

**ROW DIVERSIFIED FUND, LP**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2013**

A CLAIM OF EXEMPTION FROM CERTAIN REGULATORY REQUIREMENTS HAS BEEN FILED WITH THE COMMODITY FUTURES TRADING COMMISSION PURSUANT TO REGULATION 4.7 BY THE COMMODITY POOL OPERATOR OF ROW DIVERSIFIED FUND, LP

# ROW DIVERSIFIED FUND, LP

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ROW DIVERSIFIED FUND, LP

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best of the knowledge and belief of the undersigned, the information contained in the annual report for the year ended December 31, 2013 is accurate and complete.



\_\_\_\_\_  
Ryan O'Grady, Chief Executive Officer  
ROW Asset Management LLC, General Partner of  
ROW Diversified Fund, LP

Commodity Pool Operator:  
ROW Asset Management LLC  
450 Newport Center Drive, Suite 420  
Newport Beach, CA 92660  
(949) 478-8300

Commodity Pool:

ROW DIVERSIFIED FUND, LP

## INDEPENDENT AUDITORS' REPORT

To ROW Diversified Fund, LP

We have audited the accompanying financial statements of ROW Diversified Fund, LP (the "Fund"), which comprise the statement of financial condition, including the condensed schedule of investments, as of December 31, 2013, and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ROW Diversified Fund, LP as of December 31, 2013, and the results of its operations, changes in its partners' capital and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Beverly Hills, California  
March 27, 2014

# ROW DIVERSIFIED FUND, LP

## STATEMENT OF FINANCIAL CONDITION

**December 31, 2013**

### **Assets**

|   |    |                  |
|---|----|------------------|
| Investments in private investment companies, at fair value (cost \$3,005,631) | \$ | 3,116,714        |
| Derivative contracts, at fair value   |    | 178,337          |
| Deposits at futures commission merchant                                       |    | 893,109          |
| Cash  |    | <u>1,157,848</u> |
|   | \$ | <u>5,346,008</u> |

### **Liabilities and partners' capital**

#### Liabilities

|   |    |              |
|---|----|--------------|
| Derivative contracts, at fair value (proceeds \$25,428) | \$ | 135,153      |
| Advance capital contributions                           |    | 500,000      |
| Accrued expenses and other liabilities                  |    | <u>8,560</u> |
| Total liabilities                                       |    | 643,713      |

|                   |    |                  |
|-------------------|----|------------------|
| Partners' capital |    | <u>4,702,295</u> |
|                   | \$ | <u>5,346,008</u> |

# ROW DIVERSIFIED FUND, LP

## STATEMENT OF OPERATIONS

**Year Ended December 31, 2013**

### **Expenses**

|  |    |                 |
|--|----|-----------------|
| Administrative fee                             | \$ | 29,500          |
| Futures commission fee                         |    | 95,433          |
| Professional fees and other                    |    | <u>48,128</u>   |
| Total expenses                                 |    | 173,061         |
| Professional fees borne by the General Partner |    | <u>(68,988)</u> |
| Net expenses                                   |    | <u>104,073</u>  |

### **Net investment loss**

(104,073)

### **Realized and unrealized gain (loss) on investments**

|   |               |
|---|---------------|
| Net realized gain (loss) from derivative contracts and foreign currency transactions                            | 222,597       |
| Net change in unrealized appreciation or depreciation on derivative contracts and foreign currency transactions | 15,891        |
| Net change in unrealized appreciation or depreciation on private investment companies                           | <u>40,214</u> |

### **Net gain (loss) on investments**

278,702

### **Net income**

\$ 174,629

# ROW DIVERSIFIED FUND, LP

## STATEMENT OF CHANGES IN PARTNERS' CAPITAL

Year Ended December 31, 2013

|                                      | General<br>Partner | Limited<br>Partner  | Total               |
|--------------------------------------|--------------------|---------------------|---------------------|
| Partners' capital, beginning of year | \$ -               | \$ 2,908,479        | \$ 2,908,479        |
| Capital contributions                | 300,000            | 1,319,187           | 1,619,187           |
| Allocation of net income             | <u>(5,345)</u>     | <u>179,974</u>      | <u>174,629</u>      |
| Partners' capital, end of year       | <u>\$ 294,655</u>  | <u>\$ 4,407,640</u> | <u>\$ 4,702,295</u> |

