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**ADEQUITY TRUST :  
LYXOR AGRICULTURE FUND**

**REPORTS AND FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED JANUARY 31, 2012**

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### CONTENTS

	<b>Pages</b>
Administration	1
Report of the Manager	2-3
Report of the Trustee	4
Independent auditor's report	5-6
Statement of financial position	7
Statement of comprehensive income	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11-29
Schedule of investments	30-31
Distribution statement (unaudited)	32
Statement of movements in Schedule of investments (unaudited)	33
Performance table (unaudited)	34

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### ADMINISTRATION

#### Trustee

Close Trustees (Cayman) Limited  
P.O. Box 1034  
Harbour Place, 4th Floor  
103 South Church Street  
Grand Cayman KY1-1102  
Cayman Islands  
*(Until July 26, 2011)*

Intertrust Trustees (Cayman) Limited  
P.O. Box 1034  
Harbour Place, 4th Floor  
103 South Church Street  
Grand Cayman KY1-1102  
Cayman Islands  
*(From July 27, 2011 to March 20, 2012)*

Royal Bank of Canada Trust  
Company (Cayman) Limited  
P.O. Box 1586  
Royal Bank House, 4th floor  
24 Shedden Road  
Grand Cayman  
Cayman Islands  
*(Since March 21, 2012)*

#### Registered Office

Close Trustees (Cayman) Limited  
P.O. Box 1034  
Harbour Place, 4th Floor  
103 South Church Street  
Grand Cayman KY1-1102  
Cayman Islands  
*(Until July 26, 2011)*

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P.O. Box 1586  
Royal Bank House, 4th floor  
24 Shedden Road  
Grand Cayman  
Cayman Islands  
*(Since March 21, 2012)*

#### Manager

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

#### Custodian

Société Générale  
29 boulevard Haussmann  
75009 Paris  
France

#### Auditors

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

**ADEQUITY TRUST: LYXOR AGRICULTURE FUND**  
**REPORT OF THE MANAGER**

**January 31, 2012**

**ADEQUITY TRUST: LYXOR AGRICULTURE FUND**  
MANAGEMENT REPORT FROM APRIL 25, 2008 TO JANUARY 31, 2012

*Cayman Fund offered in Hong Kong*

**Recommended minimal length of investment** **3 Years**

Initial NAV/Unit : **10.00 USD**  
NAV/Unit as of April 25, 2008 : **9.66 USD**  
NAV/Unit as of January 31, 2012 : **7.76 USD**

The Lyxor Agriculture Fund seeks to provide a return linked to the agricultural field via (a) a core exposure to agricultural goods (including both soft and grain commodity futures) and (b) a satellite exposure to listed companies having their key business in the area of the agricultural sector.  
The Fund will obtain investment exposures to soft and grain commodity futures and shares of listed companies involved in the agricultural sector, via the Commodity Index and the Equity Index respectively, according to the investment policy.

**Evolution of the Underlying of the fund** **From April 25, 2008 to January 31, 2012**

Underlying of the fund	Initial strike Level	Level as of	Performance of the underlying since inception of the AGRICULTURE FUND		Performance of the underlying over 1 year up to	Performance of the underlying over 3 years up to
			January 31, 2012	January 31, 2012		
	<b>April 22, 2008</b>		<b>January 31, 2012</b>	<b>January 31, 2012</b>	<b>January 31, 2012</b>	<b>January 31, 2012</b>
Dow Jones US AGRICULTURE TOTAL RETURN INDEX*	176.99	155.33	-1.2.24%	-18.15%	35.86%	
SGI GLOBAL AGRICULTURE (USD)	130.67	108.58	-16.90%	-5.08%	82.39%	

\*Dow Jones AGRICULTURE TOTAL RETURN SUB INDEX is not longer priced.  
\*Dow Jones AGRICULTURE TOTAL RETURN SUB INDEX is not longer priced.  
TOTAL RETURN SUBINDEX during the latest year ending on January 26, 2010.

**Explanation of NAV evolution**

As of January 31, 2012 (i.e FYE), the fund Net Asset Value per Unit was USD 7.76, returning a performance of -22.4% from its initial offer value. This is the result of the loss recorded by the commodity index and by the equity index over the period, the Dow Jones AGRICULTURE TOTAL RETURN SUB INDEX (replaced by the Dow Jones US AGRICULTURE TOTAL) returned a performance equal to -12.24% and the SGI GLOBAL AGRICULTURE (USD) returned a performance equal to -16.9%.

**Breakdown of the Net Asset Value:**

	Price in % of Nominal Amount as of	
	April 25, 2008	January 31, 2012
ELS	-9.79%	1.45%
Basket	106.49%	75.51%
Other Assets minus Liabilities	-0.08%	0.70%
<b>Total Net Asset Value</b>	<b>96.62%</b>	<b>77.67%</b>
<b>Total Net Asset Value in USD Amount</b>	<b>36,856,577.65 USD</b>	<b>20,187,017.62 USD</b>

**Expenses :**

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

2,098,748.64 USD

This report has been prepared by Lyxor 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. The LYXOR AGRICULTURE FUND is a sub-fund of the Adequity Trust, a Cayman Islands registered fund.

Investment involves risks. This is not a capital guaranteed fund or an index-tracking fund. Investors should know that the realisation price is fully exposed to market fluctuations. The price of units may go down as well as up. Société Générale has entered into a deed of guarantee to ensure payment of a realisation price per unit in respect of units held and realised on each relevant investment cycle maturity date calculated in accordance with the formula set out in the Fund Specific Memorandum.

