

Principia Fund N.V.

The Netherlands

FINANCIAL STATEMENTS

**for the period from 22 May 2014 (date of commencement of operations) to
31 December 2014**

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General information

Registered Office	Gustav Mahlerplein 3 26th Floor HFC Plaza 1082 MS Amsterdam The Netherlands
Fund Manager	Privium Fund Management B.V. Gustav Mahlerplein 3 26th Floor HFC Plaza 1082 MS Amsterdam The Netherlands
Foundation	Stichting Administratiekantoor Principia Luna Arena Herikerbergweg 238 P.O. Box 23393 1101 CM Amsterdam The Netherlands
Administrator	TMF Custom House Global Fund Services Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Independent Auditor	Ernst & Young Accountants LLP Antonio Vivaldistraat 150 1083 HP Amsterdam The Netherlands
Payment Bank/Custodian	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Legal Advisor	Van de Kamp & Co B.V. Monnikevenne 38 1141 RL Monnickendam The Netherlands

General information

Fiscal Advisor (Netherlands)

STP Tax Lawyers
Claude Debussylaan 42
1082 MD Amsterdam
The Netherlands

Fiscal Advisor (UK)

Rawlinson & Hunter
8th Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ
United Kingdom

Depository (*appointed 14 July*)

Darwin Depository Services B.V.
Barbara Strozziilaan 101
1083 HN Amsterdam
The Netherlands

Historical multi-year overview

Key figures

	2014¹
Equity at the beginning of the period	-
Issue of units	13,489,601
Direct investment result	92,390
Indirect investment result	1,054,539
	<u>14,636,530</u>
Redemption of units	1,092,687
Expenses	242,452
Distributions	-
Equity at the end of the period	<u>13,301,391</u>
Investments	10,435,182
Cash and cash equivalents	2,925,969
Other assets and liabilities	(59,760)
Equity at the end of the period	<u>13,301,391</u>
Number of units	
Class A	120,326.8670
Class B	3,757.6282
Unitholders' equity per unit	
Class A	107.17
Class B	107.99

¹The Fund commenced operations on 22 May 2014.

Report of the Fund Manager

Performance

The Fund launched on 22 May 2014. From launch until the end of the year the Fund generated a return of 7.7% against 15.6% for the MSCI world UCITS ETF. Our objective is to achieve superior long term capital appreciation and we believe the best way to achieve that is to invest in a relatively small number of attractive businesses that are trading at large discounts to our assessment of intrinsic value. The Fund does not seek to mirror the exposure in a benchmark in any way. A result of this approach is that the portfolio and consequently the performance will differ materially from the benchmark in the short term. We believe little weight should be placed on short term results, good or bad. As it happened, our first six months corresponded to a period of relative underperformance. We would be disappointed, however, if we did not significantly exceed the performance of a passive global benchmark over a full market cycle.

General equity market conditions

Although aggregate global market levels rose considerably in 2014, returns were generally concentrated in the US and then only in relatively few companies. For example, 20% of all US equity market returns were driven by only five stocks and 70% of all stocks underperformed the market. This type of concentration in performance has not been seen since 1999. In addition, companies that populated sectors such as consumer staples, real estate and utilities that we believed were expensive going into 2014 became even more so during 2014. We perceive the current market to exhibit fairly high levels of complacency and excessive optimism. This optimism is creating a momentum driven market where recent winners are attracting more liquidity, which is in turn leading to an even bigger detachment from value. We cannot be sure when this situation will change but we believe that, as has always happened in the past, the market will reflect underlying fundamentals over the long run.

Key portfolio developments

We exited two positions in 2014; Altria and Activision Blizzard. Altria's share price rose considerably throughout the year and we sold as it reached our estimate of fair value. Activision Blizzard was sold at around the same levels we bought but our estimate of fair value had declined toward the end of the year. We gradually reduced the Fund's US exposure from launch until year end (6% decline to 67% of equity at year end). This decline is not based on any particular macro view but rather on our perception of a marginal change in bottom up opportunity sets in the US relative to other key markets around the world. Capital freed up from the decline in US exposure was spread across various countries but particularly South Korea and Hong Kong where we were able to uncover several attractive companies trading at large discounts to value.

