means USD10.00 per Unit subscribed during the Offer Period.
"Reference Level"	means the reference level of the Fund used for the calculation of the realisation price at maturity. It is expected to be between 65% and 80% and in any event not lower than 65%.

#### **I Fund's principal activity**

Adequity Trust (the "Trust") was formed by a Trust Deed dated March 7, 2002 and registered as an exempted trust under the Trusts Law of the Cayman Islands on March 20, 2002. The Trust was registered as a mutual fund under the Mutual Funds Law of the Cayman Islands on April 2, 2002. Adequity Trust : Reverso USD Guaranteed Fund (the "Fund") is a sub-fund of the Trust and was formed by a Supplemental Deed dated June 15, 2005. The Fund is a sub-fund of the Trust and accordingly under the laws of the Cayman Islands does not require separate registration as a trust. The Fund is a sub-fund of the Trust and accordingly under the laws of the Cayman Islands does not require separate registration as a mutual fund since it falls under the umbrella registration of the Trust. The Fund commenced operations in August 2005. The Fund is authorised by the Securities and Futures Commission in Hong Kong and is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The Fund has been established to provide investors with the opportunity to receive, in respect of each Unit:

- the Guaranteed Coupon of 4.00% of the Offer Price (equivalent to USD 0.40) in respect of each Unit in issue and held by Unitholders as at each Coupon Date;
- the realisation price on Maturity Date (July 8, 2009), which is equal to the higher of:
  - $\text{USD } 10.00 \times [\text{Reference Level} + (\text{Maximum Positive Basket Performance} + \text{Maximum Negative Basket Performance in absolute value}) / 2]$
  - 100 percent of the Offer Price (equivalent to USD 10.00 per unit)

The Guaranteed Coupons will only be payable in respect to Units in issue at the relevant Coupon Date. Units redeemed prior to the relevant Coupon Date will not be entitled to such Coupon.

Investors who choose to realise their Units at any time other than on the Maturity Date will receive a price calculated by reference to the Net Asset Value of their Units at the time of realisation, and the value of Units can go down as well as up in this period. The Realisation Price of Units realised before the Maturity Date will take into account the up-front fees and charges payable by the Fund. There is no principal protection or capital guarantee in the case of realisations except on the Maturity Date.

The terms definitions and the details of the guarantees are set in the Fund Specific Memorandum.

On the Launch Date, the Fund has invested approximately 96.40 per cent of the aggregate amount of subscription proceeds raised during the Offer Period in an Euro Medium Term Note ("EMTN"). The EMTN has been issued by SGA Société Générale Acceptance N.V. and acquired by Société Générale in its capacity as the sole counterparty to the issue and thereafter sold to the Fund by Société Générale.

The EMTN:

- pays the Guaranteed Coupons paid as at the end of 6 months and year 1;
- pays the on going management fees and
- will be redeemed at or above par, within at most 14 Business Days after Maturity Date.

As per the Fund Specific Memorandum, the Fund's investment in the EMTN is similar to investing approximately 87.50% of the subscription proceeds in fixed interest securities and the remaining proportion in a series of options, the returns of which are linked to the Performance of the Basket of Stocks and the value of the fixed interest securities. The fixed interest securities portion is expected to return 100% of the capital raised during the Offer Period and not yet redeemed on the Maturity Date, generate the on-going management fees until the Maturity Date and the Guaranteed Coupon while the return from the embedded options provides investors with the opportunity to receive the realisation price, the amount of which is linked to the Reference Level, the Maximum Positive Basket Performance and Maximum Negative Basket Performance in absolute value and the value of the fixed interest securities and to provide the Realisation Price on the Maturity Date in excess of 100% capital raised.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The Basket of Stocks was composed of 15 selected stocks as at the Launch Date, as follows:

