Factorial Partners Fund L.P.

(a Delaware limited partnership)

Financial Report
December 31, 2015

Contents

Independent Auditor's Report

To the General Partner
Factorial Partners Fund L.P.
Mount Kisco, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Factorial Partners Fund L.P. (the Partnership), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments as of December 31, 2015, and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Factorial Partners Fund L.P. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

New York, New York
March 16, 2016

Factorial Partners Fund L.P.
(a Delaware limited partnership)

Statement of Assets, Liabilities and Partners' Capital
December 31, 2015

Assets	
Investments in Securities, at Fair Value (Cost $78,690,626)	$ 80,418,588
Cash	623
Dividends Receivable	6,664
Total assets	$ 80,425,875
Liabilities	
Due to Broker	$ 708,682
Due to affiliate	60,943
Accrued Expenses and Other Liabilities	154,117
Total liabilities	923,742
Partners’ Capital	79,502,133
Total liabilities and partners’ capital	$ 80,425,875

See notes to financial statements.

Factorial Partners Fund L.P.
(a Delaware Limited Partnership)

Condensed Schedule of Investments
December 31, 2015

Number of Shares		Fair value % of Partners' Capital	Fair Value
Investments in Securities			
	American Depositary Receipts		
	Bermuda:		
	Services		
	Total American Depositary Receipts - Bermuda (cost $9,236)	0.01 %	$ 9,391
	Israel		
	Pharmaceuticals		
	Total American Depositary Receipts - Israel (cost $37,594)	0.08	65,640
	United Kingdom:		
	Pharmaceuticals		
	Total American Depositary Receipts - United Kingdom (cost $2,008,410)	2.42	1,921,570
	Total American Depositary Receipts (cost $2,055,240)	2.51 %	1,996,601
	Common Stock		
	Bermuda		
	Services	1.51	1,202,562
	Financial	1.30	1,030,575
	Industrial Goods	0.69	551,703
	Total common stock - Bermuda (cost $2,256,710)	3.50 %	2,784,840
	Canada		
	Basic Materials		
	Total common stock - Canada (cost $396,871)	0.42 %	334,488
	Cayman Islands		
	Insurance		
	Total common stock - Cayman Islands (cost $708,041)	0.75 %	598,720
	Netherlands		
	Consumer Goods		
	Total common stock - Netherlands (cost $378,354)	0.55 %	433,200

(Continued)

Factorial Partners Fund L.P.
(a Delaware Limited Partnership)

Condensed Schedule of Investments (continued)
December 31, 2015

Number of Shares		Fair value % of Partners' Capital		Fair Value
	United States			
	Healthcare and Life Sciences			
95,600	Abbott Laboratories	5.40	%	$ 4,293,396
	other*	12.19		9,687,969
	Consumer*	10.16		8,079,786
	Industrial Goods*	7.79		6,190,643
	Insurance	3.82		3,036,530
	Financial*	17.61		14,001,833
	Technology*	11.98		9,528,276
	Services*	10.70		8,504,161
	Transportation*	7.99		6,349,243
	Basic Materials	3.21		2,555,850
	Consumer Goods	0.89		703,452
	Oil and Gas	1.68		1,339,600
	Total common stock - United States (cost $72,895,410)	93.42	%	74,270,739
	Total investments in securities (cost $78,690,626)	101.15	%	$ 80,418,588

* No individual investment is greater than 5% of partners' capital.

See notes to financial statements.

Factorial Partners Fund L.P.
(a Delaware limited partnership)

Statement of Operations
Year Ended December 31, 2015

Investment income:	
Dividends (net of foreign tax withholdings of $18,408)	$ 1,346,700
Other	2,489
Total income	1,349,189
Expenses:	
Management fees	60,443
Margin interest	13,960
Professional fees and others	158,484
Total expenses	232,887
Net investment income	1,116,302
Realized and Unrealized Gain / (Loss) on investments:	
Net realized gain on sales of investments	7,860,080
Net change in unrealized appreciation / (depreciation) of investments	(11,620,693)
Net realized and unrealized loss on investments	(3,760,613)
Net decrease in partners' capital resulting from operations	$ (2,644,311)

See notes to financial statements.

