

ORCHARDWAY P2P CREDIT FUND LIMITED  
(A CAYMAN ISLANDS EXEMPTED COMPANY)  
REPORT AND FINANCIAL STATEMENTS FOR  
THE YEAR ENDED DECEMBER 31, 2016

# OrchardWay P2P Credit Fund Ltd

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# OrchardWay P2P Credit Fund Ltd

## General Information

### **Master Fund**

HCG Digital Finance LP  
4208 Six Forks Road, #1000,  
Raleigh, North Carolina 27609

### **Administrator**

SS&C Technologies, Inc.  
80 Lambertson Road  
Windsor, Connecticut 06095  
April 1, 2015 – Current

### **AIFM**

Duff & Phelps (Luxembourg) Management  
Company S.à.r.l.  
65, rue d'Eich, L-1461 Luxembourg

### **Portfolio Manager**

Bedrock Asset Management (UK) Ltd  
20 Upper Grosvenor Street  
London W1K 7PB

### **Bank**

RBS International  
Howard Pearson House  
Summer Hill Office Park  
Victoria Road, Douglas  
Isle of Man, IM2 4RP

### **Depository**

GlobeOp Markets Limited  
1 St. Martin's Le Grand  
London, EC1A 4AS  
United Kingdom

### **Registered Office**

DMS Corporate Services Ltd  
DMS House, 20 Genesis Close  
P.O. Box 1344  
Grand Cayman KY1-1108  
Cayman Islands

### **Cayman Counsel to the Fund**

Conyers Dill and Pearman (Cayman) Limited  
Cricket Square, Hutchins Drive, P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **US Counsel to the Fund**

Seward & Kissel LLP  
One Battery Park Plaza  
New York, NY 10004

### **Auditor to the Fund and Master Fund**

Deloitte & Touche  
One Capital Place  
P.O. Box 1787  
Grand Cayman, KY1-1109  
Cayman Islands

### **Directors**

Dawn Cummings  
(Independent)  
September 22, 2015 – Current

Jason Fitzgerald  
(Independent)  
February 19, 2015 – Current

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ORCHARDWAY P2P CREDIT FUND LTD**

We have audited the non-statutory financial statements of OrchardWay P2P Credit Fund Ltd (the 'Company') for the year ended December 31, 2016 which comprise the statement of assets and liabilities, the statement of operations, the statement of changes in net assets, the statement of cash flows and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is accounting principles generally accepted in the United States of America.

This report is made solely for the exclusive use of the directors and solely for the purpose of showing the results of management's stewardship of the resources entrusted to them. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

### **Respective responsibilities of directors and auditor**

The directors are responsible for the preparation of the financial statements and for being satisfied that they present fairly, in all material respects, the state of affairs of the Company and the operations of the Company for the year. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements of the OrchardWay P2P Credit Fund Ltd present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Deloitte & Touche*

June 30, 2017

**OrchardWay P2P Credit Fund Ltd.**  
**Statement of Assets and Liabilities**  
**December 31, 2016**

	US\$
<i>Assets</i>	
Investment in HCG Digital Finance, L.P., at fair value	\$ 87,751,083
Cash and cash equivalents	3,575,807
Subscriptions in advance to HCG Digital Finance LP	1,600,000
Redemptions receivable from HCG Digital Finance LP	2,600,000
Other assets	141,099
<b>Total Assets</b>	<b>95,667,989</b>
<i>Liabilities</i>	
Subscriptions received in advance	\$ 4,475,015
Redemptions payable	390,272
Management fees payable	210,955
Performance fee payable	89,013
Administration fees payable	3,169
Accrued expenses	4,892
<b>Total Liabilities</b>	<b>5,173,316</b>
<b>Net Assets</b>	<b>\$ 90,494,673</b>
<i>Net assets are comprised of:</i>	
Investor Capital / Share Capital	85,466,509
Retained Earnings	5,028,164
<b>Total Equity</b>	<b>\$ 90,494,673</b>

<u>Share Class</u>	<u>Shares outstanding</u>	<u>Net asset value per share</u>
CHF 2015 03	5,365	CHF 1,105.47
CHF 2016 01	150	CHF 1,055.14
CHF 2016 05	530	CHF 1,035.05
CHF 2016 07	280	CHF 1,028.50
CHF 2016 08	75	CHF 1,012.86
CHF 2016 10	500	CHF 1,005.59
CHF 2016 11	100	CHF 1,001.58
CHF 2016 12	50	CHF 997.37
EUR 2015 03	7,531	€ 1,121.02
EUR 2016 01	1,100	€ 1,061.27
EUR 2016 02	650	€ 1,055.11
EUR 2016 03	230	€ 1,051.59
EUR 2016 04	510	€ 1,045.93
EUR 2016 07	180	€ 1,031.31
EUR 2016 09	300	€ 1,010.93
EUR 2016 11	1,620	€ 1,001.99
EUR 2016 12	400	€ 997.71

The accompanying notes are an integral part of the financial statements.  
The consolidated financial statements of the Master Fund should be read in conjunction with these financial statements.

**OrchardWay P2P Credit Fund Ltd.**  
**Statement of Assets and Liabilities (continued)**  
**December 31, 2016**

<u>Share Class</u>	<u>Shares outstanding</u>		<u>Net asset value per share</u>
GBP 2015 04	780	£	1,127.41
GBP 2016 02	70	£	1,062.47
GBP 2016 03	130	£	1,056.09
GBP 2016 04	100	£	1,049.83
GBP 2016 05	557	£	1,043.67
GBP 2016 06	100	£	1,036.54
GBP 2016 07	100	£	1,039.20
GBP 2016 10	500	£	1,008.36
GBP 2016 11	210	£	1,003.71
USD 2015 03	27,933	\$	1,149.98
USD 2016 01	3,143	\$	1,079.87
USD 2016 02	2,600	\$	1,072.76
USD 2016 03	1,073	\$	1,065.62
USD 2016 04	1,900	\$	1,058.45
USD 2016 05	1,755	\$	1,051.76
USD 2016 06	2,950	\$	1,044.24
USD 2016 07	3,220	\$	1,044.24
USD 2016 08	2,860	\$	1,024.80
USD 2016 09	2,150	\$	1,018.69
USD 2016 10	475	\$	1,012.74
USD 2016 11	8,298	\$	1,006.70
USD 2016 12	1,892	\$	1,000.00

The accompanying notes are an integral part of the financial statements.  
The consolidated financial statements of the Master Fund should be read in conjunction with these financial statements.

**OrchardWay P2P Credit Fund Ltd.**  
**Statement of Operations**  
**For the year ended December 31, 2016**

	US\$
<b><i>Investment income allocated from HCG Digital Finance LP</i></b>	
Interest income	\$ 11,847,181
Total investment income	<u>\$ 11,847,181</u>
<b><i>Expenses allocated from HCG Digital Finance LP</i></b>	
Management fees	\$ 1,200,917
Performance fees	489,356
Interest expense	1,186,465
Professional and other expenses	1,131,998
Total expenses	<u>\$ 4,008,736</u>
<b><i>Net investment income allocated from HCG Digital Finance LP</i></b>	<u>\$ 7,838,445</u>
Interest income	\$ 16
Other income	17
Management fees	(201,297)
Organization fees	(131,430)
Performance fees	(86,594)
Professional fees and other expenses	(73,086)
Administration fees	(33,729)
Director fees	(18,746)
Bank fees	(8,396)
Interest expense	(505)
<b><i>Total Fund income (expenses)</i></b>	<u>\$ (553,750)</u>
<b><i>Net investment income</i></b>	\$ 7,284,695
<b><i>Net realized and net change in unrealized appreciation on investments allocated from HCG Digital Finance LP</i></b>	
Net realized loss on investments	\$ (1,172,195)
Net change in unrealized appreciation on investments	65,399
Net realized loss on foreign currency transactions	(1,336,855)
Net change in unrealized depreciation from foreign currency transactions	(380,695)
Net realized loss on derivatives	<u>(203,108)</u>
<b><i>Total realized and net change in unrealized depreciation on investments</i></b>	(3,027,454)
Provision for income taxes allocated from HCG Digital Finance LP	<u>\$ 348,695</u>
<b><i>Net increase in net assets resulting from operations</i></b>	<u><u>\$ 3,908,546</u></u>

The accompanying notes are an integral part of the financial statements.  
The consolidated financial statements of the Master Fund should be read in conjunction with these financial statements.

**OrchardWay P2P Credit Fund Ltd.**  
**Statement of Changes in Net Assets**  
**For the year ended December 31, 2016**

	US\$
<i>Net increase in net assets resulting from operations</i>	
Net investment income	\$ 7,284,695
<i>Net realized and net change in unrealized appreciation on investments allocated from HCG Digital Finance LP</i>	
Net realized loss on investments	\$ (1,172,195)
Net change in unrealized appreciation on investments	65,399
Net realized loss on foreign currency transactions	(1,336,855)
Net change in unrealized depreciation from foreign currency transactions	(380,695)
Net realized loss on derivatives	(203,108)
	<hr/>
<i>Total realized and net change in unrealized appreciation on investments</i>	4,257,241
Provision for income taxes allocated from HCG Digital Finance LP	\$ (348,695)
<i>Net increase in net assets resulting from operations</i>	<hr/> \$ 3,908,546
 <i>Increase in net assets resulting from capital transactions</i>	
Proceeds from issue of shares	\$ 64,437,830
Payments on redemption of shares	(33,231,081)
<i>Net increase in assets resulting from capital transactions</i>	<hr/> 31,206,749
 <i>Total increase in net assets</i>	 \$ 35,115,295
 <i>Net assets at beginning of the year</i>	 <hr/> 55,379,378
 <i>Net assets at the end of the year</i>	 <hr/> \$ 90,494,673 <hr/>

The accompanying notes are an integral part of the financial statements.  
The consolidated financial statements of the Master Fund should be read in conjunction with these financial statements.