# ROW DIVERSIFIED FUND, LP

## STATEMENT OF CASH FLOWS

**Year Ended December 31, 2013**

### **Cash flows from operating activities**

|   |             |
|---|-------------|
| Net income  | \$ 174,629  |
| Adjustments to reconcile net income to net cash used in operating activities:         |             |
| Net realized gain (loss) from derivative contracts and foreign currency transactions  | (222,597)   |
| Net change in unrealized appreciation or depreciation on private investment companies | (40,214)    |
| Changes in operating assets and liabilities:  |             |
| Purchases of investments in derivative contracts                                      | (937,074)   |
| Proceeds from sales of investments in derivative contracts                            | 1,139,805   |
| Purchases of investments in private investment companies                              | (1,155,000) |
| Deposits at futures commission merchant   | (122,960)   |
| Organization costs  | 18,000      |
| Accrued expenses and other liabilities  | (14,419)    |

**Net cash used in operating activities** (1,159,830)

### **Cash flows from financing activities**

|   |                  |
|---|------------------|
| Capital contributions, net of change in advance capital contributions | <u>2,119,187</u> |
|---|------------------|

**Net change in cash** 959,357

**Cash, beginning of year** 198,491

**Cash, end of year** \$ 1,157,848



# ROW DIVERSIFIED FUND, LP

## CONDENSED SCHEDULE OF INVESTMENTS

December 31, 2013

|   | Expiration<br>Dates | Number of<br>Contracts | Percentage of<br>Partners' Capital | Fair<br>Value |
|---|---------------------|------------------------|------------------------------------|---------------|
| <b>Investments in private investment companies, at fair value</b>                     |                     |                        |                                    |               |
| <b>United States, Domiciled</b>   |                     |                        |                                    |               |
| <b>Foreign Currency</b>   |                     |                        |                                    |               |
| ROW Currency Fund LLC (cost \$3,005,631)  |                     |                        | 66.3 %                             | \$ 3,116,714  |
| <b>Derivative contracts - assets, at fair value</b>                                   |                     |                        |                                    |               |
| <b>Future contracts</b>   |                     |                        |                                    |               |
| Commodities   | Feb - Jul 2014      | 298                    | 2.9 %                              | \$ 138,011    |
| Equity  | Mar 2014            | 50                     | 0.8                                | 39,212        |
| <b>Total future contracts</b>   |                     |                        | 3.7                                | 177,223       |
| <b>Call options written</b>   |                     |                        |                                    |               |
| <b>United States</b>  |                     |                        |                                    |               |
| Commodities   | Jan 2014            | 3                      | -                                  | 1,114         |
| <b>Total derivative contracts - assets, at fair value</b>                             |                     |                        | 3.7 %                              | \$ 178,337    |
| <b>Derivative contracts - liabilities, at fair value</b>                              |                     |                        |                                    |               |
| <b>Future contracts</b>   |                     |                        |                                    |               |
| Commodities   | Feb - Sept 2014     | 120                    | 2.1 %                              | \$ 100,921    |
| Equity  | Mar 2014            | 24                     | 0.2                                | 9,073         |
| <b>Total futures contracts</b>  |                     |                        | 2.3                                | 109,994       |
| <b>Call options written</b>   |                     |                        |                                    |               |
| <b>United States</b>  |                     |                        |                                    |               |
| Commodities   | Jan 2014            | 9                      | 0.2                                | 7,614         |
| Equity  | Jan 2014            | 4                      | 0.1                                | 2,500         |
| <b>Total call options written (proceeds \$7,508)</b>                                  |                     |                        | 0.3                                | 10,114        |
| <b>Put options written</b>  |                     |                        |                                    |               |
| <b>United States</b>  |                     |                        |                                    |               |
| Commodities   | Jan 2014            | 9                      | 0.2                                | 11,701        |
| Equity  | Jan 2014            | 7                      | 0.1                                | 3,344         |
| <b>Total put options written (proceeds \$17,920)</b>                                  |                     |                        | 0.3                                | 15,045        |
| <b>Total derivative contracts - liabilities, at fair value</b><br>(proceeds \$25,428) |                     |                        | 2.9 %                              | \$ 135,153    |

