

GAM Multi-Emerging Markets Inc.

Audited Financial Statements
for the year ended 30 September 2014

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Directors

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Company Director, Bermuda

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Head of Operations, GAM, London

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Custodian

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PricewaterhouseCoopers
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Investment Manager Commentary

Over the 12-month period to 30 September 2014, GAM Multi-Emerging Markets Inc. (the “Company”) generated a positive return of 7.0% (as measured by the USD Open Class) against the MSCI Emerging Markets Free index of 4.7%. The outperformance was generated with a volatility of 6.1% versus the index of 13.1% resulting in a Sharpe ratio for the fund approximately three times the size of the index. Importantly, the fund provided better protection against capital loss than direct exposure to emerging market equities. For the period 21 October 2013 to 27 January 2014, underlying equities fell over 10%, while the fund lost only 0.3%. The fund’s superior risk-adjusted return was, we believe, a consequence of both portfolio construction and strong performance from some of the underlying managers, particularly the emerging market macro managers.

At the portfolio construction level, the changes instigated at the start of 2012 – concentrating the portfolio by reducing the number of underlying investments and reducing equity hedge structural beta to underlying market direction – contributed to overall gains. Over the period, we redeemed from six underlying investments, added one new position with an emerging market macro manager called Gemsstock, and re-allocated the free cash to existing managers, such as 36One and North of South. At the manager level, the equity hedge managers posted a combined return in line with underlying markets, but with a superior risk-adjusted return profile. The emerging market macro managers posted an impressive combined return of 18.4% for the period, primarily through exposure to currency and credit markets.

At the underlying market level, there was significant headline news, such as Russia’s annexation of Crimea and continued destabilisation of Ukraine, major elections in Brazil and India, and a technical default in Argentinean debt. As an investor for 20 years in the asset class, one comes to expect these sorts of events. What is more important is to look for major inflection points, of which there have been some in 2014. Until this year, the Fed’s quantitative easing (QE) had meant that emerging market authorities could fund populist policies through debt that was bought by global investors in their reach for yield. This meant that reform policies, which tend to be unpopular yet vital for structural economic growth, were ignored. The results have been both a decline in economic growth in emerging markets, sticky inflation and declines in companies’ profit margins. The end of US QE is now forcing emerging market authorities to become proactive and adopt a reformist agenda. India and Mexico fall into this camp. Other countries, however, are becoming ever more populist, including Russia, Argentina and Venezuela. We expect these countries will face a crisis in their currency and / or their debt. This should provide opportunities for active emerging market investors to benefit from these countries’ relative re-ratings.

GAM International Management Limited
1 December 2014

Condensed Portfolio Statement

as at 30 September 2014

Investment Strategy*

Description	Number of Funds	Fair Value US\$	% of Company
Equity Hedge Emerging Markets	5	178,998,044	48.12
Macro - Discretionary	3	131,579,498	35.37
Equity Hedge Global	1	34,471,934	9.27
Equity Hedge Asia-Pacific	1	17,382,486	4.67
		<u>362,431,962</u>	<u>97.43</u>

Bonds

Holdings	Description	Fair value US\$	% of Company
3,024,375	Carrington Holding Co LI 1% 15-01-2021 PIK 144A	1,402,554	0.38
		<u>1,402,554</u>	<u>0.38</u>

Forward Foreign Exchange Contracts (Counterparty: Bank Julius Baer)

Purchase currency	Contractual amount	Sale currency	Contractual amount	Maturity date		
USD	2,630,000	EUR	(2,062,583)	2014-10-14	24,750	0.01
USD	1,090,000	GBP	(667,565)	2014-10-14	7,493	0.00
USD	42,000	EUR	(32,939)	2014-10-14	395	0.00
USD	12,000	CHF	(11,364)	2014-10-14	100	0.00
					<u>32,738</u>	<u>0.01</u>
CHF	2,806	USD	(3,000)	2014-10-14	(62)	(0.00)
CHF	131,217	USD	(140,096)	2014-10-14	(2,681)	(0.00)
GBP	15,324,887	USD	(24,898,344)	2014-10-14	(47,879)	(0.01)
EUR	1,366,503	USD	(1,766,000)	2014-10-14	(39,968)	(0.01)
EUR	9,299,267	USD	(12,020,000)	2014-10-14	(274,078)	(0.07)
EUR	28,508,310	USD	(36,842,714)	2014-10-14	(833,813)	(0.23)
					<u>(1,198,481)</u>	<u>(0.32)</u>
Total investments at fair value - assets					363,867,254	97.82
Total investments at fair value - liabilities					(1,198,481)	(0.32)
Total investments at fair value					<u>362,668,773</u>	<u>97.50</u>
Other net current assets					9,301,903	2.50
Net assets attributable to the shareholders of the Company					<u><u>371,970,676</u></u>	<u><u>100.00</u></u>

* Strategy categorisation has been determined by the Delegate Investment Manager

Condensed Portfolio Statement, continued

as at 30 September 2013

Investment Strategy*

Description	Number of Funds	Fair Value US\$	% of Company
Equity Hedge Emerging Markets	10	237,400,869	69.68
Macro - Discretionary	3	101,133,004	29.68
Equity Hedge Asia-Pacific	1	17,524,579	5.14
Equity Hedge Global	1	10,492,000	3.08
		<u>366,550,452</u>	<u>107.58</u>

Forward Foreign Exchange Contracts (Counterparty: Bank Julius Baer)