**OrchardWay P2P Credit Fund Ltd.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2016**

US\$

*Cash flows from operating activities*

Net increase in net assets resulting from operations \$ 3,908,546

*Adjustments to reconcile net income to net cash used in operating activities:*

Net income allocated from HCG Digital Finance, L.P. (6,382,954)

Contributions to HCG Digital Finance, L.P. (50,089,437)

Withdrawals from HCG Digital Finance, L.P. 11,438,117

Increase in other assets (52,318)

Increase in management fees payable 201,297

Increase in performance fees payable 86,594

Increase in administration fees payable 809

Decrease in accrued expenses (18,051)

*Net cash flows used in operating activities* (44,815,943)

*Cash flows from financing activities*

Proceeds from issue of shares, net of change in subscriptions received in advance 64,265,724

Decrease in subscription in advance to HCG Digital Finance LP 9,700,000

Payments on redemptions of shares, net of change in redemptions payable (32,840,809)

Increase in redemptions receivable from HCG Digital Finance LP (2,600,000)

*Net cash provided by financing activities* 38,524,915

*Net increase in cash* (2,382,482)

*Cash and cash equivalents, beginning of year* 5,958,289

*Cash and cash equivalents, end of year* \$ 3,575,807

The accompanying notes are an integral part of the financial statements.  
The consolidated financial statements of the Master Fund should be read in conjunction with these financial statements.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**1. Organization**

OrchardWay P2P Lending Fund Ltd was formed on February 19, 2015. By special resolution dated July 10, 2015 it changed its name to OrchardWay P2P Credit Fund Ltd (the "Fund"). The Fund is incorporated as an exempt company, with limited liability for all shareholders in accordance with the Cayman Islands' Companies Law (Revised), formed on November 6, 2015 and registered with the Cayman Islands Monetary Authority under section 4(3) of the Mutual Funds Law (2015 Revision) on November 6, 2015. The Fund commenced operations on March 1, 2015 and invests substantially all of its assets in HCG Digital Finance LP a Delaware limited partnership (the "Master Fund") through a "master-feeder" fund structure. The Fund and the Master Fund have the same investment objective, policies and strategies. As of December 31, 2016, the Fund had a 75.48% ownership of the Master Fund.

The Master Fund was formed to generate stable, long term capital growth by investing substantially all of its assets in private investment funds organized by the General Partner, or one of its affiliates and managed by the Investment Adviser or one of its affiliates ("Portfolio Funds"). Each of the Portfolio Funds will be organized as onshore or offshore limited liability companies, limited partnerships or other entities formed by HCG Partners or its affiliates. Each Portfolio Fund will invest primarily in securities or other financial assets ("*Peer-to-Peer Securities*") that are issued by trusts or similar special purpose vehicles ("*Peer-to-Peer Security Issuers*") and are collateralized by, or reference or otherwise track the performance of, one or more portfolios of loans ("*Peer-to-Peer Loans*") originated through peer-to-peer lending platforms sponsored by and serviced by third party companies ("*Peer-to-Peer Platform Sponsors*").

The Fund is a collective investment vehicle formed to allow investors to gain indirect exposure to an investment in the Master Fund. In pursuit of its investment objective, upon notice to the shareholders, the Fund may in the future expand its investment focus; including investing in investment funds other than the Master Fund or making direct investments.

HCG Partners LLC, a Delaware limited liability company, serves as the general partner of the Master Fund (the "General Partner"). HCG Fund Management LP, a Delaware limited Partnership, serves as the investment adviser for the Master Fund (the "Investment Adviser"). Jointly, the General Partner and the Investment Adviser control all of the Master Fund's operations and activities.

Neither the Fund nor the Master Fund is or will be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "*Investment Company Act*"). The Fund is an Alternative Investment Fund ("AIF") as defined in the Alternative Investment Fund Management Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**1. Organization (continued)**

The Fund is managed by its board of directors (the “Board of Directors”). The Board of Directors has ultimate authority over the management and administration of the Fund, but has delegated the day-to-day investment management of the Fund’s assets to Kinetic Partners (Luxembourg) Management Company S.à.r.l. (the AIFM”) or the portfolio manager, Bedrock Asset Management (UK) Ltd. (the “Portfolio Manager”). With effect January 5, 2016, the AIFM has been rebranded from Kinetic Partners (Luxembourg) Management Company S.à.r.l. to Duff & Phelps (Luxembourg) Management Company S.à.r.l.

The Board of Directors, which is responsible for overseeing the business and affairs of the Fund, is elected by the holders of the voting shares. The Board of Directors serves in a non-executive capacity, and has delegated the day-to-day operation of the Fund to service providers including the AIFM, the Portfolio Manager and the administrator to the Fund, SS&C Technologies, Inc. (the “Administrator”).

**2. Significant Accounting Policies**

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“US GAAP”). The financial statements are expressed in US dollars. The Fund is an investment company in accordance with Accounting Standards Codification 946, *Financial Services-Investment Companies* (“ASC 946”), which defines investments companies and prescribes specialized accounting and reporting requirements for investment companies.

**Use of accounting estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, including certain valuation assumptions. Actual results could differ from such estimates.

**Recent accounting pronouncements**

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern* (ASU 2014-15), which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. ASU 2014-15, applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter. The adoption of this guidance did not have a material impact on the financial statements.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**2. Significant Accounting Policies (continued)**

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. In August 2015, the FASB issued ASU 2015-15, *Interest-Imputation of Interest (Subtopic 835-30)*. This ASU provides additional guidance to ASU 2015-03 with respect to line of credit arrangements, where by specify debt issuance cost as part of line-of-credit arrangements may continue to be deferred and presented as an asset on the balance sheet. Recognition and measurement guidance for debt issuance costs are not affected. The Fund adopted the guidance in ASU's 2015-03 and 2015-15 during 2016. The adoption of this guidance did not have an impact on the financial statements.

**Investment transactions and valuation**

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards ASC 825, "Financial Instruments", approximates the carrying amounts presented in the Statement of Assets and Liabilities.

**Investment in Master Fund**

The Fund's investment in the Master Fund is valued at fair value, which is the Fund's proportionate interest in the net assets of the Master Fund. The Fund records its proportionate share of the Master Fund income, expenses, and realized and unrealized gains and losses. Fair value is determined as the Fund's proportionate share of the Master Fund's capital (75.48% as of December 31, 2016).

Valuation of the investments held by the Master Fund including, but not limited to the valuation techniques used and classification within the fair value hierarchy of instruments held by the Master Fund are discussed in the notes to the Master Fund consolidated financial statements which are attached to these financial statements.

**Recognition and allocation of income or loss**

The Fund records subscriptions and redemptions in the Master Fund on the transaction date. The Fund records its monthly proportionate share of the Master Fund's income, expenses and change in realized and unrealized gains and losses. In addition, the Fund accrues its own income and expenses. The Master Fund income and expense recognition and net gain/(loss) allocation policies are disclosed in the notes to the Master Fund consolidated financial statements which are attached to these financial statements.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**2. Significant Accounting Policies (continued)**

**Foreign 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"). The financial statements are presented in the Functional Currency, United States Dollars.

Transactions during the period denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of transactions. For foreign currency transactions and foreign currency investments held at the period end, the resulting gains or losses are included in the net realized gain/(loss) from investments, derivatives and foreign currency in the statement of operations. Foreign currency assets and liabilities held at the period-end were translated at period-end exchange rates.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in the market prices of securities. Such fluctuations are included in the net realized and unrealized gain/loss from investments, derivatives and foreign currency.

**Cash and cash equivalents**

Cash and cash equivalents include amounts due from banks on demand, interest bearing deposits with original maturities of three months or less and non-interest bearing accounts. At December 31, 2016, cash and cash equivalents are held with Squared Financial Services and the Royal Bank of Scotland International. The Fund has concentration of credit risk with these institutions.

**Income Taxes**

The Fund is a Cayman Islands exempted company. Under current laws of the Cayman Islands, there are no income, estate, transfer, sales, or other Cayman Islands taxes payable by the Fund. The Fund seeks to conduct its affairs so that it will not be subject to tax in any jurisdiction. Accordingly, the only taxes paid by the Fund are withholding taxes applicable to certain investment income, if any, allocated specifically. As a result, no tax liability or expense has been recorded in the accompanying financial statements

ASC 740, *Income Taxes* ("ASC 740"), defines how uncertain tax positions should be recognized, measured, presented, and disclosed for financial statement purposes as applied to all open tax years and requires a determination whether such tax positions are more likely than not to be sustained by the applicable tax authority. Open tax years are those that are open for examination by relevant tax authorities.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**2. Significant Accounting Policies (continued)**

**Income Taxes (continued)**

In accordance with ASC 740, management has reviewed the tax positions taken or expected to be taken in the course of preparing the Fund's tax returns and for all open tax years. Based on this analysis, management has concluded that there are no material tax positions for any open tax year which would not meet the more likely than not threshold. Therefore, no provision for income taxes, including any interest or penalties, is recorded in the Fund's financial statements as of December 31, 2016, and no adjustments were made to any prior period.