Factorial Partners Fund L.P.
(a Delaware limited partnership)

Statement of Changes in Partners' Capital
Year Ended December 31, 2015

	General Partner	Special Limited Partners	Limited Partners	Total
Partners' capital, December 31, 2014	$ 3,846,632	$ 66,722,133	$ 14,201,548	$ 84,770,313
Contributions by partners	273,454	-	977,677	1,251,131
Redemptions to partners	(2,875,000)	(1,000,000)	-	(3,875,000)
Net decrease in partners' capital resulting from operations	(23,994)	(2,085,326)	(534,991)	(2,644,311)
Incentive allocation	1,804	-	(1,804)	-
Partners' capital, December 31, 2015	**$ 1,222,896**	**$ 63,636,807**	**$ 14,642,430**	**$ 79,502,133**

See notes to financial statements.

Factorial Partners Fund L.P.
(a Delaware limited partnership)

Statement of Cash Flows
Year Ended December 31, 2015

Cash flows from operating activities:		
Net decrease in partners' capital resulting from operations	$	(2,644,311)
Adjustments to reconcile net decrease in partners' capital resulting from operations to net cash provided by operating activities:		
Net realized gain on sales of investments		(7,860,080)
Net change in unrealized appreciation (depreciation) of investments for the year		11,620,693
Cost of investment securities purchased		(101,608,765)
Proceeds from sales of investment in securities		102,243,392
Purchases to cover securities sold short		(47,843)
Proceeds from sales of securities sold short		161,219
Net changes in operating assets and liabilities:		
Decrease in dividends receivable		76,730
Decrease in due from broker		29,918
Increase in due to affiliate		60,943
Decrease in accrued expenses and other liabilities		(116,931)
Increase in due to broker		708,682
Net cash provided by operating activities		2,623,647
Cash flows from financing activities:		
Contributions by partners		1,251,131
Redemptions to partners		(3,875,000)
Net cash used in financing activities		(2,623,869)
Net decrease in cash		(222)
Cash		
Beginning		845
Ending	$	623
Supplemental disclosure of cash flow information:		
Cash paid during the year for		
Interest	$	13,960

See notes to financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Factorial Partners Fund L.P. (the Partnership) is a Delaware limited partnership organized in July 2005 to operate as an investment partnership. Commencement of operations was on August 1, 2005. The Partnership's investment objective is to achieve superior long-term returns relative to the performance of the overall U.S. equity market.

The General Partner of the Partnership is Factorial Partners LLC, a Delaware limited liability company (the General Partner). The General Partner will provide administrative and managerial services to the Partnership. Mark P. Kleiman is the sole managing member of the General Partner.

A summary of the Partnership's significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of estimates: The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in partners' capital during the reporting period. Actual results could differ from those estimates.

Cash: The Partnership maintains its cash balances in financial institutions located in the United States that, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and do not believe they are exposed to any significant credit risk on such bank deposits.

Valuation of investments: All investments are recorded at their fair value, as described in Note 2.

Investment transactions, interest, and dividends: Investment transactions are recorded on the trade date. Realized gains and losses on investment transactions are determined on a specific-identification basis and are included as net realized gain on sale of investments in the accompanying statement of operations. The difference between the cost and the fair value of open investments is reflected as unrealized appreciation (depreciation) of investments, and any change in that amount is reflected in the accompanying statement of operations. Interest income and expense is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Brokerage commissions: Brokerage commissions and other trading fees are reflected as an adjustment to cost or proceeds at the time of the transaction.

Income taxes: The Partnership is not subject to federal income tax, but may be subject to certain state taxes. Each partner is individually liable for taxes on its share of the Partnership's income or loss. The Partnership files U.S. federal and various state income tax returns. In the course of preparing the Partnership's tax returns, the General Partner has reviewed the Partnership's tax positions for the open tax years (current and prior three tax years) to determine if additional taxes would be due if such positions were examined, and has concluded that there are no material uncertain income tax positions for which an expense and liability should be recorded.

With few exceptions, the Partnership is no longer subject to the U.S. federal, state or local income tax examinations by tax authorities for years before 2012.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Partnership qualifies as an investment company, as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946, *Financial Services – Investment Companies* and, therefore, is applying the specialized accounting and reporting guidance in ASC Topic 946.