Purchase currency	Contractual amount	Sale currency	Contractual amount	Maturity date		
EUR	41,821,948	USD	(55,382,714)	2013-10-17	1,171,063	0.35
GBP	23,066,071	USD	(36,218,344)	2013-10-17	1,109,639	0.33
EUR	1,582,783	USD	(2,096,000)	2013-10-17	44,320	0.01
CHF	375,427	USD	(402,096)	2013-10-17	12,743	0.00
GBP	846,930	USD	(1,360,000)	2013-10-17	10,588	0.00
GBP	566,123	USD	(910,000)	2013-10-17	6,158	0.00
CHF	8,185	USD	(9,000)	2013-10-17	44	0.00
					<u>2,354,555</u>	<u>0.69</u>
EUR	47,246	USD	(64,000)	2013-10-17	(111)	(0.00)
EUR	1,033,515	USD	(1,400,000)	2013-10-17	(2,426)	(0.00)
					<u>(2,537)</u>	<u>(0.00)</u>
Total investments at fair value - assets					368,905,007	108.27
Total investments at fair value - liabilities					(2,537)	(0.00)
Total investments at fair value					<u>368,902,470</u>	<u>108.27</u>
Other net current liabilities					(28,185,263)	(8.27)
Net assets attributable to the shareholders of the Company					<u><u>340,717,207</u></u>	<u><u>100.00</u></u>

* Strategy categorisation has been determined by the Delegate Investment Manager

Income Statement

for the year ended 30 September 2014

		2014	2013
	Notes	US\$	US\$
Income			
Bond interest	2(d)	37,092	-
Bank interest	2(d)	308	15,845
Sundry income	2(i)	116,818	114,980
Net fair value gains on financial assets and financial liabilities at fair value through profit or loss	3	29,756,662	20,560,600
Total net income		<u>29,910,880</u>	<u>20,691,425</u>
Expenses			
Investment management fee	5(a)	1,720,228	2,409,030
Incentive fee	5(b)	17,531	215
Manager fee	5(c)	4,058,485	3,619,576
Administration fee	5(d)	558,924	560,924
Custody fee	5(e)	65,827	65,441
Other expenses	5(f)	858,596	629,863
Total operating expenses		<u>7,279,591</u>	<u>7,285,049</u>
Operating profit		<u>22,631,289</u>	<u>13,406,376</u>
Finance costs			
Interest expenses	5(g)	142,207	126,380
Total finance costs		<u>142,207</u>	<u>126,380</u>
Increase in net assets from operations attributable to the shareholders of the Company		<u><u>22,489,082</u></u>	<u><u>13,279,996</u></u>

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 September 2014

	Notes	2014 US\$	2013 US\$
Assets			
Current assets			
Investments at fair value	2(b)	363,867,254	368,905,007
Cash and cash equivalents	2(c)	10,132,933	22,822
Other assets	7	2,135,772	5,256,185
Total assets		376,135,959	374,184,014
Liabilities			
Current liabilities			
Investments at fair value	2(b)	1,198,481	2,537
Bank overdraft	2(c)	1,359,701	17,565,381
Other liabilities	7	1,607,101	15,898,889
Liabilities (excluding net assets attributable to the shareholders of the Company)		4,165,283	33,466,807
Net assets attributable to the shareholders of the Company		371,970,676	340,717,207

These financial statements were approved by the Board of Directors on 18 March 2015 and were signed on their behalf by:

Peter L. Everson
Director
18 March 2015

Paul B. Hubbard
Director

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets attributable to the Shareholders of the Company

for the year ended 30 September 2014

	2014 US\$	2013 US\$
Net assets attributable to the shareholders of the Company at start of year	<u>340,717,207</u>	<u>402,179,581</u>
Proceeds of shares issued	90,953,229	6,642,950
Cost of shares redeemed	(82,188,842)	(81,385,320)
Increase in net assets from operations attributable to the shareholders of the Company	<u>22,489,082</u>	<u>13,279,996</u>
Change in net assets attributable to the shareholders of the Company during the year	<u>31,253,469</u>	<u>(61,462,374)</u>
Net assets attributable to the shareholders of the Company at end of year	<u><u>371,970,676</u></u>	<u><u>340,717,207</u></u>

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 September 2014

		2014	2013
	Notes	US\$	US\$
Cash flows from operating activities			
Payments for the purchase of investments		(174,415,292)	(58,948,770)
Proceeds from the sales of investments		215,512,407	118,161,730
Interest received		308	15,845
Bond interest received		30,791	-
Sundry income received		116,818	114,980
Net operating expenses paid		(7,285,867)	(7,253,211)
Net cash inflow from operating activities		<u>33,959,165</u>	<u>52,090,574</u>
Cash flows from financing activities			
Cash received on shares issued		89,333,411	8,866,390
Cash paid for shares redeemed		(96,451,167)	(70,117,463)
Interest paid		(160,315)	(121,385)
Net cash outflow from financing activities		<u>(7,278,071)</u>	<u>(61,372,458)</u>
Foreign exchange movement	2(j)	(365,303)	(699,796)
Increase/(Decrease) in cash and cash equivalents		26,315,791	(9,981,680)
Cash and cash equivalents at start of year		<u>(17,542,559)</u>	<u>(7,560,879)</u>
Cash and cash equivalents at end of year		<u><u>8,773,232</u></u>	<u><u>(17,542,559)</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. General Information

GAM Multi-Emerging Markets Inc. (the “Company”) is an open-ended investment company structured to operate in a similar manner to an open-ended unit trust or mutual fund. The Company is registered as a company limited by shares under The BVI Business Companies Act 2004 (as amended) of the British Virgin Islands.

The Company’s investment objective is to achieve long term capital appreciation with a diversification of risk. This is sought by allocating the Company’s assets principally in a number of emerging securities markets worldwide and by allocating its assets to one or more collective investment vehicles or separate portfolios managed by portfolio managers who employ a variety of investment techniques and strategies.

Various classes of shares denominated in US dollar, Euro, Pound sterling and Swiss franc are available. Shares are normally issued on the second Monday and the last business day of each calendar month and redeemed on the last business day of each calendar month, with subscriptions and redemptions being subject to the notice periods per the Prospectus.