To the extent the Fund records interest and penalties, such amounts would be included in other expense on the statement of operations. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. Since the Fund commenced operations in 2015, all tax years since inception of the Fund are open to inspection by the tax authorities.

**Subscriptions received in advance**

Subscriptions received in advance to the Master Fund in the Statement of Assets and Liabilities are amounts for subscriptions that have been received but not yet invested at year end.

Subscriptions received in advance represents amount received from shareholders with an effective date after December 31, 2016. As of December 31, 2016, the Fund had subscriptions received in advance of \$4,475,015.

**Redemptions payable**

In accordance with the authoritative guidance on ASC 480 "*Liabilities from Equity*", Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity under US GAAP, financial instruments mandatorily redeemable at the option of the holder are classified as liabilities when a redemption request has been received and the redemption amount has been determined.

Redemption notices must be delivered to the General Partner and the Administrator within at least five business days prior to the last day of any month. The Fund records a redemption payable at the end of the respective month. The redemption is processed based on the net asset value determined as of the redemption date.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**3. Share Capital**

The Fund authorized share capital is \$50,000 divided into 100 Management Shares of a nominal or par value of US\$0.01 each, and 4,999,900 Participating Non-Voting Redeemable Shares (the “Shares”) of a nominal or par value of US\$0.01 each. The holders of Management Shares are entitled to one vote for each share held; are not entitled to any dividends in respect of such shares; in the event of a winding - up or dissolution of the Fund, be entitled, *pari passu* with the holders of Shares, to an amount equal to the par value of such Management Shares but to no other or further amount; and not be subject to redemption or purchase of such Management Shares.

The 4,999,900 Shares may be subdivided into multiple classes of shares. Each class of Shares may be issued in series. The Fund may from time to time offer and issue additional share classes or subclasses with different rights and privileges, which may include, without limitation, economic terms, fee terms, informational rights and/or redemption rights that are more favorable than those of the existing Shares.

Additional classes of Shares and series within a class may be created in the future by the Board of Directors without Shareholder notice or approval, and authorized Shares not in issuance may be designated or re-designated for this purpose.

The Fund currently has offering of USD Class Shares (“USD Class Shares”), Euro Class Shares (“Euro Class Shares), GBP Class Shares (“GBP Class Shares”) and CHF Class Shares (“CHF Class Shares”). The Euro Class Shares, the GBP Class Shares and the CHF Class Shares together (the “Foreign Currency Shares”). USD Class Shares are sold in U.S. dollars, Euro Class Shares are sold in Euros, GBP Class Shares are sold in British pounds sterling and CHF Class Shares are sold in Swiss francs. Except with respect to the currency of offering, the Shares generally have the same rights.

Substantially all of the subscription amounts received by the Fund in Euros, pounds sterling and Swiss francs are converted into U.S. dollars at the relevant exchange rate obtained by the Fund on the relevant date, prior to investment by the Fund.

The Fund may, in the discretion of the AIFM or the Portfolio Manager, seek to hedge the foreign exchange exposure against the U.S. dollar of the Foreign Currency Shares to attempt to reduce or minimize the potential impact of significant currency fluctuations on the net asset value of the Foreign Currency Shares. There is no guarantee that any such currency hedging will be successful, and classes of shares issued in currencies other than the U.S. dollar may be adversely affected by currency fluctuations between the U.S. dollar and the currency in which they are issued, The costs and financial results of any such currency hedging will be solely for the account of the relevant class of shares.

The Management Shares do not participate in the profits or losses of the Fund and are not redeemable. All of the Management Shares have been issued to, and will be held on an ongoing basis by Bedrock (GCI) Ltd., a Cayman Islands exempted company affiliated with the Portfolio Manager.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**3. Share Capital (continued)**

Share capital transactions for the year ended December 31, 2016 were as follows:

<b>Share Class/Series</b>	<b>Beginning shares</b>	<b>Shares transfers/ conversions</b>	<b>Shares issued during the year</b>	<b>Shares redeemed during the year</b>	<b>Shares outstanding at end of year</b>
CHF 2015 03	880.00	4,580.96	-	(96.19)	5,364.77
CHF 2015 04	710.00	(710.00)	-	-	-
CHF 2015 05	70.00	(70.00)	-	-	-
CHF 2015 06	1,075.00	(1,075.00)	-	-	-
CHF 2015 07	250.00	(250.00)	-	-	-
CHF 2015 08	1,775.00	(1,775.00)	-	-	-
CHF 2015 09	650.00	(650.00)	-	-	-
CHF 2015 10	50.00	(50.00)	-	-	-
CHF 2015 11	100.00	(100.00)	-	-	-
CHF 2016 01	-	-	150.00	-	150.00
CHF 2016 05	-	-	530.00	-	530.00
CHF 2016 07	-	-	280.00	-	280.00
CHF 2016 08	-	-	75.00	-	75.00
CHF 2016 10	-	-	500.00	-	500.00
CHF 2016 11	-	-	100.00	-	100.00
CHF 2016 12	-	-	50.00	-	50.00
	<u>5,560.00</u>	<u>(99.04)</u>	<u>1,685.00</u>	<u>(96.19)</u>	<u>7,049.77</u>
EUR 2015 03	840.00	6,738.89	-	(48.05)	7,530.84
EUR 2015 04	3,620.00	(3,620.00)	-	-	-
EUR 2015 05	670.00	-	-	(670.00)	-
EUR 2015 06	300.00	(300.00)	-	-	-
EUR 2015 08	1,085.00	(875.00)	-	(210.00)	-
EUR 2015 09	100.00	(100.00)	-	-	-
EUR 2015 10	50.00	(50.00)	-	-	-
EUR 2015 11	525.00	(525.00)	-	-	-
EUR 2015 12	1,420.00	(1,420.00)	-	-	-
EUR 2016 01	-	-	1,100.00	-	1,100.00
EUR 2016 02	-	-	750.00	(100.00)	650.00
EUR 2016 03	-	-	230.00	-	230.00
EUR 2016 04	-	-	510.00	-	510.00
EUR 2016 07	-	-	180.00	-	180.00
EUR 2016 09	-	-	300.00	-	300.00
EUR 2016 11	-	-	1,620.00	-	1,620.00
EUR 2016 12	-	-	400.00	-	400.00
	<u>8,610.00</u>	<u>(151.11)</u>	<u>5,090.00</u>	<u>(1,028.05)</u>	<u>12,520.84</u>



**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**3. Share Capital (continued)**

<u>Share Class/Series</u>	<u>Beginning shares</u>	<u>Shares transfers/conversions</u>	<u>Shares issued during the year</u>	<u>Shares redeemed during the year</u>	<u>Shares outstanding at end of year</u>
GBP 2015 04	110.00	841.92	-	(171.94)	779.98
GBP 2015 05	250.00	(250.00)	-	-	-
GBP 2015 06	175.00	(175.00)	-	-	-
GBP 2015 07	65.00	(65.00)	-	-	-
GBP 2015 08	115.00	(115.00)	-	-	-
GBP 2015 11	55.00	(55.00)	-	-	-
GBP 2015 12	200.00	(200.00)	-	-	-
GBP 2016 02	-	-	70.00	-	70.00
GBP 2016 03	-	-	130.00	-	130.00
GBP 2016 04	-	-	100.00	-	100.00
GBP 2016 05	-	-	556.60	-	556.60
GBP 2016 06	-	-	100.00	-	100.00
GBP 2016 07	-	-	100.00	-	100.00
GBP 2016 10	-	-	500.00	-	500.00
GBP 2016 11	-	-	210.00	-	210.00
	<u>970.00</u>	<u>(18.08)</u>	<u>1,766.60</u>	<u>(171.94)</u>	<u>2,546.58</u>
USD 2015 03	2,755.00	33,591.86	-	(8,413.80)	27,933.06
USD 2015 04	3,910.00	(3,910.00)	-	-	-
USD 2015 05	3,413.00	(3,413.00)	-	-	-
USD 2015 06	2,470.00	(2,470.00)	-	-	-
USD 2015 07	1,675.00	(1,675.00)	-	-	-
USD 2015 08	2,712.00	(2,712.00)	-	-	-
USD 2015 09	2,880.00	(2,880.00)	-	-	-
USD 2015 10	4,405.00	(4,405.00)	-	-	-
USD 2015 11	4,420.00	(4,420.00)	-	-	-
USD 2015 12	9,000.00	(9,000.00)	-	-	-
USD 2016 01	-	-	3,493.00	(350.00)	3,143.00
USD 2016 02	-	-	3,100.00	(500.00)	2,600.00
USD 2016 03	-	-	1,073.00	-	1,073.00
USD 2016 04	-	-	2,000.00	(100.00)	1,900.00
USD 2016 05	-	-	1,905.00	(150.00)	1,755.00
USD 2016 06	-	-	2,950.00	-	2,950.00
USD 2016 07	-	-	3,220.00	-	3,220.00
USD 2016 08	-	-	2,910.00	(50.00)	2,860.00
USD 2016 09	-	-	2,150.00	-	2,150.00
USD 2016 10	-	-	475.00	-	475.00
USD 2016 11	-	-	8,298.00	-	8,298.00
USD 2016 12	-	-	1,891.74	-	1,891.74
	<u>37,640.00</u>	<u>(1,293.14)</u>	<u>33,465.74</u>	<u>(9,563.80)</u>	<u>60,248.80</u>

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**3. Share Capital (continued)**

Through exposure to the Master Fund, the Fund attempts to invest Shareholder capital contributions in consumer, real estate, and small business loans (“P2P loans”) during the month in which the capital contribution is received by the Fund. As there is a general four to five week time delay between when a P2P loan, is purchased and when a the loan is issued and begins accruing interest, no profit and loss is allocated to a Shareholder with respect to the new capital contribution until the first business day of the month following the month in which the new capital contribution is invested in the P2P loans. Subscriptions for Shares in the Fund will be on the same terms and conditions as subscriptions and contributions of capital to the Master Fund except that the minimum initial investment in the Fund is U.S. \$100,000 (or the applicable foreign currency equivalent for the Foreign Currency Shares) and subject to waiver at the discretion of the Directors.