Investors should note that this does not amount to a capital guarantee in respect of an investor's original investment in the Fund. The guarantee is subject to credit risk of the guarantor. 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 come 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 : LYXOR AGRICULTURE FUND**

**REPORT OF THE TRUSTEE**

In our opinion, the Manager, Lyxor Asset Management, has, in all material respects, managed the Adequity Trust : Lyxor Agriculture Fund for the year ended January 31, 2012 in accordance with the provisions of the Trust Deed dated March 7, 2002, as amended.

On behalf of Royal Bank of Canada Trust Company (Cayman) Limited  
As Trustee of Adequity Trust :  
Lyxor Agriculture Fund

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**INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of Adequity Trust: Lyxor Agriculture Fund

*Report on the Financial Statements*

We have audited the accompanying financial statements of Adequity Trust: Lyxor Agriculture Fund, which comprise the statement of financial position, including the schedule of investments, as at January 31, 2012, and the related statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and 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 is 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"), 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.

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 financial statements present fairly, in all material respects, the financial position of Adequity Trust: Lyxor Agriculture Fund as at January 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*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.

PricewaterhouseCoopers  
Cayman Islands  
May 24, 2012

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**STATEMENT OF FINANCIAL POSITION  
AS AT JANUARY 31, 2012**

	Note	JANUARY 31, 2012 USD	JANUARY 31, 2011 USD
<b>Assets</b>			
Cash at bank	2(i)	194,231.25	1.12
Financial assets at fair value through profit or loss	1, 2(d), 8	20,004,216.96	30,799,267.30
Other receivables		-	339,181.10
		<b>20,198,448.21</b>	<b>31,138,449.52</b>
<b>Total assets</b>			
<b>Equity</b>			
Paid in capital		33,554,903.00	38,952,031.64
Retained earnings		(13,367,885.38)	(8,307,807.34)
		<b>20,187,017.62</b>	<b>30,644,224.30</b>
<b>Total equity</b>			
<b>Liabilities</b>			
Due to the bank	2(i), 5	-	450,428.27
Accrued expenses	2(k)	4,197.12	43,796.95
Redemptions payable	2(k)	7,233.47	-
		<b>11,430.59</b>	<b>494,225.22</b>
<b>Total liabilities</b>			
		<b>20,198,448.21</b>	<b>31,138,449.52</b>
<b>Total equity and liabilities</b>			

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

Royal Bank of Canada Trust Company (Cayman)  
Limited as Trustee of Adequity Trust:  
Lyxor Agriculture Fund

Lyxor Asset Management



**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JANUARY 31, 2012**

	Note	JANUARY 31, 2012 USD	JANUARY 31, 2011 USD
<b>Revenue</b>			
Dividend/ Interest Income	2(d)	93.39	129.77
Realised gain on investments		6,595,931.99	3,031,443.06
Net change in unrealised gain/(loss) on investments		(10,936,910.35)	6,395,311.50
<b>Net (loss)/gain on financial assets at fair value through profit or loss</b>	<b>2(d)</b>	<b>(4,340,978.36)</b>	<b>9,426,754.56</b>
		(4,340,884.97)	9,426,884.33
<b>Expenses</b>			
Management and other fees	3	(719,081.61)	(581,423.73)
		<b>(719,081.61)</b>	<b>(581,423.73)</b>
<b>Finance costs</b>			
Finance costs		(111.46)	(48.50)
		<b>(111.46)</b>	<b>(48.50)</b>
<b>Total comprehensive (loss)/ income</b>		<b>(5,060,078.04)</b>	<b>8,845,412.10</b>

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

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JANUARY 31, 2012**

		<b>Paid in capital</b>	<b>Retained earning</b>	<b>Total</b>
		USD	USD	USD
At January,29 2010	7	39,187,561.85	(17,153,219.44)	22,034,342.41
		-----	-----	-----
Total comprehensive income for the year		-	8,845,412.10	8,845,412.10
Issue of shares	6	8,054,924.20	-	8,054,924.20
Repurchase of own shares	6	(8,290,454.41)	-	(8,290,454.41)
		-----	-----	-----
<b>At January 31, 2011</b>	<b>7</b>	<b>38,952,031.64</b>	<b>(8,307,807.34)</b>	<b>30,644,224.30</b>
Total comprehensive (loss) for the year		-	(5,060,078.04)	(5,060,078.04)
Issue of shares	6	8,254,838.56	-	8,254,838.56
Repurchase of own shares	6	(13,651,967.20)	-	(13,651,967.20)
		-----	-----	-----
<b>At January 31, 2012</b>	<b>7</b>	<b>33,554,903.00</b>	<b>(13,367,885.38)</b>	<b>20,187,017.62</b>

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

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JANUARY 31, 2012**

	<b>JANUARY 31, 2012</b>	<b>JANUARY 31, 2011</b>
	USD	USD
<b>Cash flows from operating activities</b>		
Purchase of financial assets (*)	(53,834,041.32)	(41,541,007.72)
Proceeds from sale of financial assets (including realised gains) (*)	57,313,491.00	38,504,909.95
Proceeds from derivative financial instruments (*)	2,974,622.30	3,421,258.16
Dividend / Interest income	93.39	129.74
Operating expenses paid	(754,183.19)	(576,517.32)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>5,699,982.18</b>	<b>(191,227.19)</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable participating units issued	8,594,019.66	7,715,743.10
Redemptions of redeemable participating units	(13,649,231.98)	(8,301,747.55)
Interest paid	(111.46)	(48.50)
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	<b>(5,055,323.78)</b>	<b>(586,052.95)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>644,658.40</b>	<b>(777,280.14)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(450,427.15)</b>	<b>326,852.99</b>
<b>Cash and cash equivalents at end of the period</b>	<b>194,231.25</b>	<b>(450,427.15)</b>

*(\*): comparative figures have been adjusted to comply with current year presentation.*

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

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS

#### **Note for the attention of the reader**

The notes stated on the left of the financial statements are references to the Appendix E of the Code of Units Trust and Mutual Funds of the Securities and Futures Commission in Hong-Kong.