The USD Open class of shares has been admitted to the Official List of the Irish Stock Exchange. The Directors do not anticipate that an active secondary market will develop in the shares of the USD Open class of the Company.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention as modified by the fair valuation of financial assets and financial liabilities through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates that may affect the reported amounts of the assets and liabilities within the next financial year. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Company apart from:

IFRS 7, “Financial Instruments: Disclosures” - Expands disclosures about offsetting financial assets and financial liabilities.

IFRS 13, “Fair Value Measurement” - Applies a new definition of fair value, the Company has changed the valuation approach for financial assets and financial liabilities measured at fair value for which a quoted price in an active market is available.

The following standards and amendments to standards are mandatory for the Company effective in future periods but are not relevant for the Company’s operations for the year ended 30 September 2014:

IFRS 9, ‘Financial Instruments’ (effective from 1 January 2018).

Amendments to IFRS 10 (effective from 1 January 2014).

The following standard has been early adopted by the Company for the year ended 30 September 2014:

Amendments to IAS 32, ‘Financial instruments: Presentation’, offsetting financial assets and liabilities (effective 1 January 2014) - clarifies the offsetting criteria in IAS 32 regarding offsetting when a Company has a legally enforceable right to offset and intends to settle on a net basis. The amendments do not have any impact on the Company’s financial position or performance.

(b) Investments at fair value

Classification

The Company has classified its investments as financial assets or financial liabilities at fair value through profit or loss under IAS 39.

Recognition/Derecognition

Purchases and sales are initially recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are derecognised when the rights to receive the cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets and liabilities are initially recognised at fair value, and transaction costs for all financial assets/liabilities carried at fair value through profit or loss are expensed as incurred. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value at 23:00 (UK time) on each valuation day.

The computation of realised gains and losses on sales of financial assets and liabilities at fair value through profit or loss is made on the basis of average cost and accounted for in the Income Statement. Gains and losses arising from changes in the fair value of the ‘financial assets and financial liabilities at fair value through profit or loss’ category are included in the Income Statement in the period in which they arise.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date.

Notes to the Financial Statements

2. Summary of significant accounting policies, continued

Investments into collective investment vehicles or separate portfolios are valued on the basis of the most recent price or valuation provided by the relevant fund manager or administrator unless, in the Administrator's reasonable opinion, there are reasons to justify departing temporarily or permanently from that price or valuation. Such reasons may, without limitation, include those associated with the liquidity profile and/or the pricing methodology being employed by such collective investment vehicles or separate portfolios from time to time.

At 30 September 2014, investments totalling US\$362,431,962 (2013: US\$366,550,452) representing 97.43% (2013: 107.58%) of the net asset value of the Company were valued based on the latest available unaudited net asset value provided by the relevant fund manager or administrator.

The fair value of investments attributable to the shareholders of the Company which did not allow regular redemptions due to side pocket holding was US\$525,536 (2013: US\$549,013) which represents 0.14% (2013: 0.16%) of the net assets attributable to the shareholders of the Company as of 30 September 2014. The Company may use a variety of methods and may make assumptions in order to determine the fair value of such illiquid investments and therefore actual results upon sale of such investments may differ from the fair value.

Forward Foreign Exchange Contracts

A forward foreign exchange contract obligates the Company to receive or deliver a fixed quantity of foreign currency at a specified price on an agreed future date. These contracts are valued at the forward rate and the Company's equity therein, representing unrealised fair value gains or losses on the contracts, is included in the financial assets or financial liabilities at fair value through profit or loss. Realised and unrealised fair value gains and losses are included in the Income Statement.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company considers all of its investments in GAM AmalGAMs SPC Inc. to be investments in unconsolidated structured entities. The change in fair value of investments in structured entities is included in the income statement in "net fair value gains/losses on financial assets and financial liabilities at fair value through profit or loss".

An analysis of the portfolio is shown in the Condensed Portfolio Statement on pages 4 and 5.

Offsetting financial instruments

The Company has elected to present the fair value of derivatives in "investments, at fair value" in the Balance Sheet on a gross basis where enforceable master netting or similar agreements are in place and a legal right of offset exists between the relevant counterparties. The Company holds such agreements with Bank Julius Baer.

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash, overdrafts and foreign currency on deposit with the Company's bankers with original maturities of less than three months.

(d) Income from investments

Interest earned on cash at bank and broker balances is recognised using the effective rate of interest.

Bond interest on investments in debt securities is recognised when earned using the effective interest method and is shown on the Income Statement.

(e) Fees and expenses

Fees and expenses are accounted for on an accruals basis.

(f) Shares in issue

All shares issued by the Company are redeemable at the shareholders option and are classified as financial liabilities under IAS 32. Any dividend distribution on the shares is recognised as a finance cost in the Income Statement. Shareholders may request redemption of their shares on application to the Administrator in accordance with the terms of the Prospectus, for an amount equal to a proportionate share of the net asset value of the Company.

(g) Foreign Currency Translation

Functional Currency and Presentation Currency

The Company has adopted the US dollar as its functional currency under IAS 21 as it most appropriately reflects the economic environment in which the Directors believe the Company operates. The presentation currency is also the US dollar.

Notes to the Financial Statements

2. Summary of significant accounting policies, continued

Transactions and Balances

Foreign currency transactions are translated into the functional currency 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.

The following rates of exchange to US dollar have been used at the year end.

	2014	2013
Euro	0.7918	0.7395
Pound sterling	0.6166	0.6179
Swiss franc	0.9550	0.9051

(h) Taxes

Liabilities relating to uncertain tax positions are accrued only when such liabilities are probable and can be estimated with reasonable accuracy.