**4. Investment Management and Performance Fees**

As an investor in the Master Fund, the Fund will be subject to a management fee at an annual rate of 2%. The management fee is calculated at the level of the Master Fund and generally paid at that level. For the ended December 31, 2016, the Master Fund allocated \$1,200,917 in management fees to the Fund.

As an investor in the Master Fund, the Fund will also be subject to a performance fee equal to 20% per annum. The performance fee is calculated at the level of the Master Fund and generally paid at that level. For the year ended December 31, 2016, the Master Fund allocated \$489,356 in performance fees to the Fund.

Under certain circumstances, the Portfolio Manager and the Investment Adviser may enter into fee sharing arrangements, as a result of which the Investment Adviser may waive a portion of the management and/or the performance fee payable by the Fund to the Master Fund and instead agree that the Fund pay the equivalent of the waived portion to the Portfolio Manager. Any such fee sharing arrangement will not result in any change to the overall amount of fees being paid by each Shareholder.

Pursuant to a letter agreement dated December 12, 2014 between the Portfolio Manager, for itself and on behalf of certain affiliated funds and/or accounts to be designated by the Portfolio Manager and the General Partner, they have agreed on certain terms related to the potential investments to be sourced by the Portfolio Manager in certain private investment funds managed by the General Partner and certain affiliates of the General Partner.

Each investment made by an investor in the feeder (other than the initial investment) will receive a 25% reduction in the base and incentive management fees normally charged to investors in the Master Fund. Under this agreement, for the year ended December 31, 2016, the Fund incurred management fees of \$201,297 and performance fees of \$86,594, all of which remained payable at December 31, 2016.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**5. Service Provider Agreement**

The Directors have appointed SS&C Technologies, Inc. (the "Administrator") as the administrator of the Fund and of the Master Fund. The Administrator provides accounting, clerical and administrative services to the Fund and to the Master Fund.

For the year ended December 31, 2016 the Master Fund allocated administration fees to the Fund and the Fund incurred directly administrative fees of \$33,729 of which \$3,169 remained payable at December 31, 2016.

Dawn Cummings was appointed as independent director on September 22, 2015. Jason Fitzgerald was appointed as an independent director on February 19, 2015. During the year ended December 31, 2016 the independent directors were paid fees totaling US\$18,746.

**6. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk**

In the normal course of its business, the Fund enters into various financial transactions. The execution of these transactions may result in off-balance sheet risk or concentration of credit and price risk. The Fund records investment transactions on a trade-date basis and, therefore, is exposed to credit risk in the event that the Fund's counterparties are unable to fulfill contractual agreements on the date of settlement.

The Fund maintains cash in bank accounts that, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts and expects the risk of loss, if any, to be remote.

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The instruments held by the Fund's underlying investments are subject to credit risk.

The Fund also bears the risk of financial failure by any lending platform utilized by the Master Fund, or a Portfolio Fund into which the Master Fund invests.

**7. Indemnifications**

In the normal course of business, the Fund and the Master Fund have entered into contracts, which provide a variety of general indemnifications. Such contracts include but not limited to the Fund's Administrator and Investment Adviser. Any exposure to the Fund and the Master Fund under these arrangements would include future claims that may be made against the Fund and the Master Fund. No such claims have occurred, nor are they expected to occur. Therefore the Fund and the Master Fund have not accrued any liability in connection with such indemnifications.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**8. Financial Highlights**

The financial highlights disclosed below are for the year ended December 31, 2016 are as follows:

<b>Per Share Operating Performance</b>	<b>Share Class CHF</b>	<b>Share Class EUR</b>	<b>Share Class GBP</b>	<b>Share Class USD</b>
<u>Per share operating performance</u>				
Net asset value per share	CHF 1,040.97	€ 1,049.68	£ 1,046.85	\$ 1,058.27
<u>Net increase in net assets resulting from operations</u>				
Net investment gain	87.43	96.38	119.26	92.17
Net realized and unrealized gain (loss) on investments	(22.93)	(25.04)	(38.70)	(0.46)
Net increase in net assets resulting from operations	<u>64.50</u>	<u>71.34</u>	<u>80.56</u>	<u>91.71</u>
Net asset value at end of period	CHF <u>1,105.47</u>	€ <u>1,121.02</u>	£ <u>1,127.41</u>	\$ <u>1,149.98</u>
<u>Total Return</u>				
Total return before performance fee	6.32 %	6.93 %	7.87 %	8.80 %
Performance fee	(0.12)	(0.13)	(0.17)	(0.13)
Total return after performance fee	<u>6.20 %</u>	<u>6.80 %</u>	<u>7.70 %</u>	<u>8.67 %</u>
<u>Ratio to Average Shareholders' Capital</u>				
Expenses before performance fee	0.65 %	0.71 %	0.88 %	0.65 %
Performance fee	0.12	0.13	0.16	0.12
Total expense and performance fee	<u>0.77 %</u>	<u>0.84 %</u>	<u>1.04 %</u>	<u>0.77 %</u>
Net investment income	<u>8.22 %</u>	<u>8.96 %</u>	<u>11.07 %</u>	<u>8.44 %</u>

The financial highlights are calculated for the lead share class taken as a whole. An individual shareholder's financial highlights may vary from the above based on the timing of capital transactions and individual management fee arrangements.

Total return percentages and ratios to average net assets have not been annualized.

**9. Related Party Transactions**

A director of the Master Fund, Jose Penabad, is also an employee and officer of the Investment Adviser.

During the financial period, each investment made by an investor of the Portfolio Manager in the Master Fund or a feeder (other than the initial investment) received a reduction in the base and incentive management fees normally charged to investors in the Master Fund, as detailed in Note 4.

**OrchardWay P2P Credit Fund Ltd.**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**10. Subsequent Events**

In accordance with provisions set forth in ASC 855, *Subsequent Events*, the Investment Adviser has evaluated the possibility of subsequent events existing in the Fund's financial statements through June 30, 2017, the date the financial statements were available to be issued and has determined that, other than those events described below, there are no material events or transactions that would affect the Fund's financial statements or require disclosure in the Fund's financial statements through this date.

**OrchardWay P2P Credit Fund Ltd.  
Supplementary Disclosure - Unaudited  
For the year ended December 31, 2016**

**Duff & Phelps (Luxembourg) Management Company S.à.r.l. (the AIFM”)**

**Portfolio Manager Fees**

Subject to a minimum agreed annual fee, the AIFM will receive an annual fee from the Fund, calculated on a monthly basis as a percentage of the net asset value of the Fund at the end of the month in question at the following rates (such fee to accrue monthly and be payable monthly in arrears in Euro):

First €100 million:	6 basis points
€100 million to €200 million	4 basis points
Above €200 million	2 basis points

For the year ended as at 31<sup>st</sup> December 2016, the total of the remunerations paid by the AIFM to its staff was the following:

- Fixed remuneration : EUR 697,069.44
- Variable remuneration : EUR 15,911.00

Eleven employees benefited from the remuneration. Each of these beneficiaries was fully or partly involved in the activity of the Fund. Their remuneration was broken down as follows:

- Top managers : EUR 494,875.86
- Staff members : EUR 218,104.58

No carried interest was paid by the Fund to the AIFM.

The portion of the total remuneration of the AIFM which was attributable to the Fund amounted to EUR 48.669,22. Although there is no Remuneration Committee at the AIFM level given the nature, scope, complexity of activities and size of AIFs managed, in accordance with the proportionality principle, the AIFM is itself part of a Group which has a Remuneration Committee in place whose one of the members acts as a Board member of the AIFM. None of the members of the Remuneration Committee are involved in portfolio management or risk management functions.

Further information on the remuneration policy the AIFM has implemented can be obtained free of charge upon request to the AIFM.

**HCG DIGITAL FINANCE LP  
(A DELAWARE LIMITED PARTNERSHIP)  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

# HCG Digital Finance LP

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# HCG Digital Finance LP

## General Information

### **General Partner**

HCG Partners LLC  
133 Fayetteville Street, Suite 300  
Raleigh NC 27601

### **Investment Adviser**

HCG Fund Management LP  
133 Fayetteville Street, Suite 300  
Raleigh NC 27601

### **Legal Counsel**

Schulte Roth & Zabel LLP  
919 Third Avenue  
New York, NY 10022

### **Special Tax Counsel**

Fenwick & West LLP  
801 California St.  
Mountain View, CA 94041

### **Independent Auditor**

Deloitte & Touche LLP  
555 Mission Street  
San Francisco, CA 94105

### **Fund Administrator**

SS&C Technologies, Inc.  
80 Lambertson Road  
Windsor, CT 06095

### **Bank**

Wells Fargo Bank N.A.  
400 Hamilton Ave, Suite 210  
Palo Alto, CA 94301

### **Custodian**

Millennium Trust Company  
2001 Spring Road, Suite 700  
Oak Brook, IL 60523

### **Custodian**

U.S. Bank National Association  
269 Technology Way, Building B, Suite 3  
Rocklin, CA 95765

## **INDEPENDENT AUDITORS' REPORT**

The General Partner  
HCG Digital Finance LP

We have audited the accompanying consolidated financial statements of HCG Digital Finance LP (the "Partnership") and subsidiaries, which comprise the consolidated statement of assets and liabilities including the condensed schedule of investments, as at December 31, 2016, and the related consolidated statement of operations, changes in partners' capital and cash flows for the year then ended, and 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.