#### **1 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: Lyxor Agriculture Fund (the "Fund") is a sub-fund of the Trust and was formed by a Supplemental Deed dated March 19, 2008. 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 April 2008. 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.

The Lyxor Agriculture Fund seeks to provide a return linked to the agricultural field via (a) a core exposure to agricultural goods (including both soft and grain commodity futures) and (b) a satellite exposure to listed companies having their key business in the area of the agricultural sector.

The Fund will obtain investment exposures to soft and grain commodity futures and shares of listed companies involved in the agricultural sector, via the Commodity Index and the Equity Index respectively, according to the investment policy set out below.

At any time during the life of the Fund, the Manager will invest the proceeds of the Fund (having regard to Chapter 7 of the Code on Unit Trusts and Mutual Funds) in the Portfolio of Stocks described below and/or in cash and/or money market instruments and/or short term deposits and/or in the swap agreement described in the paragraph entitled "Swap agreement" below.

The management of the Fund's assets is based on a systematic technique, the aim of which is to fulfill the investment objective of the Fund. Initially, the Manager has adopted an allocation policy such that the Fund targeted an investment exposure to the Commodity Index (i.e., the Dow Jones-UBS AGRICULTURE TOTAL (previously known as Dow Jones-AIG Agriculture Total Return Sub-Index) and the Equity Index (the SGI Global Agriculture (USD) Index) at 80% and 20% respectively of the Fund's assets. The Manager will not actively alter the exposure allocation, but the exposure allocation will alter itself due to the potential divergence between the performances of the Commodity Index and the Equity Index. The minimum and the maximum exposure levels to the Commodity Index will be 70% and 90% respectively that will trigger the Manager to rebalance the exposure allocation, based on the monitoring of such exposure level by the Manger on a weekly basis. In any case, the Manager will target to maintain the Fund's investment exposure to the Commodity Index at not less than 70% of the total allocation of the investment of the Fund's assets.

The Manager reserves the right to change the representative indices for the commodity futures markets (i.e., the Commodity Index) and the listed agricultural shares (i.e., the Equity Index).

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

*Portfolio of Stocks investment:*

The management of the Portfolio of Stocks is based on the Manager's proprietary trading strategy and the Manager will, for such purpose, take into account of the performance of the Equity Index. The Portfolio of Stocks will neither comprise all of the constituent stocks of the Equity Index nor comprise the selected constituent stocks with the same weightings as in the Equity Index. The Portfolio of Stocks may also comprise international blue-chip stocks, which are not constituent stocks of the Equity Index, from all economic sectors and listed on one or more exchange(s). The primary criteria used by the Manager to select stocks is high liquidity and absence of extra cost including, but not limited to, stamp duties, clearing costs and costs of foreign exchange hedging.

The Equity Index's constituent stocks as of February 29, 2008 are as follows:

<b>Company</b>	<b>Country</b>	<b>Industry</b>	<b>Weight</b>
Potash Corp of Saskatchewan	Canada	Fertilizers & Agricultural Chemicals	10.95%
Monsanto Co	United States	Fertilizers & Agricultural Chemicals	10.00%
Deere & Co	United States	Construction & Farm Machinery	8.63%
Syngenta AG	Switzerland	Fertilizers & Agricultural Chemicals	8.53%
Archer-Daniels-Midland Co	United States	Agricultural Products	7.84%
Israel Chemicals Ltd	Israel	Fertilizers & Agricultural Chemicals	5.05%
Mosaic Co/The	United States	Fertilizers & Agricultural Chemicals	4.51%
IOI Corp Bhd	Malaysia	Agricultural Products	4.04%
Bunge Ltd	United States	Agricultural Products	3.96%
Agrium Inc	Canada	Fertilizers & Agricultural Chemicals	3.04%
Yara International ASA	Norway	Fertilizers & Agricultural Chemicals	2.89%
K+S AG	Germany	Fertilizers & Agricultural Chemicals	2.85%
CF Industries Holdings Inc	United States	Fertilizers & Agricultural Chemicals	1.93%
Incitec Pivot Ltd	Australia	Fertilizers & Agricultural Chemicals	1.87%
Wilmar International Ltd	Singapore	Agricultural Products	1.84%
AGCO Corp	United States	Construction & Farm Machinery	1.75%
Fertilizantes Fosfatados SA	Brazil	Fertilizers & Agricultural Chemicals	1.44%
Tyson Foods Inc	United States	Packaged Foods & Meats	1.39%
Golden Agri-Resources Ltd	Singapore	Agricultural Products	1.28%
JBS SA	Brazil	Packaged Foods & Meats	1.22%
Perdigao SA	Brazil	Packaged Foods & Meats	1.14%
Terra Industries Inc	United States	Fertilizers & Agricultural Chemicals	1.13%
Idexx Laboratories Inc	United States	Health Care Equipment	0.95%
Smithfield Foods Inc	United States	Packaged Foods & Meats	0.92%
Corn Products International Inc	United States	Agricultural Products	0.81%
Kuala Lumpur Kepong Bhd	Malaysia	Agricultural Products	0.79%
China BlueChemical Ltd	China	Fertilizers & Agricultural Chemicals	0.79%
Nippon Meat Packers Inc	Japan	Packaged Foods & Meats	0.75%
Saskatchewan Wheat Pool Inc	Canada	Agricultural Products	0.73%
Terra Nitrogen Co LP	United States	Fertilizers & Agricultural Chemicals	0.73%
Nutreco Holding NV	Netherlands	Agricultural Products	0.64%