The Company is exempt from all income taxes in the British Virgin Islands. Interest, dividends and other revenue received and capital gains made by the Company may be subject to withholding or similar taxes imposed by the country in which such interest, dividends or other revenues or capital gains originate. The Company will not normally be eligible to benefit from any treaties for the relief from double taxation. If any subsequent tax liabilities are considered payable then adequate provision will be made in the financial statements.

(i) Sundry income

Sundry income includes amounts received by the Company in respect of rebates on investments held.

3. Investments at Fair Value

(a) Fair Value Hierarchy

IFRS 13 requires disclosures of financial instruments measured at fair value to be based on a three level hierarchy that reflects the significance of the inputs in such fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level measurement) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Investments typically classified within level 1 include active listed equities, exchange traded derivatives and certain Government bonds.

Level 2 - Inputs other than quoted prices from active markets that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active. Investments typically classified within level 2 include investments in corporate bonds, certain Government bonds, certain listed equities and over the counter derivatives. Investment funds are also considered level 2 investments if there is evidence that redemptions occurred during the year and there were no restrictions preventing redemptions at the year end.

Level 3 - Inputs that are unobservable that are significant to the valuation. Investments typically classified within level 3 include certain corporate bonds, private equities and investment funds that have suspended redemptions, created side pocket classes or imposed gates.

The Company uses the “market approach” valuation technique to value its investments. Inputs are determined by observable data. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” may require significant judgment but can generally be considered as that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the risk of that instrument. Within level 3, the use of the market approach generally consists of using comparable market transactions.

Transfers between levels of the fair value hierarchy are deemed to have occurred at beginning of the reporting period.

Notes to the Financial Statements

3. Investments at Fair Value, continued

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities measured at fair value at 30 September 2014 and 30 September 2013:

As at 30 September 2014

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss				
- Investment funds	-	361,906,426	525,536	362,431,962
- Debt securities	-	-	1,402,554	1,402,554
- Derivatives	-	32,738	-	32,738
Total assets	-	361,939,164	1,928,090	363,867,254
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	(1,198,481)	-	(1,198,481)
Total liabilities	-	(1,198,481)	-	(1,198,481)

As at 30 September 2013

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss				
- Investment funds	-	366,001,439	549,013	366,550,452
- Derivatives	-	2,354,555	-	2,354,555
Total assets	-	368,355,994	549,013	368,905,007
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	2,537	-	2,537
Total liabilities	-	2,537	-	2,537

Other than financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, all other financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value. In accordance with IFRS 13, these financial assets and financial liabilities are classified as level 2 apart from cash and cash equivalents which is classified as level 1.

There was no transfer of assets between levels during the year to 30 September 2014 and 30 September 2013.

The level 3 holdings that amounts to US\$525,536 consists of illiquid investee funds which either suspended dealing or cannot be redeemed except following the sale of their underlying holdings and therefore are not readily realisable. The level 3 holdings that amounts to US\$1,402,554 consists of illiquid bonds for which there is a limited market and therefore are not readily realisable. A pricing committee consisting of members of the Administrator and the Investment Manager hold regular meetings to determine the price of the holdings by utilising obtainable information e.g. latest redemption price, prices from external vendors.

The following table is the movement in level 3 investments for the years ended 30 September 2014 and 2013.

	2014 Investment Funds US\$	2013 Investment Funds US\$
Opening balance	549,013	566,599
Purchases	1,426,875	-
Sales	-	-
Gains/(Losses) recognised in profit/(loss)	(47,798)	(17,586)
Closing balance	1,928,090	549,013
Total unrealised gains or losses for the year included in the income statement for the assets held at end of year	(47,798)	(17,586)

Notes to the Financial Statements

3. Investments at Fair Value, continued

The table below sets out information about significant unobservable inputs used at 31 December 2014 in measuring financial instruments categorised as level 3 in the fair value hierarchy:

Description	Fair value at 30 September 2014 US\$	Valuation Technique	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
Investee funds	525,536	External Administrator	5%	+/- 26,277
Debt Securities	1,402,554	Discounted Cash Flow	5%	+/- 70,128

Description	Fair value at 30 September 2013 US\$	Valuation Technique	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
Investee funds	549,013	External Administrator	5%	+/- 27,451

(b) Breakdown of financial assets at fair value through profit or loss

Fair Value	2014 US\$	2013 US\$
Designated at fair value through profit or loss at inception:		
- Investment funds	362,431,962	366,550,452
- Debt securities	1,402,554	-
Held for trading:		
- Derivatives	32,738	2,354,555
Total financial assets at fair value through profit or loss	363,867,254	368,905,007

(c) Breakdown of financial liabilities at fair value through profit or loss

Fair Value	2014 US\$	2013 US\$
Held for trading:		
- Derivatives	1,198,481	2,537
Total financial liabilities	1,198,481	2,537

(d) Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss

- Realised	17,754,939	29,394,956
- Change in unrealised	12,001,723	(8,834,356)
Total net gains	29,756,662	20,560,600

4. Financial instruments by category

30 September 2014	Loans and receivables US\$	Assets at fair value through profit or loss US\$	Total US\$
Assets as per balance sheet			
Investments at fair value	-	363,867,254	363,867,254
Cash and cash equivalents	10,132,933	-	10,132,933
Other assets	2,135,772	-	2,135,772
	12,268,705	363,867,254	376,135,959
30 September 2013	Loans and receivables US\$	Assets at fair value through profit or loss US\$	Total US\$
Assets as per balance sheet			
Investments at fair value	-	368,905,007	368,905,007
Cash and cash equivalents	22,822	-	22,822
Other assets	5,256,185	-	5,256,185
	5,279,007	368,905,007	374,184,014