### **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 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 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 Partnership'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 Partnership'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 HCG Digital Finance LP and subsidiaries as of December 31, 2016, and the consolidated 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.

*Deloitte & Touche LLP*

April 27, 2017

**HCG Digital Finance LP**  
**Consolidated Statement of Assets and Liabilities**  
**December 31, 2016**

	<b>US\$</b>
<b>Assets</b>	
Investments, at fair value (cost: \$166,412,838) (Note 3)	\$ 167,708,533
Cash and cash equivalents	1,531,726
Advance subscription in Portfolio Funds	4,173,000
Deposit with lending company for investment acquisition (Note 7)	60,850
Due from lending company (Note 6)	498,596
Restricted cash (Note 9)	267,701
Interest receivable	1,179,951
Due from portfolio fund investment	3,786,195
Other assets	<u>860,894</u>
<b>Total assets</b>	<u>180,067,446</u>
<b>Liabilities</b>	
Line of credit (Note 8)	\$ 46,368,453
Advance capital contributions	13,298,982
Withdrawals payable	2,600,000
Interest payable	156,535
Accrued tax liability	445,384
Accrued expenses	74,084
Management fees payable	360,877
Performance fees payable	<u>505,192</u>
<b>Total liabilities</b>	<u>63,809,507</u>
<b>Net assets</b>	<u>\$ 116,257,939</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**HCG Digital Finance LP**  
**Consolidated Condensed Schedule of Investments**  
**December 31, 2016**

<u>Long Investments at Fair Value</u>	<u>Initial Investment Date</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Partners' Capital</u>
		US\$	US\$	
<b>Loans</b>				
<b>United States</b>				
Small-medium enterprise (SME) loans				
Small-medium enterprise (SME) loans - factoring				
Factoring		\$ 4,210,302	\$ 4,210,302	3.62 %
<b>Total small-medium enterprise (SME) loans - factoring</b>		<b>\$ 4,210,302</b>	<b>\$ 4,210,302</b>	<b>3.62</b>
Small-medium enterprise (SME) loans - term				
Grade A - mature 11/3/17 - 6/28/18, 10.00% - 11.06%*		\$ 3,250,669	\$ 3,136,284	2.70 %
Grade B - mature 10/28/17 - 6/28/18, 11.70% - 12.05%*		2,296,439	2,209,918	1.90
Grade C - mature 11/1/17 - 6/28/18, 12.48% - 13.51%*		1,348,602	1,281,818	1.10
Grade D - mature 10/28/17 - 6/28/18, 13.47% - 14.53%*		4,427,430	4,250,980	3.66
Grade E - mature 10/28/17 - 6/28/18, 15.00% - 16.60%*		10,248,018	9,887,381	8.50
Small-medium enterprise (SME) loans		\$ 21,571,158	\$ 20,766,381	17.86 %
<b>Total small-medium enterprise (SME) loans</b>		<b>\$ 25,781,460</b>	<b>\$ 24,976,683</b>	<b>21.48</b> %
Real estate loans				
Tier 1 - mature 10/30/16 - 12/1/17, 7.50% - 12.00%**		\$ 4,328,433	\$ 4,328,433	3.72 %
Tier 2 - mature 8/27/16 - 12/1/17, 7.50% - 14.00%**		3,983,600	3,983,600	3.43
Tier 3 - mature 7/10/16 - 1/1/18, 7.50% - 12.00%**		5,595,081	5,595,081	4.81
Tier 4 - mature 4/13/16 - 12/1/17, 9.50% - 16.75%**		3,635,699	3,635,699	3.13
Tier 5 - mature 5/13/16 - 12/24/16, 10.25% - 18.25%**		396,600	396,600	0.34
Distressed		1,210,646	1,323,196	1.14
<b>Total real estate loans</b>		<b>\$ 19,150,059</b>	<b>\$ 19,262,609</b>	<b>16.57</b> %
Consumer loans				
Standard consumer loans				
Grade A - mature 5/17/19 - 6/5/21, 5.32% - 7.89%		\$ 2,757,105	\$ 2,738,045	2.36 %
Grade B - mature 9/17/18 - 12/28/21, 8.18% - 11.53%		32,916,530	32,664,100	28.10
Grade C - mature 9/22/18 - 12/27/21, 11.99% - 15.99%		27,889,504	27,686,548	23.81
Grade D - mature 5/8/19 - 5/31/21, 15.41% - 21.49%		3,969,561	3,921,266	3.37
Grade E - mature 5/17/19 - 5/31/21, 20.99% - 24.99%		318,567	335,209	0.29
Grade F - mature 5/17/19 - 6/7/21, 25.11% - 27.34%		487,774	465,910	0.40
Grade G - mature 5/17/21 - 6/7/21, 28.18% - 29.96%		108,784	102,976	0.09
<b>Total standard consumer loans</b>		<b>\$ 68,447,825</b>	<b>\$ 67,914,054</b>	<b>58.42</b> %
Custom consumer loans				
Grade Near Prime - mature 7/20/18 - 12/22/21, 18.20% - 31.8		\$ 14,433,833	\$ 14,584,308	12.54 %
Grade Low FICO - mature 8/2/18 - 12/29/19, 24.99% - 31.89%		7,785,754	7,806,574	6.71
<b>Total custom consumer loans</b>		<b>\$ 22,219,587</b>	<b>\$ 22,390,882</b>	<b>19.26</b> %
<b>Total consumer loans</b>		<b>\$ 90,667,412</b>	<b>\$ 90,304,936</b>	<b>77.68</b> %
<b>Total United States</b>		<b>\$ 135,598,931</b>	<b>\$ 134,544,228</b>	<b>115.73</b> %
<b>Total Loans</b>		<b>\$ 135,598,931</b>	<b>\$ 134,544,228</b>	<b>115.73</b> %
<b>Real Property Owned at Fair Value</b>				
<b>United States</b>				
Real Property		\$ 787,538	\$ 781,111	0.67 %
<b>Total United States</b>		<b>\$ 787,538</b>	<b>\$ 781,111</b>	<b>0.67</b> %
<b>Total Real Property Owned at Fair Value</b>		<b>\$ 787,538</b>	<b>\$ 781,111</b>	<b>0.67</b> %
<b>Portfolio Fund Investments Owned at Fair Value</b>				
<b>United States</b>				
HCG Consumer Credit I, LP	April 1, 2015	\$ 30,026,369	\$ 32,383,194	27.85 %
<b>Total United States</b>		<b>\$ 30,026,369</b>	<b>\$ 32,383,194</b>	<b>27.85</b> %
<b>Total Portfolio Fund Investments owned at Fair Value</b>		<b>\$ 30,026,369</b>	<b>\$ 32,383,194</b>	<b>27.85</b> %
<b>Total Long Investments at Fair Value</b>		<b>\$ 166,412,838</b>	<b>\$ 167,708,533</b>	<b>144.26</b> %

\* Interest rates are fees as a percentage of original loan amount

\*\*All interest rates are gross of LendingHome service fees.

*The accompanying notes are an integral part of these consolidated financial statements*

**HCG Digital Finance LP**  
**Consolidated Statement of Operations**  
**For the fiscal year ending December 31, 2016**

	<b>US\$</b>
<b>Investment income</b>	
Interest income	\$ <u>16,084,385</u>
<b>Investment expenses</b>	
Interest expense	\$ 1,613,447
Professional and other expenses	1,537,604
Management Fee	1,241,954
Performance Fee	<u>505,192</u>
<b>Total investment expenses</b>	<b>\$ <u>4,898,197</u></b>
<b>Investment income - net</b>	<b>\$ <u>11,186,188</u></b>
<b>Net realized gain/(loss) and change in unrealized appreciation on investments</b>	
Net realized gain/(loss) on investments	\$ (1,594,042)
Net change in unrealized appreciation on investments	<u>88,935</u>
<b>Net realized gain/(loss) and change in unrealized appreciation on investments</b>	<b>(1,505,107)</b>
Provision for Income Taxes	<u>\$ 474,182</u>
<b>Net increase in partners' capital from operations</b>	<b>\$ <u>9,206,899</u></b>

*The accompanying notes are an integral part of these consolidated financial statements*

**HCG Digital Finance LP**  
**Consolidated Statement of Changes in Partners' Capital**  
**For the fiscal year ending December 31, 2016**

	<b>Note</b>	<b>General Partner</b>	<b>Limited Partners</b>	<b>Total</b>
		US\$	US\$	US\$
<b>Partners' capital, beginning of the period</b>		\$ -	\$ 63,628,342	\$ 63,628,342
Contributions	4	-	59,218,860	59,218,860
Withdrawals	4	-	(15,796,162)	(15,796,162)
Allocation of net increase in partners' capital from operations		<u>-</u>	<u>9,206,899</u>	<u>9,206,899</u>
Partners' capital at end of the period		<u>\$ -</u>	<u>\$ 116,257,939</u>	<u>\$ 116,257,939</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**HCG Digital Finance LP**  
**Consolidated Statement of Cash Flows**  
**For the fiscal year ending December 31, 2016**

