

ROW DIVERSIFIED FUND, LP
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2012

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, 2012 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
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Newport Beach, CA 92660
(949) 478-8300

Commodity Pool:

ROW DIVERSIFIED FUND, LP

Rothstein Kass

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, 2012, and the related statements of operations and changes in partners' capital for the period July 1, 2012 (commencement of operations) through December 31, 2012, 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, 2012, and the results of its operations, and changes in its partners' capital for the period July 1, 2012 (commencement of operations) through December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.



Beverly Hills, California
March 21, 2013

ROW DIVERSIFIED FUND, LP

STATEMENT OF FINANCIAL CONDITION

December 31, 2012

Assets

Investments in private investment companies, at fair value (cost \$1,850,631)	\$	1,921,500
Derivative contracts, at fair value		99,324
Deposits at future commission merchant		770,149
Cash		198,491
Organization costs (net of accumulated amortization of \$2,000)		18,000
	\$	<u>3,007,464</u>

Liabilities and partners' capital

Liabilities

Derivative contracts, at fair value (proceeds \$21,499)	\$	76,006
Accrued expenses and other liabilities		<u>22,979</u>
Total liabilities		98,985

Partners' capital		<u>2,908,479</u>
	\$	<u>3,007,464</u>

ROW DIVERSIFIED FUND, LP

STATEMENT OF OPERATIONS

For the Period July 1, 2012 (commencement of operations) through December 31, 2012

Expenses

Administrative fee	\$	12,000
Futures commission fee		25,037
Professional fees and other		<u>32,000</u>
Total expenses		69,037
Professional fees borne by the General Partner		<u>(37,512)</u>
Net expenses		<u>31,525</u>

Net investment income (loss)

(31,525)

Realized and unrealized gain (loss) on investments

Net change in unrealized appreciation or depreciation on private investment companies	70,869
Net gain (loss) from derivative contracts and foreign currency transactions	<u>(27,762)</u>

Net gain (loss) on investments

43,107

Net income

\$ 11,582

ROW DIVERSIFIED FUND, LP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

For the Period July 1, 2012 (commencement of operations) through December 31, 2012

	General Partner	Limited Partner	Total
Capital contributions	\$ -	\$ 2,896,897	\$ 2,896,897
Allocation of net income	-	11,582	11,582
Partners' capital, end of year	\$ -	\$ 2,908,479	\$ 2,908,479

ROW DIVERSIFIED FUND, LP

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2012

	Expiration Dates	Number of Contracts	Percentage of Partners' Capital	Fair Value
Derivative contracts - assets, at fair value				
Futures contracts				
Commodities	Mar 2013 - Jan 2014	53	2.5 %	\$ 73,530
Equity	Mar 2013 - Dec 2014	62	0.9	25,794
Total derivative contracts - assets, at fair value			3.4 %	\$ 99,324
Derivative contracts - liabilities, at fair value				
Futures contracts				
Commodities	Mar - Dec 2013	44	1.5 %	\$ 42,997
Equity	Mar - Dec 2013	47	0.4	11,390
Total futures contracts			1.9	54,387
Call options written				
United States				
Commodities	Jan 2013	8	0.4	12,016
Equity	Jan 2013	8	-	1,293
Total call options written			0.4	13,309
Put options written				
United States				
Commodities	Jan 2013	2	0.3	9,339
Equity	Jan 2013	2	-	(1,029)
Total put options written			0.3	8,310
Total derivative contracts - liabilities, at fair value				
(proceeds \$21,499)			2.6 %	\$ 76,006
Investments in private investment companies, at fair value				
United States, Domiciled				
Foreign Currency				
ROW Currency Fund, LLC (cost \$1,850,631)			66.1 %	\$ 1,921,500

ROW DIVERSIFIED FUND, LP

NOTES TO FINANCIAL STATEMENTS

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 21, 2013. 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

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 gain (loss) from derivative contracts and foreign currency transactions 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

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 gain (loss) on derivative contracts and foreign currency transactions in the statement of operations.

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, 2012. 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.

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.

ROW DIVERSIFIED FUND, LP

NOTES TO FINANCIAL STATEMENTS

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

Organization Costs

Organization costs are stated net of accumulated amortization. Management has elected to capitalize organization costs of approximately \$20,000 and amortize them on a straight-line method over 60 months. Management believes this method to be more equitable to the partners than the method prescribed under GAAP, which requires organization costs to be expensed as incurred, resulting in the original partners bearing all such costs.

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, 2012 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets (at fair value)				
Investments in private investment companies	\$ -	\$ 1,922	\$ -	\$ 1,922
Derivative contracts				
Future contracts	99	-	-	99
	<u>\$ 99</u>	<u>\$ 1,922</u>	<u>\$ -</u>	<u>\$ 2,021</u>
Liabilities (at fair value)				
Derivative contracts				
Futures contracts	\$ 54	\$ -	\$ -	\$ 54
Call options	-	14	-	14
Put options	-	8	-	8
	<u>\$ 54</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 76</u>

3. Deposits at future 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, R.J. O'Brien. The Fund is subject to credit risk to the extent any broker with which 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 \$1,922,000, an affiliated investment company as of December 31, 2012. 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, 2012, 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, 2012.

Investment	Income (Loss)	Fees/Allocations		Redemptions Notice Period	Redemptions Permitted
		Management	Incentive		
Forward currency					
North America					
ROW Currency					
Fund, LLC	\$ 70,869	\$ -	\$ -	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, 2012, 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)

Primary underlying risk	Long exposure		Short exposure	
	Notional amounts	Number of contracts	Notional amounts	Number of contracts
Equity price				
Futures contracts	\$ 12,901	62	\$ 11,623	47
Options (a)	2	2	3	2
	<u>12,903</u>	<u>64</u>	<u>11,626</u>	<u>49</u>
Commodity price				
Futures contracts	761	37	1,289	60
Options (a)	5	8	8	8
	<u>766</u>	<u>45</u>	<u>1,297</u>	<u>68</u>
	<u>\$ 13,669</u>	<u>109</u>	<u>\$ 12,923</u>	<u>117</u>

(a) Notional amounts presented for options are based on the fair value of the underlying shares as if the options and warrants were exercised at December 31, 2012.

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, 2012. The following table also identifies the net gain and loss amounts included in the statement of operations as net gain from derivative contracts and foreign currency transactions, categorized by primary underlying risk, for the year ended December 31, 2012:

(in thousands)

Primary underlying risk	Derivative assets	Derivative liabilities	Amount of gain (loss)
Equity price			
Futures contracts	\$ 25	\$ 11	\$ (33)
Options	-	-	69
	<u>25</u>	<u>11</u>	<u>36</u>
Commodity price			
Futures contracts	74	43	(282)
Option contracts	-	22	218
	<u>74</u>	<u>65</u>	<u>(64)</u>
	<u>\$ 99</u>	<u>\$ 76</u>	<u>\$ (28)</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 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.

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, 2012 is approximately \$2,908,000.

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, 2012, professional fees borne by the General Partner were \$37,512.

The Fund had an initial in-kind contribution of approximately \$2,897,000 from a related entity.

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, 2012 are as follows:

Total return	0.4 %
Ratio to average members' equity	
Expenses	3.6 %
Professional fees borne by the General Partner	(1.3)
Net expenses	2.3 %
Net investment income (loss)	(2.2) %

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

The ratios, excluding nonrecurring expenses to the General Partner, have been annualized.