Notes to the Financial Statements

4. Financial instruments by category, continued

30 September 2014	Liabilities at fair value through profit or loss US\$	Other financial liabilities US\$	Total US\$
Liabilities as per balance sheet			
Investments at fair value	1,198,481	-	1,198,481
Bank overdraft	-	1,359,701	1,359,701
Other liabilities	-	1,607,101	1,607,101
Net assets attributable to holders of redeemable shares	-	371,970,676	371,970,676
	<u>1,198,481</u>	<u>374,937,478</u>	<u>376,135,959</u>
30 September 2013	Liabilities at fair value through profit or loss US\$	Other financial liabilities US\$	Total US\$
Liabilities as per balance sheet			
Investments at fair value	2,537	-	2,537
Bank overdraft	-	17,565,381	17,565,381
Other liabilities	-	15,898,889	15,898,889
Net assets attributable to holders of redeemable shares	-	340,717,207	340,717,207
	<u>2,537</u>	<u>374,181,477</u>	<u>374,184,014</u>

5. Fees and expenses

(a) Investment Manager fee

Up to 30 June 2014, the Company paid a monthly fee to the Investment Manager at the annual rate of up to 0.65% of the net asset value of the Company. From 30 June 2014, the Manager is responsible for the fees of the Delegate Investment Manager. The total investment management fee paid by the Company was reduced by rebates of US\$11,136 (2013: US\$nil) received from the Investment Manager of other funds in which the Company invests which are also managed by the GAM Group. At the year end, other creditors included an amount of US\$Nil (2013: US\$192,677) due to the Delegate Investment Manager.

(b) Incentive fee

The Company pays an annual fee to the Manager equal to 7.5% of the net asset value of the net realised and unrealised gain of each M and Non-Voting B classes of shares for that year. The net realised and unrealised gain shall, in general, be the increase in the net asset value of each M and Non-Voting B classes of shares as adjusted to exclude additions by way of subscriptions and withdrawals by way of redemptions of shares in the M and Non-Voting B classes during the year. If, however, each M and Non-Voting B classes of shares has a net loss in any year followed by a net gain in subsequent year or years, no incentive fee will be payable by that M and Non-Voting B until, generally, the amount of that net loss relative to the shares in issue of the relevant M and Non-Voting B classes have been recouped. In the case of M and Non-Voting B classes shares redeemed during a relevant accounting year, the redemption price will include an accrual for any incentive fee which is calculated on the respective valuation day.

(c) Manager Fee

Up to 30 June 2014, the Company paid a monthly fee to the Manager at the annual rate of up to 1.25% of the net asset value of the Company. From 30 June 2014, the Company pays a monthly fee to the Manager at the annual rate of up to 1.6125% of the net asset value. The total manager fee paid by the Company was reduced by rebates of US\$15,378 (2013: US\$nil) received from the Manager of other funds in which the Company invests which are also managed by the GAM Group. The Manager is responsible for the fees of the Delegate Investment Manager. At the year end, other creditors included an amount of US\$484,898 (2013: US\$289,591) due to the Manager.

(d) Administration fee

The Company pays a monthly fee to the Administrator at the annual rate of 0.15% of the net asset value of the Company. The total administrator fee paid by the Company was reduced by rebates of US\$ 5,303 (2013: US\$nil) received from the investment manager of other funds in which the Company invests which are also managed by the GAM Group. At the year end, other creditors included an amount of US\$49,657 (2013: US\$44,870) due to the Administrator. The Administrator is responsible for the fees and expenses of the Secretary.

(e) Custody fee

The Company pays a quarterly fee to the Custodian at the annual rate of 0.0175% of the net asset value of the Company.

The Company has executed a prime banking agreement with the Custodian, ABN AMRO Clearing Bank N.V. ("ABN AMRO") on 12 July 2002. This agreement provides ABN AMRO with a right of pledge over the assets held by them, as security for the performance and discharge of the Company's debt obligations that may become due to ABN AMRO. This agreement provides for a credit facility to be available to the company within the limits of the prospectus

Notes to the Financial Statements

5. Fees and expenses, continued

(f) Other expenses

Sundry expenses comprise of legal and accounting fees, electronic data and accounting systems costs, printing and publication costs and certain other administrative costs and out of pocket expenses.

	2014	2013
	US\$	US\$
Auditors' fees	18,656	19,373
Directors' fees	6,300	6,375
Sundry expenses	833,640	604,115
	<u>858,596</u>	<u>629,863</u>

(g) Interest expenses

Interest expenses relate to a bank overdraft which is repayable on demand.

6. Financial risk management

The Company through its investment objective may be exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk, both directly through its own assets and liabilities and indirectly through the assets and liabilities of investee funds. The Company is subject to certain investment restrictions and may also use certain derivative financial instruments to moderate certain risk exposures. The Directors of the Company have the power to borrow as part of its investment philosophy, such borrowing will not exceed 30 per cent of the net asset value of the Company.

The investment management and financial risk management of the Company has been delegated by the Directors of the Company (which remains ultimately responsible) to the Investment Manager. The Directors of the Company review the performance of the Company on a quarterly basis.

(a) Market price risk

The Company's investments (refer to the analysis in the Condensed Portfolio Statement on pages 4 and 5) are susceptible to market price risk arising from uncertainties about future prices. The Investment Manager manages price risk primarily through diversification of the portfolio and by regularly reviewing and evaluating the Company's potential exposure to market risk using the Value at Risk (VaR) approach. The VaR is an estimate of the maximum loss the Company may experience over any one week, with a probability of 95%.

The VaR is calculated by an external price provider using the historical simulation method using weekly historical pricing data for the underlying securities. The VaR of the portfolio is stress tested on a fortnightly basis by running the VaR using current holdings against historical events. The VaR cannot take account of the fact that future market price movements may bear no relation to historical patterns as future market conditions could vary significantly from those experienced in the past.

The VaR for the Company, as at 30 September 2014 and 2013 was 1.21% and 1.81% respectively and the average VaR for the year to 30 September 2014 and 2013 was 1.41% and 1.32% respectively (expressed as a % of net asset value).