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

Nufarm Ltd	Australia	Fertilizers & Agricultural Chemicals	0.59%
Marfrig Frigorificos e Comercio de Alimentos SA	Brazil	Packaged Foods & Meats	0.58%
UAP Holding Corp	United States	Trading Companies & Distribution	0.57%
Olam International Ltd	Singapore	Food Distributors	0.52%
Suedzucker AG	Germany	Agricultural Products	0.41%
Illovo Sugar Ltd	South Africa	Packaged Foods & Meats	0.41%
Fresh Del Monte Produce Inc	Cayman Islands	Agricultural Products	0.40%
KWS Saat AG	Germany	Agricultural Products	0.38%
CNH Global NV	Netherlands	Construction & Farm Machinery	0.38%
Sinofert Holdings Ltd	Hong Kong	Fertilizers & Agricultural Chemicals	0.36%
Charoen Pokphand Foods PCL	Thailand	Packaged Foods & Meats	0.35%
Futuris Corp Ltd	Australia	Agricultural Products	0.35%
Pilgrim's Pride Corp	United States	Packaged Foods & Meats	0.30%

The Commodity Index's constituent exchanged-traded futures contracts as of February 29, 2008 are as follows:

<b>Commodity</b>	<b>Exchange</b>	<b>Weight</b>
Soybeans	Chicago Board of Trade	25.7%
Corn	Chicago Board of Trade	18.5%
Wheat	Chicago Board of Trade	15.5%
Sugar	New York Board of Trade	11.2%
Coffee	New York Board of Trade	10.5%
Soybean Oil	Chicago Board of Trade	10.5%
Cotton	New York Board of Trade	8.1%

*Swap agreement:*

The Fund, subject always as permitted by and in compliance with the investment restrictions of Chapter 7 of the Code on Unit Trusts and Mutual Funds, invests in a swap agreement (not more than 10% of the Fund's asset). The swap agreement essentially exchanges the performances of the allocation made in respect of the Commodity Index and the Equity Index, at their respective levels of exposure as described above, with that of the Portfolio of Stocks such that either the counterparty or the Fund will be required to provide the other of them with the difference (if any) between (a) the performances of the allocation made in respect of the Commodity Index and the Equity Index at their respective levels of exposure as aforesaid and (b) the performance of the Portfolio of Stocks, such difference being defined as the mark-to-market of the swap agreement.

The obligations of each party under the swap agreement are its direct, unconditional and unsecured obligations, and rank and will rank *pari passu* and rateably, without any preference among themselves, with all its other outstanding unsecured and unsubordinated obligations, present and future, (except any such obligations as are preferred by law).

The counterparty of the swap agreement is Société Générale. As of January 31, 2012, the credit rating of Société Générale from Standard & Poor's was A (A+ as of January 31, 2011).

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At the maturity date of the swap agreement, the Manager will, on behalf of the Fund, immediately enter into a new swap agreement with similar terms with the same counterparty to ensure the continuity of the investment policy of the Fund. The Manager reserves the right to replace Société Générale with another counterparty which, in the Manager's opinion, is the best and most suitable counterparty for the Fund, based on its qualification, its creditworthiness, pricing and services offered. However, the Manager would inform Unitholders as soon as practicable of such change prior to its implementation.

Should the counterparty of the swap agreement default under the swap agreement, or cease to enter into another swap agreement upon the termination or the maturity thereof, the Manager will select, as soon as possible and on a best effort basis, a new counterparty providing the exposure allocation between the Commodity Index and the Equity Index in accordance with the investment policy of the Fund, and will enter into a new swap agreement with similar terms with such newly selected counterparty. The counterparty of the Fund would be selected using criteria including, but not limited to, execution prices, total direct and indirect transaction costs, probability and promptness of execution and delivery (if applicable), as well as other specific criteria which may be relevant by reference to the composition of the portfolio of investments held by the Fund at the relevant time.

Termination clauses of the swap agreement include, without limitation, maturity of the swap agreement, early termination at the Manager's request, lack of agreement between the Manager and the counterparty of certain matters affecting the Fund under the swap agreement, illegality, change of the Manager of the Fund or any event of default of any of the parties to the swap agreement.

Unitholders are entitled to request the realisation of their Units on each Dealing Day at the then prevailing Realisation Price per Unit (calculated by reference to the applicable Net Asset Value per Unit). If at any time during the period from the time as at which the Realisation Price is calculated and the time at which realisation moneys are converted out of any other currency into the base currency of the Fund there is a devaluation or depreciation of that currency, the amount payable to any relevant realizing Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

## **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 preparation**

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 (IFRS). 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.

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### ***Standards, amendments and interpretations effective in the financial year ending January 31, 2012 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, 2011 or later periods but is not relevant for the Fund's operations:

- IAS 23 (amendment), 'Borrowing costs';
- IAS 32 (amendment), 'Financial instruments: Presentation – Classification of right issues' (effective from February 1, 2010);
- IAS 39 and IFRIC 9 (amendments), 'Embedded derivatives' (effective for all periods ending on or after June 30, 2009);
- IAS 39 and IFRS 7 (amendments), 'Reclassification of financial assets';
- IFRS 1 (amendments), 'Additional exemptions for first-time adopters' (effective from January 1, 2010);
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from January 1, 2010);
- IFRS 8, 'Operating segments';
- IFRIC 9 'Reassessment of embedded derivatives and IAS 39, Financial instruments : Recognition and Measurement' (effective from July 1, 2009);
- IFRIC 15, 'Agreements for construction of real estates';
- IFRIC 16 'Hedges of a net investment in a foreign operation' (effective from July 1, 2009);
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from July 1, 2009);
- IFRIC 18, 'Transfers of assets from customers' (effective from July 1, 2009);
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective from July 1, 2010);
- IAS 24, 'Related party disclosures' (effective from January 1, 2011);
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from July 1, 2010);
- IAS 34 'Interim financial reporting' (effective from January 1, 2011);
- IFRS 3 (revised), 'Business combinations' (effective from July 1, 2010); and
- IFRIC 13 'Customer loyalty programmes' (effective from January 1, 2011).