See accompanying notes to financial statements.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of operations and summary of significant accounting policies

#### *Nature of Operations*

ROW Diversified Fund, LP (the "Fund"), a Delaware investment limited partnership commenced operations on July 1, 2012. The Fund was organized for the purpose of trading and investing in derivative contracts. The Fund is managed by ROW Asset Management, LLC (the "General Partner" and the "Investment Manager"). Refer to the Fund's offering memorandum for more information.

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

These financial statements were approved by management and available for issuance on March 27, 2014. Subsequent events have been evaluated through this date.

#### *Fair Value - Definition and Hierarchy*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Valuation techniques that are consistent with the market or income approach are used to measure fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

*Level 2* - Valuations based on inputs, other than quoted prices included in Level 1, which are observable either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Fair Value - Definition and Hierarchy (continued)*

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

#### *Fair Value – Valuation Techniques and Inputs*

##### Derivative Contracts

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are included in net realized gain (loss) from derivative contracts and foreign currency transactions and net change in unrealized appreciation or depreciation on derivative contracts and foreign currency investments in the statement of operations.

##### *Option contracts*

The fair value of options which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date or based on the midpoint of the bid/ask spread at the close of business. Depending on the frequency of trading, options are generally categorized in Level 1 or 2 of the fair value hierarchy.

##### *Futures contracts*

Futures contracts which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date. Futures contracts are generally categorized in Level 1 of the fair value hierarchy.

##### Investments in Private Investment Companies

Investments in private investment companies are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying private investment companies, without adjustment, when the net asset valuations of the investments are calculated in a manner consistent with GAAP for investment companies. The Fund applies the practical expedient to its investments in private investment companies on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that the Fund will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Fund considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of operations and summary of significant accounting policies (continued)

#### Investments in Private Investment Companies (continued)

Investments in private investment companies are categorized in Level 2 or 3 of the fair value hierarchy. In determining the level, the Fund considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. The Fund also considers the nature of the portfolios of the underlying private investment companies and their ability to liquidate their underlying investments. If the Fund has the ability to redeem its investment at the reported net asset valuation as of the measurement date, the investment is generally categorized in Level 2 of the fair value hierarchy. If the Fund does not know when it will have the ability to redeem the investment or it does not have the ability to redeem its investment in the near term, the investment is categorized in Level 3 of the fair value hierarchy.

#### *Translation of Foreign Currency*

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the year-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net realized gain (loss) on derivative contracts and foreign currency transactions and net change in unrealized appreciation on derivative contracts and foreign currency transactions in the statement of operations.

#### *Investment Transactions*

Investment transactions are accounted for on a trade-date basis.

#### *Income Taxes*

The Fund does not record a provision for U.S. federal, state, or local income taxes because the partners report their share of the Fund's income or loss on their income tax returns. The Fund files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. Generally, the Fund is subject to income tax examinations by major taxing authorities since inception.

The Fund is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2013. The Fund does not expect that its assessment regarding unrecognized tax benefits will materially change over the next twelve months. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with U.S. federal and U.S. state tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Fund's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