Note 2. Fair Value of Financial Instruments

As described in Note 1, the Partnership records its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Partnership utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Partnership has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

All financial instruments listed in the condensed schedule of investments are considered Level 1, measured at fair value on a recurring basis based on quoted prices for identical assets in active markets.

Note 3. Due To / From Broker

The clearing and depository operations for the Partnership's security transaction is provided by one broker, Charles Schwab. At December 31, 2015, all securities owned and the amounts due to broker reflected in the statement of financial condition are positions with and amounts due to this broker. The securities serve as collateral for the amount due to broker. The broker's right to sell or repledge this collateral is limited to 140% of the amount due to the broker after adjusting for securities sold short and other items.

Note 4. Securities Purchased on Margin

In order to purchase investments on margin, the Partnership is required to meet a margin maintenance requirement set by Charles Schwab. The margin rate payable by the Partnership is up to 150 basis points over the broker call rate. In the event that the investments in the Partnership's account do not adequately collateralize the investments purchased on margin, the Partnership may be required to make additional deposits along with any unpaid accrued interest.

Note 4. Securities Purchased on Margin (Continued)

Additionally, the Partnership's investments may be sold without the consent of the Partnership in order to cover the margin deficiency. At December 31, 2015, the Partnership purchased investments on margin in the total balance of $708,682.

Note 5. Incentive Allocation

Each limited partner, other than limited partners affiliated with the General Partner (the Special Limited Partners), will be assessed an incentive allocation as follows: if at the end of any fiscal year, the capital account of a limited partner has increased or appreciated (since the beginning of such fiscal year) or, with respect to a newly admitted Limited Partner, since the date of admission to the Partnership in an amount that exceeds seven percent (7%) of the amount of the limited partner's capital account as of the beginning of such fiscal year or, with respect to a newly admitted Limited Partner, since the date of admission to the Partnership (measured by excluding additional Capital Contributions and measured as if no withdrawals had been made for such fiscal year (the Hurdle), the General Partner at the end of such fiscal year will be allocated an amount equal to twenty-five percent (25%) of the excess over the Hurdle (the Incentive Allocation). If an Incentive Allocation has previously been made during the fiscal year, any subsequent Incentive Allocation during the same Fiscal Year shall be adjusted to take into account the prior Incentive Allocation. The General Partner, at its sole discretion, may waive or reduce the Incentive Allocation with respect to any limited partner. The Incentive Allocation for additional capital contributions during the fiscal year shall be determined by creating a notional subaccount for each capital contribution during the fiscal year and measuring the increase in the amount of such notional subaccount from the day that the additional capital contribution was made.

Pursuant to the Amended Limited Partnership agreement effective August 1, 2015, each limited partner, other than limited partners affiliated with the General Partner (the Special Limited Partners), will be assessed an incentive allocation as follows: if at the end of any fiscal year, the capital account of a limited partner has increased or appreciated (since the beginning of such fiscal year) or, with respect to a newly admitted Limited Partner, since the date of admission to the Partnership in an amount that exceeds ten percent (10%) of the amount of the limited partner's capital account as of the beginning of such fiscal year or, with respect to a newly admitted Limited Partner, since the date of admission to the Partnership (measured by excluding additional Capital Contributions and measured as if no withdrawals had been made for such fiscal year (the Hurdle), the General Partner at the end of such fiscal year will be allocated an amount equal to fifteen percent (15%) of the excess over the Hurdle (the Incentive Allocation). If an Incentive Allocation has previously been made during the fiscal year, any subsequent Incentive Allocation during the same Fiscal Year shall be adjusted to take into account the prior Incentive Allocation. The General Partner, at its sole discretion, may waive or reduce the Incentive Allocation with respect to any limited partner. The Incentive Allocation for additional capital contributions during the fiscal year shall be determined by creating a notional subaccount for each capital contribution during the fiscal year and measuring the increase in the amount of such notional subaccount from the day that the additional capital contribution was made.

During the year ended December 31, 2015, $1,804 was allocated to the General Partner as an Incentive Allocation.