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Fund.



## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Standards, amendments and interpretations to existing standards which are not yet effective and not relevant for the Fund's operations:***

The following interpretations are mandatory for the Fund's accounting periods beginning on or after January 1, 2013 or later periods but are not relevant for the Fund's operations:

- IFRS 10, 'Consolidated financial statements' (effective from January 1, 2013);
- IFRS 12, 'Disclosures of interests in other entities' (effective from January 1, 2013) and

***Standards, amendments and interpretations to existing standards which are not yet effective and will be relevant for the Fund's operations:***

The following interpretations are mandatory for the Fund's accounting periods beginning on or after January 1, 2013 or later periods and will be relevant for the Fund's operations:

- IFRS 9, 'Financial instruments: classification and measurement' (effective from January 1, 2015);
- IFRS 13, 'Fair value measurement' (effective from January 1, 2013).

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

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 securities traded on regulated markets and in a "swap agreement". 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'). Without losing sight of the fact that most of the investments of the Fund (ie constituent stocks of the Portfolio) are not quoted on an US stock exchange, the US dollar has been selected to reflect the Fund's activity 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 statement of comprehensive income in the period in which they arise.

The investments comprise a “swap agreement” and equities. The counterparty of the “swap agreement” is Société Générale.

*Fair value estimation*

Listed investments (ie: equities of the basket) are valued at the official close of business bid price on the most advantageous market.

The “swap agreement” 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 “swap agreement” 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 thousand paths. Market data such as stock prices, dividends, interest rates, swap rates, or historical volatility are gathered through BLOOMBERG. Volatility matrices are gathered through TOTEM.

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 "swap agreement" to ensure the price quoted is fair.

The resulting unrealised gains and losses on investments are recognised in the statement of comprehensive income. Security transactions are accounted for on the trade date (the date on which the order to buy or sell is executed). Realised gains and losses on sales of securities are calculated on an average cost basis and are recorded in the statement of comprehensive income.

The Fund adopted the amendment to IFRS 7, effective January 1, 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The type of investments which would generally be included would include equities and derivatives listed on a securities exchange.
- Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly (including quoted prices for similar investments in active markets, interest rates and yield curves, credit risks, etc.). The type of investments which would generally be included in this category would include corporate bonds, bank debt and certain over-the-counter derivatives. The Fund classifies some listed equities as level 2 when they are valued based on prices from a market where there is either very low or no transactions occurring on the valuation date.
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The type of investments which would generally be included in this category would include private or debt securities issued by private entities. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

#### **(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 statement of comprehensive income and included in realised and unrealised gains/(loss) on investments.

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

Dividend income on equity is credited to Dividend Income in the statement of comprehensive income when the security is quoted as ex-dividend.

All expenses are accounted for on an accrual basis.

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as equity in accordance with IAS 32. 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.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria contained in IAS 32, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

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.

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

The net asset value of the Fund is computed daily.

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 equity.

#### **(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 statement of cash flows, cash and cash equivalents comprise bank balances net of bank overdrafts.

#### **(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**

Other finance costs such as interest expenses are recognised in the statement of comprehensive income as finance costs.

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### (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 from the Fund a quarterly management fee (payable in arrears), which shall start to accrue from and inclusive of the Launch Date, accrued on and calculated as at each Valuation Day at the current rate of 1.00% per annum of the Net Asset Value of the Fund. Management Fees are accounted for on an accrual basis

The maximum rate of management fee payable to the Manager pursuant to the Trust Deed is 3% per annum but, notwithstanding the foregoing empowering provision under the Trust Deed, the Manager will cap the maximum rate of management fee payable to the Manager in respect of the Fund at 1.50% per annum, and any increase in the current rate up to the maximum rate of 1.50% per annum will only be implemented upon giving not less than 3 months' notice to affected Unitholders.

Any increase in the current rate of the management fee payable in respect of any period will be fixed prior to the date of commencement of such period and such rate will apply with effect from the date of commencement of such period and will continue to apply until further notified otherwise by the Manager as aforesaid.

The Manager is entitled to receive an initial sales charge on the issue of Units of up to 5% of the gross amount invested.

The Manager is also entitled to receive a conversion charge of 1% of the gross amount invested in units of such other funds of the Adequity Trust if the investor elects to convert their Units into Units of certain other funds of the Adequity Trust.

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 prior written consent of the Trustee deal with the Fund as principal and, subject as provided above, may retain any benefit which they receive as a result.

#### **Transaction Cost on the Swap Agreement**

The Fund pays the counterparty of the swap agreement a transaction cost for the exchange of the performances of the Commodity Index and the Equity Index (weighted by their respective nominal exposures) with that of the Portfolio of Stocks. The maximum transaction cost is 1.45% per annum of the total nominal exposure of the Fund, i.e., the amount which the Fund would be entitled to receive under the swap agreement.

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

The Manager is entitled to receive from the Fund a quarterly fixed cost (payable in arrears), which shall start to accrue from and inclusive of the Launch Date, accrued on and calculated as at each Valuation Day at the current rate of up to 0.50% per annum of the Net Asset Value of the Fund in order to cover the Trustee's fees, the Auditors' fees, the Custodian's fees and the Registrar's Agent's fees which may from time to time be payable by the Manager on an ongoing basis. The Hong Kong Representative's fees will be paid by the Manager.