<b>Name of Constituent Stock</b>	<b>Relevant Stock Exchange</b>
ALTRIA GROUP INC	New York Stock Exchange
ANHEUSER-BUSCH COS INC.	New York Stock Exchange
BT GROUP PLC	London Stock Exchange
COCA-COLA CO/THE	New York Stock Exchange
DEUTSCHE TELEKOM AGREG	XETRA
GENERAL ELECTRIC CO	New York Stock Exchange
HEINEKEN NV	Amsterdam Stock Exchange
HITACHI LTD	Tokyo Stock Exchange
INTERNATIONAL BUSINESS MACHINES CORP	New York Stock Exchange
MARKS & SPENCER GROUP PLC	London Stock Exchange
MATSUSHITA ELECTRIC INDUST	Tokyo Stock Exchange
SEVEN-ELEVEN JAPAN CO LTD	Tokyo Stock Exchange
SOUTHERN CO	New York Stock Exchange
TELEFONICA S.A.	Spanish Continuous
VODAFONE GROUP PLC	London Stock Exchange

The EMTN strategy will provide investors with the opportunity to receive:

- the Guaranteed Coupon of USD 0.40 per Unit held as at each Coupon Dates after 6 months and 1 year since the Launch Date.
- As at the Maturity Date, a realisation value equal to the higher of:
  - $\text{USD } 10.00 \times [\text{Reference Level} + (\text{Maximum Positive Basket Performance} + \text{Maximum Negative Basket Performance in absolute value}) / 2]$
  - USD 10.00 per Unit

This investment strategy is further enhanced by the Deed of Guarantee given by Société Générale. The guarantee will apply to the Offer Price for Unitholders who realise their Units on the Maturity Date, to the Guaranteed Coupon in respect of each Unit held and not realised before the Coupon Date. Investors should note that potential returns in excess of the Guaranteed Realisation Price and the Guaranteed Coupon are subject to investment risk. Units realised prior to the Maturity Date will not have the benefit of any guarantee on the Offer Price and the Realisation Price may be lower than the Offer Price.

Realisations of Units before the Maturity Date will therefore be exposed to fluctuations in the Basket of Stocks, interest rates, volatility and remaining time to maturity which will affect the valuation of the EMTN strategies.

The Manager has also been appointed to act as the Guarantee Claims Agent in connection with the Deed of Guarantee executed by Société Générale.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

**(a) Basis of preparations**

These financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards. The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

***Standards, amendments and interpretations effective in the financial year ending January 30, 2009 but not relevant for the Fund's operations:***

The following interpretation to existing standards has been published and is mandatory for the Fund's accounting periods beginning on or after February 1, 2008 or later periods but is not relevant for the Fund's operations:

- IFRIC 13, 'Customer loyalty programmes' (effective from July 1, 2008);

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Fund:***

- IFRS 8 'Operating Segments' ('IFRS 8'), which replaces IAS 14 'Segment Reporting' ('IAS 14'), was issued on November 30, 2006 and is effective for annual periods beginning on or after January 1, 2009. This standard specifies how an entity should report information about its operating segments, based on information about the components of the entity that management uses to make operating decisions;
- Amendment to IAS 23, 'Borrowing Costs' (effective from January 1, 2009);
- Amendment to IAS 32, 'Financial instruments: Presentation' and IAS 1, 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (the amendment) (effective from January 1, 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from January 1, 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Fund will apply the IAS 39 (Amendment) from January 1, 2009. However, it is not expected to have an impact on the Fund's income statement.



## ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Fund will apply IAS 1 (Revised) from January 1, 2009 and it is likely the Fund will present solely a statement of comprehensive income. This change is not expected to significantly change the presentation of the Fund's performance statement.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from January 1, 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement', are examples of current assets and liabilities respectively. The Fund will apply the amendments from January 1, 2009. However, it is not expected to have an impact on the Fund's financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures'; IAS 8, 'Accounting policies, changes in accounting estimates and errors'; IAS 10, 'Events after the reporting period' and IAS 18, 'Revenue' (all effective from January 1, 2009), which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Fund's accounts and have therefore not been analysed in detail.

All references to net assets throughout this document refer to net assets attributable to holders of redeemable participating units unless otherwise stated.

#### **(b) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Fund is invested in an Euro Medium Term Note ("EMTN"). In addition, the Cash and cash equivalent is managed so as always be more or less equal to nil. It is therefore not relevant to proceed to a segment analysis.