	<b>US\$</b>
<b>Cash flows from operating activities:</b>	
Net increase in partners' capital from operations	\$ 9,206,899
<b>Adjustments to reconcile net increase in partner's capital from operations</b>	
Purchases of investments in securities	\$(199,263,712)
Principal collected on investments in securities	76,170,588
Proceeds from disposition of investments in securities	29,387,260
Net realized loss on investments in securities	1,594,042
Net change in unrealized appreciation on investments in securities	(88,935)
Increase in subscription in advance	(958,303)
Decrease in deposit with lending company for investment acquisition	2,497,825
Decrease in due from lending company	3,291,065
Decrease in restricted cash	601,334
Increase in interest receivable	(703,186)
Decrease in receivable from real estate loan	57,500
Increase in due from portfolio fund investments	(1,094,195)
Decrease in other assets	3,141
Increase in interest payable	125,503
Decrease in accrued expenses	(11,717)
Increase in accrued tax liability	272,572
Decrease in other liabilities	(49,764)
Increase in management fees payable	167,486
Increase in performance fees payable	399,923
<b>Net cash used in operating activities</b>	<u>(78,394,674)</u>
<b>Cash flows from financing activities:</b>	
Cash received from borrowings on line of credit	\$ 86,006,345
Cash paid on line of credit	(54,568,671)
Increase in advance capital contributions	1,949,064
Increase in withdrawals payable to limited partners	1,600,000
Capital contributions	58,686,137
Capital withdrawals	(15,796,162)
<b>Net cash provided by financing activities</b>	<u>77,876,713</u>
<b>Net decrease in cash and cash equivalents</b>	(517,961)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,049,687</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,531,726</u>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid for interest	\$ 1,487,944
Cash paid for income taxes	<u>201,610</u>
<b>Supplemental disclosure of non-cash financing activities:</b>	
Non-cash capital contribution	<u>\$ 532,723</u>

*The accompanying notes are an integral part of these consolidated financial statements*



HCG Digital Finance LP  
Notes to Consolidated Financial Statements  
December 31, 2016

## 1. Organization

HCG Digital Finance LP (the “Partnership”) is a Delaware limited partnership, formed on November 13, 2014. The Partnership commenced operations on February 27, 2015. HCG Partners LLC (“HCG Partners”), a Delaware limited liability company, serves as the general partner of the Partnership (the “General Partner”). HCG Fund Management LP, a Delaware limited partnership, serves as the Investment Adviser for the Partnership (the “Investment Adviser” or “HCG Fund Management”). Pursuant to the Investment Advisory Agreement, the Investment Adviser will be responsible for making all investment decisions with respect to the Partnership’s assets.

HCG Funds Ltd. is an offshore feeder fund (the “*Offshore Feeder*”) that invests in Limited Partnership Interests. As of December 31, 2016, The Offshore Feeder had a 22.09% ownership in the Partnership. OrchardWay P2P Credit Fund Ltd. (“OrchardWay”) is an offshore fund that invests in Limited Partnership Interests. As of December 31, 2016, OrchardWay had a 75.48% ownership in the Partnership.

SS&C Technologies Inc. (the “Administrator”) is the administrator for the Partnership.

The Partnership’s investment objective is to generate stable, long term capital growth by investing substantially all of its assets in private investment funds organized by the General Partner or one of its affiliates and managed by the Investment Adviser or one of its affiliates (“*Portfolio Funds*”). Each Portfolio Fund invests primarily in securities or other financial assets (“*Digital Loan Securities*”) that are issued by trusts or similar special purpose vehicles (“*Digital Loan Security Issuers*”) and are collateralized by, or reference or otherwise track the performance of, one or more portfolios of loans (“*Digital Loans*”) originated through internet-based marketplace lending platforms and other internet-based lending platforms (“*Digital Lending Platforms*”) sponsored by and serviced by third party companies (“*Digital Lending Platform Sponsors*”).

The Portfolio Funds are:

HCG Consumer Credit I, LP (“CCI”) is a Delaware limited partnership formed on November 13, 2012. The Partnership commenced operations on March 1, 2013. Habsho, LLC (the “General Partner”) is registered as a Delaware limited liability company. HCG Fund Management was hired as the investment adviser to the General Partner. The General Partner shall invest the assets of CCI solely in one or more Master Global Trust Certificates (“Certificates”) issued by LC Trust I (“Trust”), an independent Delaware trust sponsored by LendingClub Corporation (“LendingClub”). LendingClub is a publicly traded company (NYSE: LC) that sponsors and services a Digital Lending Platform through which WebBank, an FDIC insured, state-chartered industrial bank headquartered in Salt Lake City, Utah, originates online consumer loans. The Trust acquires loans from LendingClub and holds them for the sole benefit of investors (such as the Partnership) that have purchased Certificates issued by the Trust and that are related to specific underlying fractional loans held for the benefit of the investor.

**1. Organization (cont.)**

HCG Real Estate LLC (“RE LLC”) is a Delaware limited liability company formed on January 26, 2015. RE LLC commenced operations on February 26, 2015. RE LLC was formed for the purpose of investing in secured real estate loans originated through the online lending platform established by LendingHome Corporation (“LendingHome”). RE LLC holds a 100% beneficial interest in HCG Real Estate Trust I (“RE Trust”). RE LLC invests in real estate loans through RE Trust which are serviced by LendingHome. Portfolio Fund II also owns membership interests issued by HCG Realty Investors LLC (“Realty Investors”), formerly known as HCG REO, LLC (“*HCG RI Interests*”), which is a Delaware limited liability company classified as a corporation for U.S. federal income tax purposes that will hold all real properties received in any foreclosure action with respect to any of the LendingHome Loans. HCG Digital Finance LP is the sole member and manager of RE LLC. Interests in RE LLC are not available to other investors.

HCG Consumer Credit II LLC (“CCII”) is a Delaware limited liability company formed on March 13, 2015. CCII commenced operations on July 13, 2015. CCII was formed for the purpose of investing in unsecured whole consumer loans originated through the online peer-to-peer lending platform established by LendingClub Corporation. CCII holds a 100% beneficial interest in HCG Consumer Credit II Trust (“CCII Trust”) and is the sole member of Promeleti, LLC (“Promeleti”), a Delaware limited liability company. CCII, through CCII Trust and Promeleti, invests in standard and custom whole unsecured consumer loans programs serviced by LendingClub. LendingClub’s current guidelines specify that its custom loans are unsecured consumer loans made to consumers with FICO ranges of 620-660 (known as near prime and low FICO) and are only available for purchase by institutional investors. HCG Digital Finance LP is the sole member and manager of CCII. Interests in CCII are not available to other investors.

HCG Business Credit I LLC (“BCI”) (formerly SME I LLC) is a Delaware limited liability company formed on August 28, 2015. BC I commenced operations on September 23, 2015, and underwent a name change from SME I LLC to Business Credit I LLC on October 3, 2016. BCI was formed for the purpose of investing indirectly in secured accounts receivable financing (“P2Bi Loans”) facilitated by the online lending platform established by P2BInvestor, Inc. (“P2Bi”). Borrowers of P2Bi Loans are typically small companies that use the loan proceeds to fund working capital needs. P2Bi Loans typically range from 70-85% of invoice face value and have terms of up to 12 months, with underlying invoices backing the P2Bi Loans that repay in 60 to 90 days. HCG Digital Finance LP is the sole member and manager of BC I. Interests in BC I are not available to other investors.

## 1. Organization (cont.)

HCG Business Credit II LLC (“BCII”) is a Delaware limited liability company formed on March 9, 2016. BCII commenced operations on May 1, 2016. BCII was formed for the purpose of investing indirectly in unsecured small business loans (“*Square Loans*”) originated by a bank through the Digital Lending Platform established by Square, Inc. (“*Square*”). Borrowers of Square Loans are typically small companies that process their credit card receivables through Square and are pre-screened to receive a loan offer based on their revenue activity as monitored daily by Square. Square Loans typically have an average principal amount of \$7,000 and are repaid daily from the merchant’s daily credit card receivables. Typical term of a Square Loan is nine months. Square is a publicly traded company (NYSE: SQ) that processes credit card payments for merchants and services Square Loans. BCII indirectly invests in Square Loans by holding 100% of the owner trust certificate issued by HCG SME II Trust (“SME II Trust”). Payments on HCG SME II Trust Certificates are dependent on the performance of pools of Square Loans sold by Square to the trust. HCG Digital Finance LP is the sole member and manager of BCII. Interests in BCII are not available to other investors.

## 2. Significant Accounting Policies

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“US GAAP”). The consolidated financial statements are expressed in US dollars. The Partnership is an investment company in accordance with Accounting Standards Codification 946, *Financial Services-Investment Companies* (“ASC 946”), which defines investment companies and prescribes specialized accounting and reporting requirements for investment companies.

### Basis of Consolidation

The consolidated financial statements comprise of the reports of the Partnership. BCI, BCII, SME II Trust, RE LLC, RE Trust, Realty Investors LLC, CCII, CCII Trust, and Promeleti for the year ended December 31, 2016 using consistent accounting policies. All balances, transactions, income and expenses and profit and losses resulting from transactions between the Partnership. BCI, BCII, SME II Trust, RE LLC, RE Trust, Realty Investors LLC, CCII, CCII Trust, and Promeleti have been eliminated in full on consolidation.