#### **Other fees**

In addition to the fees and charges mentioned above, the Fund is also bearing the following costs and expenses, namely, stamp duties, taxes, brokerage charges, commissions, foreign exchange costs, bank charges and registration fees relating to the Fund and its investments and other fees and expenses incurred in the administration of the Fund and the implementation of the Fund's investment strategy.

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

The preliminary establishment expenses of the Fund, including the legal fees, the costs and expenses in obtaining authorisation of the Fund in Hong Kong and in the Cayman Islands, the preparation, the translation and the printing of the Explanatory Memorandum, the Fund Specific Memorandum, the supplemental deeds or any agreements and any other incidental expenses were born by the Fund.

#### **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.

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

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

There are no bank loans, overdrafts and other borrowings as at January 31, 2012.

Bank overdrafts total USD 450,427.15 as presented in the statement of financial position as at January 31, 2011.

**6 Redeemable participating units in issue**

	<b>For the year ended January 31, 2012</b>	<b>For the year ended January 31, 2011</b>
Units outstanding at the beginning of the period	3,261,077.010	3,411,997.330
Units issued	874,869.850	975,676.720
Units redeemed	(1,536,927.070)	(1,126,597.040)
	<hr/>	<hr/>
Units outstanding at the end of the period	2,599,019.790	3,261,077.010

**7 Net asset value per unit**

	<b>As at January 31, 2012</b>	<b>As at January 31, 2011</b>
Net assets attributable to holders of redeemable participating units	20,187,017.62	30,644,224.30
Number of units in issue	2,599,019.79	3,261,077.01
Net asset value per unit	7.76	9.39

**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.

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

Investment transactions with related parties of the Manager:

<b>Name of company</b>	<b>Aggregate value of purchases and sales of securities USD</b>	<b>% of the Fund's total transactions</b>	<b>% of the Fund's total commission paid in the year</b>	<b>Average rate of commission %</b>
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Year ended January 31, 2012

Société Générale	161,867,563.17	100.00	-	-
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Year ended January 31, 2011

Société Générale	99,739,530.69	100.00	-	-
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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-statement of financial position event**

There are no post-statement of financial position events.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 Financial Risk Disclosures**

**(a) Concentration of risks**

As at January 31, 2012 and January 31, 2011, the Fund is mainly invested in quoted securities and a swap: it is therefore exposed to a variety of financial risks: market risk (including currency 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.

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

**(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 daily 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 daily 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 99%. 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 31, 2012, in normal market conditions, the maximum daily increase/decrease of Adequity Trust: Lyxor Agriculture Fund's NAV should not be greater than 5.40% with a confidence level of 99 % (5.70% on January 31, 2011).

*Market price risk*

In order to achieve its investment objective, the Fund invests in a swap and a basket of equities to provide a return linked to the agricultural field via (a) a core exposure to agricultural goods (including both soft and grain commodity futures) and (b) a satellite exposure to listed companies having their key business in the area of the agricultural sector.

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

Equities are valued at the official close of business bid price on their most advantageous market.

As stated in Note 2d, the swap 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*

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not 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.

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

<b>At January 31, 2012 (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	-	-	-	-	20,004,216.96	20,004,216.96
Cash and cash equivalent at bank	194,231.25	-	-	-	-	194,231.25
<b>Total Assets</b>	<b>194,231.25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,004,216.96</b>	<b>20,198,448.21</b>
<b>Liabilities :</b>						
Accrued expenses	-	-	-	-	4,197.12	4,197.12
Redemptions payable	-	-	-	-	7,233.47	7,233.47
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,430.59</b>	<b>11,430.59</b>
<b>At January 31, 2011 (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	-	-	-	-	30,799,267.30	30,799,267.30
Other receivables	-	-	-	-	339,181.10	339,181.10
Cash at bank	1.12	-	-	-	-	1.12
<b>Total Assets</b>	<b>1.12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,138,448.40</b>	<b>31,138,449.52</b>
<b>Liabilities :</b>						
Accrued expenses and other payables	-	-	-	-	43,796.95	43,796.95
Due to the bank	450,428.27	-	-	-	-	450,428.27
<b>Total liabilities</b>	<b>450,428.27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,796.95</b>	<b>494,225.22</b>

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

*Currency risk*

The Fund will have exposure to fluctuations in currency exchange rates where it invests directly or indirectly in securities denominated in currencies other than US dollars. It may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions.

The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

At January 31, 2012, the Fund had the following currency exposures (expressed in USD and monetary and non-monetary items):

	USD	EUR
Financial assets at fair value through profit or loss	378,018.61	19,626,198.35
Other assets	194,230.17	1.08
Other liabilities	(11,430.59)	-
	<hr/>	<hr/>
<b>Net exposure</b>	<b>560,818.19</b>	<b>19,626,199.43</b>

At January 31, 2011, the Fund had the following currency exposures (expressed in USD and monetary and non-monetary items):

	USD	EUR	SEK
Financial assets at fair value through profit or loss	4,201,583.69	24,244,454.05	2,353,229.56
Other assets	339,181.10	1.12	-
Other liabilities	(494,225.22)	-	-
	<hr/>	<hr/>	<hr/>
<b>Net exposure</b>	<b>4,046,539.57</b>	<b>24,244,455.17</b>	<b>2,353,229.56</b>

The following are the exchange rates used to translate foreign currency assets to base currency as at January 31, 2012:

<i>USD</i>	<i>1.00000</i>
<i>EUR</i>	<i>1.31100</i>

The following are the exchange rates used to translate foreign currency assets to base currency as at January 31, 2011:

<i>USD</i>	<i>1.00000</i>
<i>EUR</i>	<i>1.37100</i>
<i>SEK</i>	<i>0.15486</i>

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

**(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.

The Fund's assets comprise mainly realisable securities, which can be readily sold and a swap.