#### **(c) Functional and presentation currency**

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ('the functional currency'). This is the US dollar, which reflects the Fund's primary activity is investing principally in US assets and the fact that the units are issued in US dollars.

The presentation currency is the same as the functional currency.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**(d) Financial assets and liabilities at fair value through profit or loss**

*Classification*

Financial assets and liabilities have been designated by management at fair value through profit or loss at inception.

*Recognition and derecognition*

Regular-way purchases and sales of investments are recognised on trade date – the date on which the Fund commits to purchase or sell the asset. Financial assets and liabilities are derecognised when the rights to receive cash flows from the securities have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

*Measurement*

Investments are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise.

The investments comprise an Euro Medium Term Note (EMTN).

*Fair value estimation*

The Euro Medium Term Note (EMTN) is valued at its fair market value as determined in good faith by the Counterparty using a pricing methodology taking into account observable market data such as time value, intrinsic value, interest rates and dividends, and non observable market data such as correlation between the constituents of the Basket of Stocks and volatility.

The Manager is also able to determine the EMTN price, using its own written pricing methodology which consists in computing a set of parameters (observable traditional market datas such as interest rates, non observable implicit datas such as volatility and correlation) in an independent pricing tool (which is also commonly used by market participants). The pricing is conducted by a dedicated team. The general methodology used is a Monte Carlo approach with 10 thousands paths. Market data such as stock prices, dividends, interest rates, swap rates, or hitorical volatility are gathered through BLOOMBERG. Volatility matrices are gathered through TOTEM.

To minimise risks, should there be any doubt as to the valuation, the Manager will request an independent person to review the value of the EMTN to ensure the price quoted is fair.

The resulting unrealised gains and losses on investments are recognised in the income statement.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **(e) Foreign exchange**

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the income statement and included in realised and unrealised gains/(loss) on investments.

#### **(f) Investment income and expenses**

All expenses are accounted for on an accrual basis.

#### **(g) Redeemable participating units**

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as financial liabilities in accordance with IAS 32, 'Financial Instruments – Presentation'. Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value.

The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net assets value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units.

The Manager of the Fund has not yet analyzed the effects of the Amendment to IAS 32, 'Puttable Financial instruments and Obligations Arising on Liquidation' (effective from January 1, 2009) on the accounts.

#### **(h) Proceeds and payments on issue and redemption of units**

The net asset value of the Fund is computed bi-monthly and at the end of each month.

Prices for issues and redemptions are based on the latest available underlying prices on the day immediately preceding the valuation day (usually the underlying closing prices).

Proceeds and payments for units issued and redeemed during fund life are shown as movements in the statement of changes in net assets attributable to holders of redeemable participating units.

#### **(i) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances net of bank overdrafts.

## ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**(j) Pre-operation costs**

There were no pre-operation costs incurred by the Fund.

**(k) Accrued expenses and other payables**

Accrued expenses and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

**(l) Finance costs**

Distributions to holders of redeemable units and other finance costs such as interest expenses are recognised in the income statement as finance costs.

**(m) Critical accounting estimates and judgements**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

*Fair value of derivative financial instruments*

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques are used to determine fair value, they are validated and periodically reviewed by experienced personnel at the Manager's.

The Fund's financial assets and financial liabilities are held for the purpose of being traded or are expected to be realised within one year.

## **3 Fees**

### **Management fees**

The Manager is entitled to receive an up-front management fee and an annual management fee calculated as follows:

- Up-front management fee: 3.60 per cent of the aggregate amount of subscription proceeds received during the Offer Period. The up front fee is for services incurred in the first year setting up the fund, general marketing, and putting the investment strategy in place to meet the investment objectives of the Fund. Such fees were paid upfront and were accounted for during the first financial year of the Fund.
- Annual management fee: 0.10 percent per annum of the Aggregate Nominal Value of Units (as defined below) accrued on and calculated as at each Valuation Day and payable annually in arrears. Annual Management Fees are accounted for on an accrual basis.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The rate of the management fee will not be increased during the life of the Fund.

For the purposes of calculating the annual management fee, "Aggregate Nominal Value of Units" means the number of Units of the Fund in issue as at each relevant Valuation Day multiplied by the Offer Price.