### Recent accounting pronouncements

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-15, Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern (ASU 2014-15), which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the consolidated financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. ASU 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter. The adoption of this guidance did not have a material impact on the financial statements.

## 2. Significant Accounting Policies (continued)

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. In August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest (Subtopic 835-30). This ASU provides additional guidance to ASU 2015-03 with respect to line of credit arrangements, where by specify debt issuance cost as part of line-of-credit arrangements may continue to be deferred and presented as an asset on the balance sheet. Recognition and measurement guidance for debt issuance costs are not affected. The Partnership adopted the guidance in ASU's 2015-03 and 2015-15 during 2016. The adoption of this guidance did not have an impact on the financial statements.

### Cash and cash equivalents

Cash and cash equivalents include amounts due from banks on demand, interest bearing deposits with original maturities of three months or less and non-interest bearing accounts. As of December 31, 2016 the Partnership held no cash equivalents.

### Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent; however actual results could differ from those estimates and such differences could be material.

### Fair Value - Definition and Hierarchy

In determining fair value, the Partnership uses various valuation approaches. 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. ASC 820, *Fair Value Measurements* ("ASC 820") establishes a fair value hierarchy for inputs 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 be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Partnership. Unobservable inputs reflect the Partnership's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Inputs to the valuation methodology are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2* - Inputs to the valuation methodology are based on quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly.

## 2. Significant Accounting Policies (continued)

*Level 3* - Inputs to the valuation methodology are based on inputs that are unobservable and deemed significant to the overall fair value measurement. This includes situations where there is little, if any, market activity for the asset or liability. Level 3 inputs are used to value investments in loans in the absence of significant observable inputs and reflect management's own assumptions about how market participants would price investments in loans.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, 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. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. 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 securities existed. Accordingly, the degree of judgment exercised by the General Partner in determining fair value is greatest for securities 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, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

The Partnership has hired a third party, valuation expert ("valuation expert") to value the investments. The Partnership performs a review of the third party's valuation analysis. The valuation expert values investment in all loans using a discounted cash flow technique. The discounted cash flow technique consists of developing an estimate of future cash flows that are expected to occur over the remaining life of the loans, then discounting those cash flows at a rate of return that results in a fair value amount. Significant unobservable inputs, presented below, are considered significant to the estimated fair value of the Level 3 assets. The valuation expert considers unobservable inputs to be significant, if by their exclusion, the estimated fair value of the Level 3 asset would be impacted by a significant percentage change, or based on qualitative factors such as the nature of the loans and the significance of the unobservable inputs relative to other inputs used with the valuation. A description of the significant unobservable inputs follows.

**Discount Rate** – Discount rate is a rate of return used to discount future expected cash flows to arrive at a present value, the fair value, of an instrument. The discount rate for expected cash flows of the loans estimates the rate of return that investors in the loans would require when investing in loans similar to those which are held by the Partnership. The discount rate is adjusted to reflect the amount of compensation market participants require due to the uncertainty inherent in the pool of loan's cash flows resulting from risks such as credit, prepayment, and liquidity.

**Impairment to Collateral Value** – If there has been a clear impairment to value of the assets collateralizing the loan, the General Partner will make a reasonable assessment of the value of the impairment. Information that the General Partner uses may include recent transactions, appraisals, current discounted cash flow analysis, appropriate "cap" rates, etc. Greater weight will be given to information that best represents the price at which the loan would be sold between an independent, willing buyer and seller.

## **2. Significant Accounting Policies (continued)**

**Gross Credit Loss Rates** – Gross credit loss rates reflect historical unsecured credit loss data from LendingClub, LendingHome, and Square and assumptions regarding the loss profile of different letter grades of loans (e.g., B, C, D, E or F) in varying macroeconomic scenarios.

The valuation expert develops its expectation of future cash flows using gross credit loss assumptions, prepayment speeds, and recovery rates.

The loan grade classifications included in the consolidated condensed schedule of investments represent the management's belief as to the most meaningful presentation of the Fund's loans based on borrower's credit worthiness.

Investment in the HCG Consumer Credit I LP is valued at fair value based upon the Partnership's ownership percentage of the CCI's members' net asset value (NAV). The performance of the Partnership is directly affected by the performance of CCI, which has investment objectives similar to the Partnership.

### **Valuation Process**

The Partnership establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level 3 of the fair value hierarchy are fair, consistent, and verifiable by the Investment Adviser. Investment valuations are required to be supported by market data, third-party pricing sources, industry-accepted pricing models, counterparty prices, or other methods the Investment Adviser deems to be appropriate, including the use of internal proprietary pricing models. These models may include the estimation of expected future cash flows and assessment of recent transactions for similar assets. They also include examination of market conditions, liquidity, current operating results, restructuring events and other pertinent information.

### **Investment Transactions and Related Investment Income**

Investments in loans, are accounted for on a trade-date basis. The Partnership records an unrealized loss on a loan when it believes that it has decreased in value, including when a collection of a portion of the principal is doubtful. Conversely, where appropriate, the Partnership records an unrealized gain if it believes that the loan has appreciated in value. Realized losses are recorded when loans are written off as worthless, using the specific identification method.

### **Interest**

Interest is recorded on an accrual basis.

The Partnership records its own income and expenses on an accrual basis.

## **2. Significant Accounting Policies (continued)**

The fair market value of any investment in CCI will generally be the value of such interest as most recently reported to the Partnership and/or the Administrator by the management and/or administrator of CCI. There is no established market for secondary CCI interests or for the privately held portfolio investments of CCI sponsors and there may not be any comparable companies for which public market valuations exist. In addition, under limited circumstances, the Partnership may not have access to all material information relevant to a valuation analysis. As a result, the valuation of investments in which the Partnership may invest may be based on imperfect information and is subject to inherent uncertainties.

Investments in CCI are recorded on trade date, which is defined as the date the Partnership obtains an enforceable right to demand the securities or payment thereof. Distributions from CCI are recorded as declared and classified as either realized gain or return of capital as disclosed to the Partnership by the management of the Portfolio Fund investment. Realized gains and losses are computed by use using the average-cost method. The resulting gains and losses are reflected in the Statement of Operations.

### **Income Taxes**

The Partnership elects to be treated as a pass-through entity for all relevant jurisdictions and therefore files informational income tax returns which attribute taxable income and taxes paid, if any, to the partners. The consolidated financial statements include a provision for income taxes as Promeleti and Realty Investors have elected to be taxed as corporations for U.S. tax purposes. Promeleti and Realty Investors file federal and several state tax returns based on the income nexus in the states where income is considered to be sourced.

Provision for income taxes is based on taxes payable or refundable for the current year. Certain assets and liabilities are reported differently for income tax purposes than they are for financial statement purposes. When material, the tax effect of these differences is recorded as deferred taxes, calculated using currently enacted income tax rates. For fiscal year ended December 31, 2016, Promeleti accrued \$445,384 as a tax liability. For the period from commencement of operations, April 1, 2016 to December 31, 2016 Realty Investors did not accrue a tax liability. Management accounts for uncertain tax positions using a two-step process whereby (i) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position (“more likely-than-not recognition threshold”) and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, it recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Partnership recognizes interest and penalties accrued on any unrecognized tax benefits as a component of provision for income tax in the consolidated financial statements of operations. Since the Partnership commenced operations in 2015, all tax years since inception of the Partnership are open to inspection by the tax authorities.

### **Allocation of Net Profits and Losses**

Net profits and losses are allocated to all partners in proportion to their respective ownership interests.

HCG Digital Finance LP  
Notes to Consolidated Financial Statements (continued)  
December 31, 2016

**3. Fair Value Measurement**

The Partnership's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820.

The following table presents information about the Partnership's assets and liabilities measured at fair value as of December 31, 2016:

	<b>Quoted Prices in Active Market for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Total</b>
<b>Investments, at fair value</b>				
SME Loans	\$ -	\$ -	\$ 24,976,683	\$ 24,976,683
Real estate loans	-	-	19,262,609	19,262,609
Consumer loans	-	-	90,304,936	90,304,936
Real Property	-	-	781,111	781,111
HCG Consumer Credit I, LP <sup>1</sup>	-	-	-	32,383,194
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 135,325,339</b>	<b>\$ 167,708,533</b>

<sup>1</sup>In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of Assets and Liabilities.

Changes in Level 3 investments measured at fair value for the year ended December 31, 2016:

	<b>Balance December 31, 2015</b>	<b>Purchases</b>	<b>Principal Collected &amp; Sales</b>	<b>Realized &amp; Unrealized Losses</b>	<b>Balance December 31, 2016</b>	<b>Unrealized Losses for Investments Still Held at December 31, 2016</b>
SME Loans	\$ 2,399,083	\$ 45,365,378	\$ (20,822,840)	\$ (1,964,938)	\$ 24,976,683	\$ (804,777)
Real estate loans	21,757,106	26,016,394	(28,669,734)	158,843	19,262,609	112,550
Consumer loans	25,120,142	95,452,493	(27,592,510)	(2,675,189)	90,304,936	(362,476)
Real Property	-	1,324,753	(533,394)	(10,248)	781,111	(6,427)
<b>Total</b>	<b>\$ 49,276,331</b>	<b>\$ 168,159,018</b>	<b>\$ (77,618,478)</b>	<b>\$ (4,491,532)</b>	<b>\$ 135,325,339</b>	<b>\$ (1,061,130)</b>

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying consolidated statement of operations. The Partnership recognized transfers into and out of Level III of the fair value hierarchy as of the beginning of the year.