The Fund is exposed to daily cash redemptions of redeemable units. At closing date, the redeemable units amounted to USD 20,187,017.62 decreasing by 34.12% in comparison with January 31, 2011 (USD 30,644,224.30).

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.

The swap 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, the Counterparty is compelled to quote a price to unwind any part of the swap. The price will reflect the market liquidity conditions and the size of the transactions.

The table below summarises the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date:

<b>At January 31, 2012</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	4,197.12	-	-	-	4,197.12
Redemptions payable	7,233.47	-	-	-	7,233.47
<b>Total liabilities</b>	<b>11,430.59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,430.59</b>
<b>At January 31, 2011</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	43,796.95	-	-	-	43,796.95
Due to the bank	450,428.27	-	-	-	450,428.27
<b>Total liabilities</b>	<b>494,225.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>494,225.22</b>

As at January 31, 2012 and January 31, 2011, there were no financial derivative liabilities.

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

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

*Fair value measurement risk*

The following tables analyse within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value, as discussed in note 2 (d):

<b>At January 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Balance</b>
Financial assets designated at fair value through profit or loss	18,121,226.43	1,504,971.92	378,018.61	20,004,216.96
<b>Total financial assets at fair value</b>	<b>18,121,226.43</b>	<b>1,504,971.92</b>	<b>378,018.61</b>	<b>20,004,216.96</b>

Financial liabilities designated at fair value through profit or loss	-	-	-	-
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>At January 31, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Balance</b>
Financial assets designated at fair value through profit or loss	26,597,683.61	-	4,201,583.69	30,799,267.30
<b>Total financial assets at fair value</b>	<b>26,597,683.61</b>	<b>-</b>	<b>4,201,583.69</b>	<b>30,799,267.30</b>

Financial liabilities designated at fair value through profit or loss	-	-	-	-
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The amendments to IFRS 7 require disclosure of transfers between levels.

There were no transfers between levels for the years ended January 31, 2012 and January 31, 2011.

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

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

The following table presents the movement in level 3 instruments for the period ended January 31, 2012 by class of financial instrument:

<b>Assets</b>	<b>Swap</b>	<b>Total financial assets</b>
Opening balance	4,201,583.69	4,201,583.69
Purchases	23,962,447.96	23,962,447.96
Sales	(26,757,582.97)	(26,757,582.97)
Gains and losses recognized in profit and loss	(1,028,430.07)	(1,028,430.07)
	<hr/>	<hr/>
<b>Closing balance</b>	<b>378,018.61</b>	<b>378,018.61</b>
	<hr/>	<hr/>
Total gains or losses for the year included in the statement of comprehensive income for assets held at the end of the year	(3,823,565.08)	(3,823,565.08)

The following table presents the movement in level 3 instruments for the year ended January 31, 2011 by class of financial instrument:

<b>Assets</b>	<b>Swap</b>	<b>Total financial assets</b>
Opening balance	1,595,618.63	1,595,618.63
Purchases	8,136,177.43	8,136,177.43
Sales	(11,557,435.59)	(11,557,435.59)
Gains and losses recognized in profit and loss	6,027,223.22	6,027,223.22
	<hr/>	<hr/>
<b>Closing balance</b>	<b>4,201,583.69</b>	<b>4,201,583.69</b>
	<hr/>	<hr/>
Total gains or losses for the year included in the statement of comprehensive income for assets held at the end of the year	2,678,621.41	2,678,621.41

**(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 statement of financial position, 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.

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

## ADEQUITY TRUST : LYXOR AGRICULTURE FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 "swap agreement" 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 31, 2012, the credit rating of Société Générale from Standard & Poor's was A (A+ in January 2011).

In accordance with the Fund's policy, the Manager monitors the Fund's credit positions on a daily 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 daily 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 Financial Risk Disclosures**

The financial statements were approved by the Trustee and the Manager on May 24, 2012.

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**SCHEDULE OF INVESTMENTS  
AS AT JANUARY 31, 2012**

	<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>			
SWAP	14,058,600.00	378,018.61	1.87
<b>Total unlisted / unquoted financial assets</b>		<b>378,018.61</b>	<b>1.87</b>
<b>Listed / Quoted financial assets</b>			
<b>Germany</b>			
ALLIANZ SE-NOM	17,917.00	1,958,058.63	9.70
BASF SE	25,805.00	2,023,393.53	10.02
BAYER AG	25,880.00	1,799,237.90	8.91
CONTINENTAL AG	19,139.00	1,504,971.92	7.46
DAIMLER	26,372.00	1,464,022.99	7.25
DEUTSCHE BANK AG-NOM	34,734.00	1,468,772.52	7.28
DEUTSCHE BOERSE AG	23,179.00	1,354,986.16	6.71
DEUTSCHE LUFTHANSA N	88,553.00	1,224,200.51	6.06
DEUTSCHE TEL AG-NOM	98,862.00	1,130,441.69	5.60
E.ON AG	54,114.00	1,148,574.52	5.69
HENKEL KGAA VZ	27,914.00	1,736,810.75	8.60
<b>Italy</b>			
ENI SPA	57,085.00	1,260,279.25	6.24
<b>Netherlands</b>			
ROY.PHILIPS ELECTR	77,727.00	1,552,447.98	7.69
<b>Total listed / quoted financial assets</b>		<b>19,626,198.35</b>	<b>97.21</b>
<b>Total Financial assets at fair value through profit or loss</b>		<b>20,004,216.96</b>	<b>99.08</b>
<b>Total Financial assets at fair value through profit or loss at purchase date</b>		<b>23,264,506.48</b>	