The Manager may share any fees it receives with distributors or agents procuring subscriptions in the Fund. The Manager and other companies within the Manager's group may with the written consent of the Trustee deal with the Fund, both as principal and agent, and, subject as provided below, may retain any benefit which they receive as a result.

#### **Trustee's Fees, Hong Kong Representative Fees, Auditors' Fees and Custodian Fees**

The Trustee fees, Hong Kong Representative fees, Auditors' fees and Custodian fees will be paid by the Manager.

#### **Guarantor's Fees**

There are no fees payable to Société Générale in its capacity as the Guarantor. However, in its capacity as the sole counterparty, Société Générale may derive a profit or a loss from selling the EMTN to the Fund (described above under the section headed "Fund's principal activity") based on the correlation between the Constituent Stocks in the underlying Basket of Stocks and the volatility of such Constituent Stocks from the Launch Date until the Maturity Date.

#### **Establishment Costs and Expenses**

The preliminary establishment expenses of the Fund, including the costs and expenses in obtaining authorisation of the Fund in Hong Kong and the preparation and the printing of the Explanatory Memorandum, the Fund Specific Memorandum and all material agreements were borne by the Manager.

#### **4 Taxation**

No provision for Hong Kong profits tax has been made as interest, dividend income and realised gains on disposal of investments of the Fund are excluded from the charge to profits tax under either sections 14, 26 or 26A of the Inland Revenue Ordinance.

Under Cayman Island Law, there is no income, withholding, or capital gains taxes payable by the Fund.

#### **5 Bank loans, overdrafts and other borrowings**

There are no bank loans, overdrafts and other borrowings as at January 30, 2009 and January 31, 2008.

# ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6 Redeemable participating units in issue

	For the year ended January 30, 2009	For the year ended January 31, 2008
Units outstanding at the beginning of the period	4,230,417.710	5,671,761.240
Units issued	0.000	0.000
Units redeemed	(620,869.590)	(1,441,343.530)
	<hr/>	<hr/>
Units outstanding at the end of the period	3,609,548.120	4,230,417.710

### 7 Net asset value per unit

	As at January 30, 2009	As at January 31, 2008
Net assets attributable to holders of redeemable participating units	37,214,454.89	41,161,977.87
Number of units in issue	3,609,548.12	4,230,417.710
Net asset value per unit	10.31	9.73

### 8 Transactions with Manager and its related parties

#### (a) Investment transactions with related parties of the Manager

The following is a summary of the transactions entered into during the year between the Fund and the Manager and its related parties, in addition to those disclosed in note 3.

Related parties of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

Investment transactions with related parties of the Manager:

Name of company	Aggregate value of purchases and sales of securities USD	% of the Fund's total transactions	% of the Fund's total commission paid in the year	Average rate of commission %
<u>Year ended January 30, 2009</u>				
Société Générale	6,161,776.44	100.00	0.00	0.00
<u>Year ended January 31, 2008</u>				
Société Générale	13,473,162.42	100.00	0.00	0.00

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The Manager, Lyxor Asset Management, is also a 100% subsidiary of Société Générale.

In addition to the transactions shown above, the Fund may also receive/pay other amounts on financial assets/financial liabilities from/to a related party.

**(b) The Fund utilises the brokerage, custodian, agency and banking services of Société Générale, related parties of the Manager.**

#### **9 Soft commission arrangements**

During the year, the Manager and its related parties did not enter into any soft commission arrangements with brokers.

#### **10 Stock lending arrangements**

There are no stock-lending arrangements.

#### **11 Commitments**

There are no commitments.

#### **12 Negotiability of assets**

The Fund's assets are not restricted by statutory or contractual requirements and therefore are freely negotiable.

#### **13 Contingent liabilities**

There are no contingent liabilities.

#### **14 Post-balance sheet event**

There are no post-balance sheet events.