### 2. Fair value measurements

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1. The following tables' present information about the Fund's assets and liabilities measured at fair value as of December 31, 2013 (in thousands):

|   | <u>Level 1</u> | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>    |
|---|----------------|-----------------|----------------|-----------------|
| <b>Assets (at fair value)</b>               |                |                 |                |                 |
| Investments in private investment companies | \$ -           | \$ 3,117        | \$ -           | \$ 3,117        |
| Derivative contracts                        |                |                 |                |                 |
| Futures contracts                           | 177            | -               | -              | 177             |
| Call options                                | -              | 1               | -              | 1               |
|   | <u>177</u>     | <u>1</u>        | <u>-</u>       | <u>178</u>      |
|   | <u>\$ 177</u>  | <u>\$ 3,118</u> | <u>\$ -</u>    | <u>\$ 3,295</u> |
| <b>Liabilities (at fair value)</b>          |                |                 |                |                 |
| Derivative contracts                        |                |                 |                |                 |
| Futures contracts                           | \$ 110         | \$ -            | \$ -           | \$ 110          |
| Call options                                | -              | 10              | -              | 10              |
| Put options                                 | -              | 15              | -              | 15              |
|   | <u>\$ 110</u>  | <u>\$ 25</u>    | <u>\$ -</u>    | <u>\$ 135</u>   |

### 3. Deposits at futures commission merchant

In the normal course of business, substantially all of the Fund's securities transactions, money balances, and security positions are transacted with the Fund's broker, Jefferies Bache, LLC. The Fund is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

### 4. Investments in private investment companies

The Fund had an investment in ROW Currency Fund, LLC of approximately \$3,117,000, an affiliated investment company as of December 31, 2013. The management agreement of the affiliated investment company provides for compensation to the manager in the form of fees of 2.0% annually of net assets and performance allocation of 20% of net profits earned (subject to a loss carry forward). For the year ended December 31, 2013, the Fund was not charged a performance allocation.

The following table summarizes the Fund's investment in its' related private investment company as of December 31, 2013.

| Investment             | Income<br>(Loss) | Fees/Allocations |           | Redemptions<br>Notice Period | Redemptions<br>Permitted |
|------------------------|------------------|------------------|-----------|------------------------------|--------------------------|
|                        |                  | Management       | Incentive |                              |                          |
| Forward currency       |                  |                  |           |                              |                          |
| North America          |                  |                  |           |                              |                          |
| ROW Currency Fund, LLC | \$ 111,083       | \$ -             | \$ -      | 10 days                      | Monthly                  |

### 5. Derivative contracts

In the normal course of business, the Fund utilizes derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund's derivative activities and exposure to derivative contracts are classified by the primary underlying risks: equity and commodity price risk. In addition to its primary underlying risks, the Fund is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

#### *Options*

The Fund is subject to equity and commodity price risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund may enter into options to speculate on the price movements of the financial instrument, commodity, or currency underlying the option, or for use as an economic hedge against certain positions held in the Fund's portfolio holdings. Options purchased give the Fund the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Options written obligate the Fund to buy or sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Options written by the Fund may expose the Fund to market risk of an unfavorable change in the financial instrument underlying the written option.

#### *Futures Contracts*

The Fund may use futures to gain exposure to, or hedge against, changes in the value of equities and commodities, interest rates or foreign currencies. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

### 5. Derivative contracts (continued)

The purchase and sale of futures requires margin deposits with a Futures Commission Merchant ("FCM") equal to a certain percentage of the contract amount. Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract. The Fund recognizes a gain or loss equal to the daily variation margin. Futures may reduce the Fund's exposure to counterparty risk since futures contracts are exchange-traded and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Fund's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

#### *Volume of Derivative Activities*

At December 31, 2013, the volume of the Fund's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

*(notional amounts in thousands)*

| <b>Primary underlying risk</b> | <b>Long exposure</b>    |                            | <b>Short exposure</b>   |                            |
|--------------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
|                                | <b>Notional amounts</b> | <b>Number of contracts</b> | <b>Notional amounts</b> | <b>Number of contracts</b> |
| <b>Equity price</b>            |                         |                            |                         |                            |
| Futures contracts              | \$ 3,376                | 31                         | \$ 5,776                | 43                         |
| Options (a)                    | -                       | -                          | 12                      | 14                         |
|                                | <u>3,376</u>            | <u>31</u>                  | <u>5,788</u>            | <u>57</u>                  |
| <b>Commodity price</b>         |                         |                            |                         |                            |
| Futures contracts              | -                       | -                          | 8,311                   | 259                        |
| Options (a)                    | 8,270                   | 159                        | 19                      | 18                         |
|                                | <u>8,270</u>            | <u>159</u>                 | <u>8,330</u>            | <u>277</u>                 |
|                                | <u>\$ 11,646</u>        | <u>190</u>                 | <u>\$ 14,118</u>        | <u>334</u>                 |

(a) Notional amounts presented for options are based on the fair value of the underlying shares as if the options were exercised at December 31, 2013.

# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

### 5. Derivative contracts (continued)

#### *Impact of Derivatives on the Statement of Financial Condition and Statement of Operations*

The following table identifies the fair value amounts of derivative instruments included in the statement of financial condition as derivative contracts, categorized by primary underlying risk, at December 31, 2013. The following table also identifies the net gain and loss amounts included in the statement of operations as net realized gain (loss) from derivative contracts and foreign currency transactions and net change in unrealized appreciation or depreciation on derivative contracts and foreign currency transactions, categorized by primary underlying risk, for the year ended December 31, 2013:

*(in thousands)*

| <b>Primary underlying risk</b> | <b>Derivative assets</b> | <b>Derivative liabilities</b> | <b>Amount of gain (loss)</b> |
|--------------------------------|--------------------------|-------------------------------|------------------------------|
| <b>Equity price</b>            |                          |                               |                              |
| Futures contracts              | \$ 39                    | \$ 9                          | \$ 38                        |
| Options                        | -                        | 6                             | 40                           |
|                                | <u>39</u>                | <u>15</u>                     | <u>78</u>                    |
| <b>Commodity price</b>         |                          |                               |                              |
| Futures contracts              | 138                      | 101                           | 158                          |
| Option contracts               | 1                        | 19                            | 2                            |
|                                | <u>139</u>               | <u>120</u>                    | <u>160</u>                   |
|                                | <u>\$ 178</u>            | <u>\$ 135</u>                 | <u>\$ 238</u>                |

### 6. Concentration of credit risk

In the normal course of business, the Fund maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Fund is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

### 7. Partners' capital

In accordance with the limited partnership agreement (the "Agreement"), profits and losses of the Fund are allocated to partners according to their respective interests in the Fund. Subject to certain limitations, generally 20% of the net profits allocated to the partners are reallocated (the "Performance Allocation") to the General Partner.

Limited partners have redemption rights which contain certain restrictions with respect to rights of withdrawal from the Fund as specified in the Agreement.

Advance capital contributions represent cash received prior to the effective date of such contribution.



# ROW DIVERSIFIED FUND, LP

## NOTES TO FINANCIAL STATEMENTS

### 8. Related party transactions

The Fund pays the General Partner a management fee, calculated and payable monthly in advance, equal to 2.0% per annum of the Fund's net asset value determined as of the beginning of each month.

Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited partners' capital at December 31, 2013 is approximately \$4,702,000.

Certain limited partners have special management fee arrangements and Performance Allocation arrangements, or as provided for in the Agreement.

The General Partner has agreed to bear certain of the Fund's operating expenses. For the year ended December 31, 2013, professional fees borne by the General Partner were \$68,988.

### 9. Administrative fee

Fund Administration, Inc. (the "Administrator") serves as the Fund's administrator and performs certain administrative and clerical services on behalf of the Fund.

### 10. Financial highlights

Financial highlights for the year ended December 31, 2013 are as follows:

|  |         |
|--|---------|
| Total return                                   | 5.1 %   |
| Ratio to average partners' capital             |         |
| Expenses                                       | 4.6 %   |
| Professional fees borne by the General Partner | (2.0)   |
| Net expenses                                   | 2.6 %   |
| Net investment loss                            | (2.6) % |

Financial highlights are calculated for the limited partners' class taken as a whole. The net investment loss ratio does not reflect the effects of the Performance Allocation to the General Partner.

### 11. Subsequent events

From January 1, 2014 through March 27, 2014, the Fund accepted additional capital contributions of approximately \$500,000 (of which approximately \$500,000 is included in advance capital contributions as of December 31, 2013).