The following table provides quantitative information about the valuation methodology and inputs used for investments classified as level 3 as of December 31, 2016. The table is not intended to be all-inclusive of the methodologies and inputs considered by the General Partner.



**3. Fair Value Measurement (continued)**

Investment Type	Fair Value	Valuation Techniques	Unobservable Inputs	Inputs Range
SME Loans	US\$ 24,976,683	Income Approach	Discount Rate Default Rate Early / Late Payment	7.30 - 18.75% 0.00 - 33.91% 40 days early - 60 days late
Real estate loans	US\$ 19,262,609	Income Approach	Discount Rate	7.50 - 18.25%
Consumer loans	US\$ 90,304,936	Income Approach	Discount Rate Default Rate Prepayment Rate	2.98 - 16.58% 1.83 - 18.22% 0.17 - 4.01%
Real Property	US\$ 781,111	Income Approach	Discount Rate	10.00 - 12.00%

As of December 31, 2016, CCI has been measured at fair value using the net asset value per share (or its equivalent) practical expedient. CCI's financial statements are audited by Deloitte & Touche LLP. The ultimate realizable value of the Partnership investment will depend on the ultimate proceeds received from CCI. The actual proceeds and time frame of realization is depend upon CCI realizing its underlying investments and, realizable value could be different from year end values.

Portfolio Fund	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consumer Credit I, LP (Note A)	\$ 32,383,194	\$0	Note A	None

Note A: CCI invests in consumer loans from LendingClub's "standard" product. The term of the loans is either 36 months or 60 months. Redemptions are paid as soon as practical. In the event that all investors redeem, redemptions would pay out as the existing loans were paid down by borrowers. At December 31, 2016 the Partnership owned a 90.45% interest in Consumer Credit I, LP.

Redemption Frequency: The Partnership is able to redeem monthly, with no notice. CCI's other limited partners are able to redeem quarterly.

**4. Partners' Capital**

The Partnership attempts to invest limited partner capital contributions in Portfolio Funds during the month in which the capital contribution is received by the Partnership. As there is a general four to five week delay between when a loan at a Portfolio Fund, is purchased and when a the loan is issued and begins accruing interest, no profit and loss is allocated to a limited partner with respect to the new capital contribution until the first business day of the month following the month in which the new capital contribution is invested in the Portfolio Funds. The minimum initial investment is US\$1,000,000, and the minimum additional investment is US\$250,000, both subject to waiver at the discretion of the General Partner.

#### **4. Partners' Capital (continued)**

A limited partner may withdraw some or all of its Limited Partnership Interest by delivering to the General Partner and the Administrator a written withdrawal request notice (such notice, a "Withdrawal Notice") at least five Business Days prior to the last day of any month.. The General Partner will not liquidate any assets of the Partnership to meet withdrawal requests unless it determines in its sole discretion that such liquidation will not adversely affect the interest of the non-withdrawing limited partners. The Partnership's ability to fund and accept withdrawal requests is dependent on its ability to withdraw from the Portfolio Funds, which may have substantial liquidity restrictions. A Portfolio Fund may have substantial liquidity restrictions depending on the Peer-to-Peer Securities in which such Portfolio Fund invests or any restrictions imposed by a leverage facility agreement to which the Portfolio Fund is a party. The Investment Adviser will have complete discretion in selecting the Portfolio Funds from which the Partnership withdraws to fund withdrawals by limited partners. While the Partnership may borrow to fund withdrawals of Limited Partnership Interests, it is under no obligation to do so and does not expect to do so in most instances.

The Partnership generally expects to pay the withdrawal proceeds within 120 calendar days following the Withdrawal Date, but such payment may be delayed to the extent there is a delay in the Partnership's receipt of funds from one or more Portfolio Funds from which the Partnership may be required to withdraw the funds necessary to fund the limited partner's withdrawal.

#### **5. Investment Management and Performance Fees**

The Investment Adviser will receive a quarterly management fee in arrears calculated at the annual rate of 2% (0.50% per quarter) of each limited partner's capital account as of the last day of each month. The General Partner may enter into side letters or similar agreements with certain investors providing for, among other things, the General Partner agreement to exercise its discretionary authority under the LP Agreement for the benefit of such investors with respect to certain terms of their investment in the Partnership, including, without limitation, fees, redemption and withdrawal rights and notice periods and information rights. The General Partner may elect to reduce, otherwise modify or waive the management fee with respect to any limited partner. The management fee for the year ended December 31, 2016 was US\$1,241,954.

At the end of each fiscal year, the Investment Adviser receives a performance fee equal to 20% of the net capital appreciation in excess of the threshold return (6% per annum). This fee is charged yearly and in arrears. On each date on which a limited partner receives any cash distribution, the Investment Adviser may receive a performance fee in an amount equal to 20% of the net capital appreciation in excess of the threshold return calculated of the applicable fiscal period. The Investment Adviser earned a performance fee for the year ended December 31, 2016 of US\$505,192.

The Partnership will not be charged any management fees or performance fees in connection with its investment in any Portfolio Fund.

## **6. Due from Lending Company**

Due from lending company represents cash held at each lending company for future investments and expenses. The Partnership has a policy of reviewing, as considered necessary, the credit standing of each lending company with which it conducts business.

## **7. Deposit with Lending Company for Investment Acquisition**

Deposit with lending company for investment acquisition represents the aggregate amount of funds committed to purchase loans. Such committed funds are no longer available for other uses by the Fund and may no longer be withdrawn or committed to other loans.

## **8. Line of Credit**

CCII Trust and Promeleti each have a revolving line of credit with Capital One N.A for \$55,000,000 and \$10,000,00, respectively. Each line of credit is individually secured by the assets of CCII Trust and Promeleti. The line of credit agreements have an annual interest rate of LIBOR + 3.50%. At December 31, 2016, the rate is 4.27%. CCII Trust has an outstanding balance on the line of credit of \$43,086,004 as of December 31, 2016. Promeleti has an outstanding balance on the line of credit of \$3,282,449 as of December 31, 2016. The maturity date of each line of credit is November 13, 2019.

CCII Trust and Promeleti pay Capital One N.A. an unused line fee of 0.35% per annum on the difference between the maximum revolving line of credit and the average outstanding principal balance, payable monthly ("Unused Line Fee"). The Unused Line Fee for the fiscal year ended December 31, 2016 was \$15,667 for CCII Trust and \$21,699 for Promeleti, respectively.

## **9. Restricted Cash**

Restricted cash represents cash held with Capital One N.A. pursuant to each of the revolving line of credit agreements (Note 8). So long as any obligation under a line of credit agreement remains unpaid, Capital One N.A. has the sole and exclusive right to withdrawal funds from the Fund's cash account associated with the line of credit.

## **10. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk**

In the normal course of its business, the Partnership enters into various financial transactions. The execution of these transactions may result in off-balance sheet risk or concentration of credit and price risk. The Partnership records investment transactions on a trade-date basis and, therefore, is exposed to credit risk in the event that the Partnership's counterparties are unable to fulfill contractual agreements on the date of settlement.

The Partnership maintains bank accounts that, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and expects the risk of loss, if any, to be remote.

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The instruments held by the Partnership's underlying investments are subject to credit risk.

**10. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk (continued)**

The Partnership also bears the risk of financial failure by any lending platform utilized by a Portfolio Fund.

**11. Indemnifications**

In the normal course of business, the Partnership has entered into contracts, which provide a variety of general indemnifications. Such contracts include but not limited to the Partnership's Administrator and Investment Adviser. Any exposure to the Partnership under the arrangements would include future claims that may be made against the Partnership. No such claims have occurred, nor are they expected to occur. Therefore the Partnership has not accrued any liability in connection with such indemnifications.

**12. Financial Highlights**

Total return and the financial ratios are calculated for the Partnership's limited partners taken as a whole. An individual's total return and ratios may vary from these returns and ratios based on the timing of capital transactions and variations in management fees and performance fee arrangements.

	<b>Limited Partner</b>
<u>Total Return:</u>	
Total return before performance fee	10.91 %
Performance fee	<u>(0.53)</u>
Total return net of performance fee	10.38 %
<u>Ratios to Average Partners' Capital:</u>	
Total expenses <sup>1</sup> before performance fee	(4.65) %
Performance fee	<u>(0.53)</u>
Total expenses and performance fee	(5.18) %
Net investment income	11.83 %
<sup>1</sup> Total expenses before performance fee include:	
Interest expense	(1.71) %
Other expenses	(1.63)
Management fees	<u>(1.31)</u>
Total expenses before performance fee	<u>(4.65)</u> %

**13. Related Party Transactions**

The Offshore Feeder is not charged management or performance fees on its investment in the Partnership. Such amounts are charged directly to the investors of the Offshore Feeder, as applicable. The details of management and performance fee calculations are included in Note 5 of the consolidated financial statements.

**13. Related Party Transactions (continued)**

Certain limited partners are affiliated with the General Partner. The aggregate value of the General Partner's and affiliated limited partners' share of the Partnership's capital as of December 31, 2016 was US\$529,909. During the year ended December 31, 2016, the General Partner's and affiliated limited partners' contributions were \$0 and withdrawals were \$234,494.

**14. Subsequent Events**

The Partnership had recorded contributions amounting to US\$45,798,650 and recorded withdrawals of US\$4,936,670 for the period from January 1, 2017 to April 27, 2017.