#### **15 Financial Risk Disclosures**

##### **(a) Concentration of risks**

As at January 30, 2009, 100% of the NAV of the Fund is invested in an EMTN (January 31, 2008: 100%). Once looked through in transparency, the Fund economic structure is similar to the combination of fixed interest securities and of an option on a basket of shares, such basket being defined in the Fund Specific Memorandum and note 1. It is therefore exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, counterparty risk and liquidity risk. Investors should be aware that the risks of the Fund will depend to a great extent on the risk of its underlying assets.

## ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### **(b) Market risk**

The Fund is subject to market fluctuations and to the risks inherent in all investments. The Realisation Price of Units and the income from them may go down as well as up.

On a bi-monthly basis, the Manager performs a first set of controls including coherence controls on the NAV of the Fund and checks on the prices provided by the counterparty.

Under the supervision of its Risk Management Department, the Manager performs an overall measurement of these risks. Such analysis is done through a Modified Value at Risk (MVaR) methodology which aims at defining the maximum bi-monthly decrease of the Fund's NAV under normal market conditions. To properly compare emerging markets stocks, low liquid stocks, hedge funds or private equity, the Manager is using a customized VaR since the standard deviation of the original VaR methodology is not adequate. As these asset returns are not normally distributed, the MVaR is a better measure as it accounts for standard deviation, skewness and kurtosis at a given confidence level. The Manager computes its MVaR analysis with its own IT systems using historical data (with a minimum limit set at 40 dates, under which the calculation is considered not relevant). MVaR is calculated based on historical NAVs since the fund's inception and the confidence level used for the calculation is set at 95 %. The main limit of this analysis might be its reliance on historical data to simulate a future performance.

The MVaR methodology covers the measurement of market price risk, interest rate risk and foreign currency risk.

As at January 30, 2009, in normal market conditions, the maximum bi-monthly decrease of Adequity Trust: Reverso USD Guaranteed Fund's NAV should not be greater than 1.23% with a confidence level of 95 % (1.51% in January 31, 2008).

As mentioned above, the market risk of the Fund is linked to the market risk of its underlying assets. (To mitigate these risks, the underlying basket of stocks is composed of large corporations from OECD countries and is diversified in various economic sectors.)

#### *Market price risk*

The Fund trades only in an over-the-counter instrument in order to achieve its objective of providing a Guaranteed Fixed Coupon and the Realisation Price: the maximum risk resulting from financial instruments is therefore determined by the fair value of the EMTN.

As stated in Note 2d, the EMTN is valued at its fair market value as determined in good faith by the Counterparty using a pricing methodology taking into account observable market data and non observable market data. An independent valuation is performed by the Manager of the Fund.

#### *Interest rate risk*

As the principal investment of the Fund is an EMTN, the Fund's financial assets and liabilities are interest-bearing. As a result, the Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.



## ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The tables below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values:

<b>At January 30, 2009 (in USD)</b>	<b>1 - 3 months</b>	<b>3 months - 1 year</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Non interest bearing</b>	<b>Total</b>
<b>Asset :</b>						
Financial assets at fair value through profit or loss	-	37,232,244.36	-	-	-	37,232,244.36
Cash and cash equivalents	-	-	-	-	4.70	4.70
<b>Total Assets</b>	-	<b>37,232,244.36</b>	-	-	<b>4.70</b>	<b>37,232,249.06</b>
<b>Liabilities :</b>						
Accrued expenses and other payables	-	-	-	-	17,794.17	17,794.17
Redeemable shares	-	-	-	-	37,214,454.89	37,214,454.89
<b>Total liabilities</b>	-	-	-	-	<b>37,232,249.06</b>	<b>37,232,249.06</b>
<b>Total interest sensitivity gap</b>	-	<b>37,232,244.36</b>	-	-	<b>(37,232,244.36)</b>	-
<b>At January 31, 2008 (in USD)</b>	<b>1 - 3 months</b>	<b>3 months - 1 year</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Non interest bearing</b>	<b>Total</b>
<b>Asset :</b>						
Financial assets at fair value through profit or loss	-	-	41,184,766.14	-	-	41,184,766.14
Cash at bank	-	-	-	-	10.73	10.73
<b>Total Assets</b>		-	<b>41,184,766.14</b>	-	<b>10.73</b>	<b>41,184,776.87</b>
<b>Liabilities :</b>						
Accrued expenses	-	-	-	-	22,799.00	22,799.00
Redeemable shares	-	-	-	-	41,161,977.87	41,161,977.87
<b>Total liabilities</b>	-	-	-	-	<b>41,184,776.87</b>	<b>41,184,776.87</b>
<b>Total interest sensitivity gap</b>	-	-	<b>41,184,766.14</b>	-	<b>(41,184,766.14)</b>	-