Note 6. Management Fees

Pursuant to the Amended Limited Partnership agreement effective August 1, 2015, the Partnership pays a management fee to the General Partner quarterly in advance equal to 0.25% (1.0% on an annual basis) of the sum of (a) the balance in the Capital Account of each Limited Partner as of the last business day of the previous calendar quarter and (b) the Capital Contribution with respect to any additional Limited Partner Interest subscribed for as of the first business day of such calendar quarter. At December 31, 2015, both management fee expense and management fee payable were $60,943. The management fee payable is included in due to affiliate on the statement of asset, liabilities and partners' capital.

Note 7. Allocation of Gains and Losses

On December 31 of each year and upon a partner admission, withdrawal, or additional capital contribution (collectively, the end of a fiscal period), the Partnership measures the realized and unrealized gains and losses of securities held by the Partnership. Subject to incentive allocations, at the end of each fiscal period, any net profits or net losses are allocated to all of the partners (including the General Partner) in proportion to each partner's opening capital account balance for such fiscal period.

Note 8. Partner Withdrawals and Distributions

A limited partner will have the right to withdraw any portion (in $100,000 increments) of its capital account balance or to withdraw from the Partnership, upon not less than 90 days' prior written notice, as of the last business day of any fiscal year (the Withdrawal Date). However, the General Partner may permit withdrawals at its sole discretion at any other time. In case of a partial withdrawal, no withdrawal by such limited partner may be made if thereafter such limited partner's capital account would be less than $100,000.

If a limited partner elects to withdraw its entire capital account, at least 95% of its estimated capital account will be paid within 30 days after the Withdrawal Date. The Partnership will pay such limited partner the balance of its Capital Account (subject to audit adjustments) as soon as practicable after completion of the audit of the Partnership's books for such fiscal year in which the withdrawal was made.

Note 9. Admission of Partners and Additional Capital Contributions

Partners may be admitted as of the first business day of any month with the consent of the General Partner, as well as on any other date and on such terms as determined by the General Partner.

Note 10. Financial Highlights

The following financial highlights reflect activity related to the limited partner class only:

	Special Limited Partners	Limited Partners
Total return before Incentive Allocation	-3.21%	-3.60%
Incentive Allocation	0.00	0.02
Total return after Incentive Allocation	-3.21%	-3.62%
Supplemental Data		
Ratios as a percentage of average net assets		
Expenses before Incentive Allocation	0.28%	0.28%
Incentive Allocation	0.00	0.01
Expenses after Incentive Allocation	0.28%	0.29%
Net investment income	1.34%	1.33%

Total return is based on the change in value during the period for each class of investment taken as a whole, excluding the General Partner's interests for the year ended December 31, 2015. The net investment income ratio has been calculated prior to the effects of the Incentive Allocation.

An individual limited partner's return may vary from this return based on several factors, including level and timing of subscription and redemptions.

Expense before Incentive Allocation consists of professional fees expense ratio of 0.19% for limited partners and Special Limited Partners.

Note 11. Risk Factors

Credit risk: All securities transactions are cleared through and held in custody by the Partnership's prime broker, Charles Schwab & Co., Inc. (Schwab). The assets of the Partnership are segregated along with other Schwab client assets and from Schwab's own assets. The Partnership is subject to credit risk to the extent that either institution may become unable to fulfill its obligations either to return the Partnership's securities or repay the amount owed to the Partnership. The Partnership's maximum exposure to credit risk at any point in time is limited to the amounts recorded as assets on the statement of assets and liabilities.

Note 11. Risk Factors (Continued)

Counterparty risk: The Partnership may effect transactions in “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Partnership to the risk that the counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Partnership is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Partnership has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Partnership to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

Leverage: The investment strategies utilized by the Partnership may employ leverage through borrowing or otherwise. The brokers, banks and dealers that provide financing to the Partnership may apply discretionary margin, haircut, financing and security and collateral valuation policies. The Partnership employs leverage in its investment activities through the purchase of securities on margin and through the purchase of options and futures contracts. Leverage increases the magnitude of both profits and losses.

Note 12. Indemnifications

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. The Partnership expects the risk of future obligation under these indemnifications to be remote.

Note 13. Subsequent Events

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through March 16, 2016, the date the financial statements were available to be issued, and has determined that the following subsequent events require disclosure.

Subsequent to December 31, 2015, the Partnership had no contribution and a withdrawal of $75,000 from a limited partner.