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



**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**SCHEDULE OF INVESTMENTS  
AS AT JANUARY 31, 2011**

	<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>			
SWAP	1,857,160.00	4,201,583.69	13.71
<b>Total unlisted / unquoted financial assets</b>		<b>4,201,583.69</b>	<b>13.71</b>
<b>Listed / Quoted financial assets</b>			
<b>France</b>			
FRANCE TELECOM SA	76,985.00	1,676,077.39	5.47
SANOFI-AVENTIS	16,759.00	1,130,792.83	3.69
TOTAL SA	12,683.00	735,963.74	2.40
<b>Germany</b>			
ALLIANZ SE-NOM	10,872.00	1,495,768.13	4.88
BASF SE	25,121.00	1,938,677.75	6.33
BAYER AG	17,318.00	1,271,673.90	4.15
DAIMLER	23,979.00	1,801,561.45	5.88
DEUTSCHE LUFTHANSA NOM	105,703.00	2,259,284.29	7.37
DEUTSCHE POST AG-NOM	97,659.00	1,790,785.30	5.84
DEUTSCHE TELEKOM AG-NOM	118,209.00	1,576,725.90	5.15
MAN AG	14,507.00	1,697,733.32	5.54
MUENCHENER RUECKVERSICHERINGS AG NOM	10,990.00	1,725,204.71	5.63
RWE AG	32,138.00	2,319,381.46	7.57
<b>Italy</b>			
ENI SPA	60,185.00	1,433,261.84	4.68
<b>Netherland</b>			
ROYAL PHILIPS ELECTRONICS	44,092.00	1,391,562.04	4.54
<b>Sweden</b>			
VOLVO AB	135,192.00	2,353,229.56	7.68
<b>Total listed / quoted financial assets</b>		<b>26,597,683.61</b>	<b>86.80</b>
<b>Total Financial assets at fair value through profit or loss</b>		<b>30,799,267.30</b>	<b>100.51</b>
<b>Total Financial assets at fair value through profit or loss at purchase date</b>		<b>23,122,646.51</b>	

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

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND****DISTRIBUTION STATEMENT (UNAUDITED)****For the year ended January 31, 2012**

	<b>JANUARY 31, 2012</b>	<b>JANUARY 31, 2011</b>
	USD	USD
Undistributed (loss) brought forward	(8,307,807.34)	(17,153,219.44)
Operating (loss) / profit	(5,060,078.04)	8,845,412.10
Interim distributions to holders of redeemable participating units	-	-
Final distributions to holders of redeemable participating units	-	-
(Decrease)/ increase in net assets attributable to holders of redeemable participating units from operations	(5,060,078.04)	8,845,412.10
Undistributed (loss) carried forward	(13,367,885.38)	(8,307,807.34)

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND**

**STATEMENT OF MOVEMENTS IN SCHEDULE OF INVESTMENTS (UNAUDITED)  
FOR THE YEAR ENDED JANUARY 31, 2012**

	<b>Percentage holdings of net assets JANUARY 31, 2012</b>	<b>Percentage holdings of net assets JANUARY 31, 2011</b>
<b>Financial assets at fair value through profit or loss</b>		
<b>Unlisted / Unquoted financial assets</b>		
SWAP	1.87	13.71
<b>Total unlisted / unquoted financial assets</b>	<b>1.87</b>	<b>13.71</b>
<b>Listed / Quoted financial assets</b>		
<b>France</b>		
FRANCE TELECOM SA	-	5.47
SANOFI-AVENTIS	-	3.69
TOTAL SA	-	2.40
<b>Germany</b>		
ALLIANZ SE-NOM	9.70	4.88
BASF SE	10.02	6.33
BAYER AG	8.91	4.15
CONTINENTAL AG	7.46	-
DAIMLER	7.25	5.88
DEUTSCHE BANK AG-NOM	7.28	-
DEUTSCHE BOERSE AG	6.71	-
DEUTSCHE LUFTHANSA NOM	6.06	7.37
DEUTSCHE POST AG-NOM	-	5.84
DEUTSCHE TEL AG-NOM	5.60	5.15
E.ON AG	5.69	-
HENKEL KGAA VZ	8.60	-
MAN AG	-	5.54
MUENCHENER RUECKVERSICHERUNGS AG	-	5.63
RWE AG	-	7.57
<b>Italy</b>		
ENI SPA	6.24	4.68
<b>Netherlands</b>		
ROYAL PHILIPS ELECTRONICS	7.69	4.54
<b>Sweden</b>		
VOLVO AB	-	7.68
<b>Total listed / quoted financial assets</b>	<b>97.21</b>	<b>86.80</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>99.08</b>	<b>100.51</b>

**ADEQUITY TRUST : LYXOR AGRICULTURE FUND****PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED JANUARY 31, 2012****Net asset values for last 3 years**

	Total net asset value USD	Net asset value per unit USD
As at January 31, 2012	20,187,017.62	7.76
As at January 31, 2011	30,644,224.30	9.39
As at January 29, 2010	22,034,342.41	6.45

**Performance record for last 10 years**

	Highest issue price per unit USD	Lowest redemption price per unit USD
From February 1, 2011 to January 31, 2012	9.83	7.19
From January 30, 2010 to January 31, 2011	9.47	5.68
From January 31, 2009 to January 29, 2010	7.17	5.22
From April 22, 2008 to January 30, 2009	10.72	4.92