#### *Currency risk*

As of January 30, 2009 and January 31, 2008, the Fund is invested in an EMTN which is denominated in USD: the Fund is therefore not exposed directly to the currency risk. The payoff related to the EMTN is linked to the performance of a basket of international stocks which are denominated in their respective original currencies.

#### **(c) Liquidity Risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

## ADEQUITY TRUST : REVERSO USD GUARANTEED FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Fund is exposed to bi-monthly cash redemptions of redeemable units. At closing date, the redeemable units amounted to USD 37,214,454.89 decreasing by 9.59% in comparison with January 31, 2008 (USD 41,161,977.87).

The Manager may suspend the realisation of Units or delay the payment of realisation proceeds during any periods in which the determination of the Net Asset Value of the relevant Fund is suspended.

Over-The-Counter EMTN may also be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in this instrument at an amount close to its fair value to meet its liquidity requirements. In order to meet realisation requests prior to Maturity Date (July 8, 2009), the Counterparty is compelled to quote a price to unwind any part of the EMTN. The price will reflect the market liquidity conditions and the size of the transactions.

The tables below summarises the Fund's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

<b>At January 30, 2009</b>	<b>Less than 3 months</b>	<b>3 – 12 months</b>	<b>More than 12 months</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Liabilities:</b>					
Accrued expenses and other payables	17,794.17	0.00	0.00	0.00	17,794.17
Redeemable shares	37,214,454.89	0.00	0.00	0.00	37,214,454.89
<b>Total liabilities</b>	<b>37,232,249.06</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>37,232,249.06</b>
<b>At January 31, 2008</b>	<b>Less than 3 months</b>	<b>3 – 12 months</b>	<b>More than 12 months</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Liabilities:</b>					
Accrued expenses and other payables	22,799.00	0.00	0.00	0.00	22,799.00
Redeemable shares	41,161,977.87	0.00	0.00	0.00	41,161,977.87
<b>Total liabilities</b>	<b>41,184,776.87</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>41,184,776.87</b>

In accordance with the Fund's policy, the Manager monitors the Fund's liquidity positions on a bi-monthly basis.

#### (d) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet, if any.

The Manager monitors counterparty credit risk by setting various limits such as limits on the gross assets with a single issuer or counterparty at the Fund asset level. The Fund adheres to the general principle of diversification in relation to its derivative instruments. These limits are also followed if the counterparty of the Fund is a related party of the Manager.

## **ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Investors should note that Société Générale will act as both the Counterparty and Custodian of the Fund's assets, and the Guarantor of the EMTN. Additionally, the manager, Lyxor asset Management is also a 100% subsidiary of Société Générale.

As a result, the Fund is exposed to the credit risk resulting from a default of Société Générale in honouring its commitments relative to the EMTN Programme agreed by the counterparties at each payment date and on Maturity Date.

This risk is minimized by the fact that Société Générale has a proven track record and a leading market reputation in derivatives trading. It is well qualified to provide the necessary risk management techniques required for pricing and hedging these types of complex derivatives.

As of January 30, 2009, the credit rating of Société Générale from Standard & Poor's was AA- (AA in 2008).

In accordance with the Fund's policy, the Manager monitors the Fund's credit positions on a bi-monthly basis.

#### **(e) Counterparty risk**

Counterparty risk is the risk that the counterparty trading with the Fund will be unable to meet its obligation to make payments or to settle a trade on the due form.

The counterparty risk is reduced by the fact that different divisions within Société Générale will be responsible for selecting, monitoring and providing custody over the Fund's assets. Société Générale's compliance procedures require effective segregation of duties and responsibilities between relevant divisions within Société Générale: each division is run as a separate operational unit, segregated by Chinese walls and run by different management teams.