(b) Currency risk

The Company may hold assets denominated in currencies other than the US dollar, the functional currency. It may therefore be exposed to currency risk, as the value of the securities denominated in other currencies may fluctuate due to changes in exchange rates. The Investment Manager monitors the Company's currency risk exposure and may utilise hedging techniques in order to remove or reduce currency risks within the Company. As such, the Company enters into forward foreign exchange contracts in order to hedge against currency exchange rate risk on non US dollar denominated classes. Forward foreign exchange contracts may also be entered into in order to further the Company's objective in terms of capital appreciation. All forward foreign exchange contracts held by the Company at the year end are for the purpose of hedging against foreign currency exchange rate risk of non US dollar denominated.

The Company had no currency exposure risks as at 30 September 2014 and 2013.

(c) Interest rate risk

The Company may hold interest-bearing financial assets and liabilities which may expose the Company to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. However, as the majority of the Company's financial assets and liabilities are non-interest bearing the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The cash positions of the Company which are held with the Custodian are earning interest at rates which are based on current LIBOR rates less a spread as determined by the Custodian respectively.

Notes to the Financial Statements

6. Financial risk management, continued

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

As at 30 September 2014:

	Less than 1 month US\$	1 month –1 year US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
Assets						
Financial assets at fair value through profit or loss	-	-	-	1,402,554	362,464,700	363,867,254
Cash and cash equivalents	10,132,933	-	-	-	-	10,132,933
Other assets	-	-	-	-	2,135,772	2,135,772
Total assets	10,132,933	-	-	1,402,554	364,600,472	376,135,959
	Less than 1 month US\$	1 month –1 year US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
Liabilities						
Financial assets at fair value through profit or loss	-	-	-	-	1,198,481	1,198,481
Bank overdraft	1,359,701	-	-	-	-	1,359,701
Other liabilities	-	-	-	-	1,607,101	1,607,101
Total liabilities	1,359,701	-	-	-	2,805,582	4,165,283

As at 30 September 2013:

	Less than 1 month US\$	1 month –1 year US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
Assets						
Financial assets at fair value through profit or loss	-	-	-	-	368,905,007	368,905,007
Cash and cash equivalents	22,822	-	-	-	-	22,822
Other assets	-	-	-	-	5,256,185	5,256,185
Total assets	22,822	-	-	-	374,161,192	374,184,014
	Less than 1 month US\$	1 month –1 year US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
Liabilities						
Financial assets at fair value through profit or loss	-	-	-	-	2,537	2,537
Bank overdraft	17,565,381	-	-	-	-	17,565,381
Other liabilities	-	-	-	-	15,898,889	15,898,889
Total liabilities	17,565,381	-	-	-	15,901,426	33,466,807

(d) Credit risk

The Company may be exposed to credit risk, which is the risk that a counterparty to a financial transaction with the Company will be unable to pay amounts in full when due. Investments under custody with ABN AMRO are held in a bankruptcy remote vehicle and therefore are not exposed to credit risk with ABN AMRO.

The Investment Manager manages credit risk for derivative transactions by only using approved brokers that belong to an internationally recognised financial services firm or alternatively command a high market share in a given market segment. Investments and cash held by brokers are not normally held within segregated accounts. Such investments may be borrowed, lent and otherwise used by the brokers and any cash or margin held by brokers represents unsecured balances. The Company's intention would be to net its liabilities due to any counterparty against any asset due from the same counterparty in the event of default by the counterparty.

Notes to the Financial Statements

6. Financial risk management, continued

The following table discloses the breakdown of investments and cash held with ABN AMRO as custodian and broker at the year end.

As at 30 September 2014:

	Financial assets at fair value	Cash	Total
	US\$	US\$	US\$
ABN AMRO	364,094,614	10,132,933	374,227,547
Bank Julius Baer	32,738	-	32,738
	<u>364,127,352</u>	<u>10,132,933</u>	<u>374,260,285</u>

As at 30 September 2013:

	Financial assets at fair value	Cash	Total
	US\$	US\$	US\$
ABN AMRO	371,552,003	22,822	371,574,825
Bank Julius Baer	2,354,555	-	2,354,555
	<u>373,906,558</u>	<u>22,822</u>	<u>373,929,380</u>

The Company, through its investment in funds, is exposed to the credit risk which the investee funds have at any point in time. The maximum credit risk which the Company may have is the value of its investments in the investee funds and amounts receivable from the investee funds in respect of outstanding sales of investments.

Investments in bonds and debt income securities are subject to risk (generally lower where securities are rated above investment grade) that payments may not be made by issuers on due dates or at all.

There is currently no rating for the bond "Carrington Holding Co LI 1% 15-01-2021 PIK 144A".

(e) Liquidity risk

Liquidity risk is the risk that the Company cannot generate sufficient cash resources to meet its payment obligations in full as they fall due, or can do so only at materially disadvantageous terms. The Company manages liquidity risk arising from shareholder redemption requests by the use of redemption notice periods that are in line with the redemption notice periods of the investee funds. The Investment Manager also regularly reviews the liquidity profile of the portfolio. If necessary, the Directors may borrow to meet redemptions or they may defer payment of redemption proceeds if they consider that borrowing would be materially prejudicial to the interests of continuing shareholders. The Directors may also limit aggregate redemptions with respect to any or all share classes on any dealing day where the Company has received redemption requests representing at least 10% of the total aggregate value of the shares in issue in the Share classes eligible for redemption as at that dealing day.

The Company may trade in derivatives, the majority of which are traded on a recognised market and are readily realisable, however from time to time, the Company may invest in derivative contracts traded over the counter which are not traded in an organised market and may be illiquid. As a result, the Company may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value. In case of liquidity issues, the Company may borrow to meet redemption requests.

At 30 September 2014, the Company held a number of illiquid investee funds and bonds representing 0.52% of net asset value (2013: 0.16%) which either suspended dealing or cannot be redeemed except following the sale of their underlying holdings and therefore are not readily realisable.

The maturity profile of the Company's financial liabilities based on the remaining period at the balance sheet date to the contractual settlement date is:

	2014	2014	2013	2013
	US\$	%	US\$	%
Due within 1 month	4,165,283	1.12	33,466,807	9.82
Due within 1-3 months	<u>371,970,676</u>	<u>100.00</u>	<u>340,717,207</u>	<u>100.00</u>
	<u>376,135,959</u>	<u>101.12</u>	<u>374,184,014</u>	<u>109.82</u>

These balances have not been discounted, as the impact of discounting is not significant.

(f) Fair value estimation risk

The shares of the investee funds are not publicly traded and redemption can only be made by the Company on the redemption dates subject to the required notice period specified in the offering document of each of the investee funds. The rights of the Company to request redemption of its investments in investee funds may vary in frequency. As a result, the carrying values of the investee funds may

Notes to the Financial Statements

6. Financial risk management, continued

not be indicative of the values ultimately realised on redemption. In addition, the Company may be materially affected by the actions (such as substantial redemptions) of other investors who have invested in the investee funds.

(g) Offsetting and amounts subject to master netting arrangements and similar agreements

As at 30 September 2014 the Company had open forward positions with Bank Julius Baer and disclosed on the balance sheet as gross asset of US\$32,738 (2013: US\$2,354,555) and a gross liability of US\$1,198,481 (2013: US\$2,537) which are subject enforceable master netting arrangement, the net amount is US\$1,165,743 (2013: US\$2,352,018).

7. Other assets/liabilities

	2014 US\$	2013 US\$
Other assets		
Bond interest receivable	6,301	-
Subscriptions receivable	1,868,626	248,808
Outstanding sales of investments	260,098	5,001,551
Other debtors	747	5,826
	<u>2,135,772</u>	<u>5,256,185</u>
Other liabilities		
Redemptions payable	875,361	15,137,686
Other creditors	731,740	761,203
	<u>1,607,101</u>	<u>15,898,889</u>

8. Share capital

	2014 Number of shares	2013 Number of shares
Authorised share capital of voting redeemable shares of common stock with no par value		
USD Open	Unlimited	Unlimited
USD Reserved	Unlimited	Unlimited
USD Non-Voting A	Unlimited	Unlimited
USD Non-Voting B	Unlimited	Unlimited
USD M	Unlimited	Unlimited
USD Institutional	Unlimited	Unlimited
EUR Open	Unlimited	Unlimited
EUR Non-Voting A	Unlimited	Unlimited
EUR Non-Voting B	Unlimited	Unlimited
EUR M	Unlimited	Unlimited
EUR Institutional	Unlimited	Unlimited
GBP Open	Unlimited	Unlimited
GBP M	Unlimited	Unlimited
GBP Institutional	Unlimited	Unlimited
CHF Open	Unlimited	Unlimited
CHF Institutional	Unlimited	Unlimited
	2014 Number of shares	2013 Number of shares
Issued Share Capital		
USD Open		
At 1 October	364,415.28	397,349.46
Issued	3,400.83	5,187.33
Redeemed	(30,486.69)	(38,121.51)
30 September	<u>337,329.42</u>	<u>364,415.28</u>

Notes to the Financial Statements

8. Share capital, continued

	2014	2013
	Number of shares	Number of shares
USD Reserved		
At 1 October	248.00	436.55
Redeemed	-	(188.55)
At 30 September	<u>248.00</u>	<u>248.00</u>
USD Non-Voting A		
At 1 October	-	-
Issued	618,099.57	-
Redeemed	(154.53)	-
At 30 September	<u>617,945.04</u>	<u>-</u>
USD Non-Voting B		
At 1 October	3,460.87	3,544.71
Issued	-	1,167.16
Redeemed	(1,117.00)	(1,251.00)
At 30 September	<u>2,343.87</u>	<u>3,460.87</u>
USD M		
At 1 October	674.53	2,612.12
Issued	-	-
Redeemed	(674.53)	(1,937.59)
At 30 September	<u>-</u>	<u>674.53</u>
EUR Open		
At 1 October	367,962.37	407,910.94
Issued	162,634.09	-
Redeemed	(236,928.26)	(39,948.57)
At 30 September	<u>293,668.20</u>	<u>367,962.37</u>
EUR Non-Voting B		
At 1 October	1,347.01	745.10
Issued	-	846.91
Redeemed	(391.00)	(245.00)
At 30 September	<u>956.01</u>	<u>1,347.01</u>
GBP Open		
At 1 October	180,767.80	237,149.71
Issued	-	-
Redeemed	(80,526.03)	(56,381.91)
At 30 September	<u>100,241.77</u>	<u>180,767.80</u>

Notes to the Financial Statements

8. Share capital, continued

	2014	2013
	Number of shares	Number of shares
CHF Open		
At 1 October	3,453.62	316,786.73
Issued	-	3,453.62
Redeemed	(2,409.64)	(316,786.73)
At 30 September	<u>1,043.98</u>	<u>3,453.62</u>

Each share, other than Non-Voting, carries the right to one vote on matters put to a shareholder vote.

The Reserved classes, Non-Voting, M and Institutional classes are only available to investors who have negotiated terms of investment with the GAM Group.

The capital of the Company is represented by the net assets attributable to shareholders. The amount of net assets attributable to shareholders can change significantly on a regular basis as the Company is subject to regular subscriptions and redemptions at the discretion of shareholders subject to the notice periods per the Prospectus. The Company's objective is to achieve long-term capital appreciation with diversification of risk for its shareholders.