In accordance with the Fund's policy, the Manager monitors the Fund's credit positions on a bi-monthly basis.

#### **(f) Cross-fund liability risk**

In accordance with the Trust Deed, the assets and liabilities of the Fund are segregated from the asset and liabilities of the other funds of the Adequity Trust.

## **16 Approval of financial statements**

The financial statements were approved by the Trustee and the Manager on May 28, 2009.

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

**SCHEDULE OF INVESTMENTS AS AT JANUARY 30, 2009**

	<b>Number of securities (Notional amount)</b>	<b>Fair value USD</b>	<b>% of Net Assets</b>
<b>Financial assets at fair value through profit or loss</b>			
<b>Unlisted / Unquoted financial assets</b>			
EMTN	36,095,490.00	37,232,244.36	100.05
<b>Total unlisted / unquoted financial assets</b>		<b>37,232,244.36</b>	<b>100.05</b>
<b>Total Financial assets at fair value through profit or loss</b>		<b>37,232,244.36</b>	<b>100.05</b>
<b>Total Financial assets at fair value through profit or loss at purchase date</b>		<b>34,796,048.52</b>	

**SCHEDULE OF INVESTMENTS AS AT JANUARY 31, 2008**

	<b>Number of securities (Notional amount)</b>	<b>Fair value USD</b>	<b>% of Net Assets</b>
<b>Financial assets at fair value through profit or loss</b>			
<b>Unlisted / unquoted financial assets</b>			
Euro Medium Term Note (EMTN)	42,304,180.00	41,184,766.14	100.06
<b>Total unlisted / unquoted financial assets</b>		<b>41,184,766.14</b>	<b>100.06</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>41,184,766.14</b>	<b>100.06</b>
<b>Total financial assets at fair value through profit or loss at purchase date</b>		<b>40,781,225.02</b>	

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

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND****DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE YEAR ENDED JANUARY 30, 2009**

	<b>JANUARY 30, 2009</b>	<b>JANUARY 31, 2008</b>
	USD	USD
Undistributed income / (loss) brought forward	(2,417,314.94)	(5,496,097.92)
	<hr/>	<hr/>
Operating profit / (loss)	2,214,259.49	3,078,782.98
Interim distributions to holders of redeemable participating units	0.00	0.00
Final distributions to holders of redeemable participating units	0.00	0.00
	<hr/>	<hr/>
Increase / (decrease) in net assets attributable to holders of redeemable participating units from operations	2,214,259.49	3,078,782.98
	<hr/> <hr/>	<hr/> <hr/>
Undistributed income/(loss) carried forward	(203,055.45)	(2,417,314.94)

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND**

**STATEMENT OF MOVEMENTS IN SCHEDULE OF INVESTMENTS (UNAUDITED)  
FOR THE YEAR ENDED JANUARY 30, 2009**

	<b>Percentage holdings of net assets JANUARY 30, 2009</b>	<b>Percentage holdings of net assets JANUARY 31, 2008</b>
<b>Financial assets at fair value through profit or loss</b>		
<b>Unlisted / Unquoted financial assets</b>		
Euro Medium Term Note (EMTN)	100.05	100.06
<b>Total unlisted / unquoted financial assets</b>	<b>100.05</b>	<b>100.06</b>
<b>Total listed / quoted financial assets</b>		
<b>Total financial assets at fair value through profit or loss</b>	<b>100.05</b>	<b>100.06</b>

**ADEQUITY TRUST : REVERSO USD GUARANTEED FUND****PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED JANUARY 30, 2009****Net asset values for last 3 years**

	Total net asset value USD	Net asset value per unit USD
As at January 30, 2009	37,214,454.89	10.31
As at January 31, 2008	41,161,977.87	9.73
As at January 31, 2007	51,556,352.90	9.09

**Performance record for last 10 years**

	Highest issue price per unit USD	Lowest redemption price per unit USD
From February 1, 2008 to January 30, 2009	10.46	9.66
From February 1, 2007 to January 31, 2008	9.73	9.13
From February 1, 2006 to January 31, 2007	9.72	8.97
From August 8, 2005 to January 31, 2006	9.76	9.57

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