9. Net asset value per Share

	30 September 2014	30 September 2013
USD Open	US\$699.32	US\$653.57
USD Reserved	US\$699.32	US\$653.57
USD Non-Voting A	US\$101.84	
USD Non-Voting B	US\$1,376.03	US\$1,290.66
USD M	-	US\$108.39
EUR Open	€ 121.91	€114.21
EUR Non-Voting B	€ 1,295.83	€1,213.27
GBP Open	£140.41	£131.21
CHF Open	SFr114.75	SFr107.88

10. Related parties

(i) The Delegate Investment Manager is considered to be a related party of the Company by virtue of the influence that it has over the Company's investment activities. The Manager and the Administrator are considered related parties because they and the Delegate Investment Manager are wholly owned subsidiaries of GAM Group AG. Fee arrangements with these parties are set out in note 5.

(ii) No Director of the Company had any interest in any contract of significance in relation to the Company's business at any time during the years ended 30 September 2014 and 2013.

(iii) Directors' fees for the year are disclosed in note 5. At the year end, there was an outstanding amounts of US\$1,575 (2013: US\$ 1,575) due to Directors for fees. Andrew Hanges has waived his fee for acting as a Director of the Company.

Notes to the Financial Statements

11. Structured entities

The following segregated portfolios have not been consolidated in accordance with IFRS 10 and are considered structured entities under IFRS 12:

Segregated Portfolio of GAM AmalGAMs SPC Inc. held at 30 September 2014:		Fair Value	% Ownership of Segregated Portfolio
	Strategy	US\$	%
GAM AmalGAMs SPC Inc. Equity 695	Equity Hedge Emerging Markets	59,019,486	100.00
GAM AmalGAMs SPC Inc. Equity 182	Macro - Discretionary	45,568,546	100.00
GAM AmalGAMs SPC Inc. Equity 714	Equity Hedge Emerging Markets	44,350,458	100.00
GAM AmalGAMs SPC Inc. Equity 727	Equity Hedge Emerging Markets	36,526,284	100.00
GAM AmalGAMs SPC Inc. Equity 159	Macro - Discretionary	27,898,000	100.00
GAM AmalGAMs SPC Inc. Equity 681	Equity Hedge Emerging Markets	11,404,508	100.00
GAM AmalGAMs SPC Inc. Equity 209 SI	Equity Hedge Emerging Markets	525,536	100.00

Segregated Portfolio of GAM AmalGAMs SPC Inc. held at 30 September 2013:		Fair Value	% Ownership of Segregated Portfolio
	Strategy	US\$	%
GAM AmalGAMs SPC Inc. Equity 695	Equity Hedge Emerging Markets	42,826,000	100.00
GAM AmalGAMs SPC Inc. Equity 714	Equity Hedge Emerging Markets	42,199,587	100.00
GAM AmalGAMs SPC Inc. Equity 182	Managed Futures - Short-Term/Active Trading	35,335,827	100.00
GAM AmalGAMs SPC Inc. Equity 103	Equity Hedge Emerging Markets	31,162,736	86.17
GAM AmalGAMs SPC Inc. Equity 747	Equity Hedge Emerging Markets	29,915,493	100.00
GAM AmalGAMs SPC Inc. Equity 474	Equity Hedge Emerging Markets	18,657,665	100.00
GAM AmalGAMs SPC Inc. Equity 721	Macro - Discretionary	16,504,071	100.00
GAM AmalGAMs SPC Inc. Equity 685	Equity Hedge Emerging Markets	15,672,737	100.00
GAM AmalGAMs SPC Inc. Equity 727	Equity Hedge Emerging Markets	10,843,000	100.00
GAM AmalGAMs SPC Inc. Equity 98	Equity Hedge Global	10,492,000	79.87
GAM AmalGAMs SPC Inc. Equity 681	Equity Hedge Emerging Markets	10,372,000	100.00
GAM AmalGAMs SPC Inc. Equity 707	Equity Hedge Emerging Markets	8,082,758	100.00
GAM AmalGAMs SPC Inc. Equity 481	Equity Hedge Emerging Markets	7,116,726	100.00
GAM AmalGAMs SPC Inc. Equity 398	Equity Hedge Emerging Markets	4,713,655	100.00
GAM AmalGAMs SPC Inc. Equity 209 SI	Equity Hedge Emerging Markets	549,013	100.00

GAM AmalGAMs SPC Inc. is an open-ended umbrella investment company registered under the BVI Business Companies Act, 2004. Each sub-fund within the umbrella constitutes a separate segregated portfolio with segregated liability between each sub-fund. GAM AmalGAMs SPC Inc. was created for the efficient management of subscriptions and redemptions into underlying hedge funds and each segregated portfolio invests in a separate underlying hedge fund. The investment objective of each of the segregated portfolios is long term capital appreciation and they are financed through capital subscriptions. Each segregated portfolio is exposed to the market price risk, currency risk, interest rate risk, credit risk and liquidity risk of the underlying hedge fund that it holds.

The Company's positions in GAM AmalGAMs SPC Inc. are included in the Balance Sheet as part of investments held at fair value. The fair value of the Company's investment in these positions represents the maximum exposure to loss from interests in the entity because the Company has no obligations beyond its direct investment.

12. Subsequent events

There have been no significant events affecting the Company since the year end.

Statement of Directors' Responsibilities

It is the Directors' responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and results of the Company for that period. In preparing those financial statements, the Directors have a responsibility to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts 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 comply with International Financial Reporting Standards. 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.

Independent Auditor's Report

To the shareholders of GAM Multi-Emerging Markets Inc. (the "Company")

Report on the Financial Statements

We have audited the accompanying financial statements of the Company which comprise the Balance Sheet and Condensed Portfolio Statement as at 30 September 2014 and the Income Statement, Statement of Changes in Net Assets attributable to the Shareholders of the Company and Cash Flow Statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with the terms of our letter of engagement 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.

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 judgement, 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 financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Dublin

18 March 2015