The Fund also continued to hold an above average level of cash throughout 2014. At year end, the Fund held 22% of its NAV in cash, with most of that in USD which we believe to be the currency which is currently the greatest store of value. We aim to be fully invested for the majority of the market cycle and do not make any top down market calls. However, we will invest only if a sufficient number of securities with a significant discount to our assessment of absolute value can be found. If the market does not offer a high number of opportunities at suitable discounts, then the Fund will be more cautious in selecting individual investments. Although cash has a very low current yield we don't believe it is detrimental to portfolio performance when available discounts to value are scarce. Return on cash needs to be measured over a long time horizon. If the Fund can avoid buying fully priced securities today so as to buy undervalued securities in the future, then the eventual return on cash currently held will be much higher.

Outlook

We don't believe the current dearth of investment opportunities will continue indefinitely. Benign market conditions end and complacency eventually turns to fear; which in turn creates an increase in opportunities well suited to value orientated investors. In addition, if we are correct in our analysis that expensive areas of the market have recently been driving an above average component of aggregate returns, then the inevitable reversion to fair value should have a bigger negative impact on passive benchmarks than on value orientated strategies such as Principia. Notwithstanding the currently contracting investment opportunity set; we believe we have been able to assemble a well-diversified portfolio of attractive businesses trading at large discounts to our absolute measures of intrinsic value. We feel confident in our strategy and the Fund's potential for the generation of attractive long term returns.

Report of the Fund Manager

Investment Manager

No costs of employees were charged to the funds. Employees are paid out of the management fees (and performance fees for some funds). Privium Fund Management B.V., the investment manager of the Fund, does not charge any remuneration of employees to the Fund. Employee remuneration is paid out of the management and performance fees. The total remuneration for all Privium Fund Management B.V. employees for the year 2014 has been €368.176,-. In total 10 employees were involved during (some part of) the year, including part-time and full time employees. Total remuneration allocated to the Fund was €80.793,- (1.1 FTE, all material impact). No variable payment was paid to the board in 2014, which depends on the profitability of the company. For some of the funds the compensation consists of both a management and a performance fee. No variable payment was paid to individual fund managers in 2014. Remuneration is allocated to funds based on the assets under management for staff members, increased for each fund by remuneration paid to personnel that is only involved with that fund.

The board of Privium Fund Management B.V. is of the opinion that controls, including living up to the internal handbook, have been sufficiently met.

Risk Management

The Fund undergoes the same risk management as the other funds of Privium Fund Management BV. The investment restrictions, as well as items like the liquidity of the portfolio are monitored. The Fund is discussed each time a risk committee is held. Privium Fund Management B.V. uses both internal and external software and data to manage risks. In line with the philosophy of the Fund, buying shares of companies at a price that is lower than the intrinsic value is an important part of risk management.

Regulation & Fund Governance

Privium Fund Management B.V. is authorized and regulated by the Stichting Autoriteit Financiële Markten (AFM) as an investment manager. Since 22 July 2014, the investment management license is an AIFMD license.

In the Fund's prospectus, the fund manager declares that the Fund, the depositary and the fund manager itself are compliant with the rules and regulations laid down by and pursuant to the Wft. The Fund's auditor has approved the Fund's prospectus and the Fund is registered with the AFM.

An AIFMD depositary has been appointed for the Fund, which is part of the governance structure, as the depositary is responsible for the safekeeping of assets (this has been delegated to ABN AMRO), cash monitoring and checking the investment restrictions.

The portfolio manager is invested in the Fund, so there is additional alignment of interest with the investors.

Investment objective, policy and processes

INVESTMENT OBJECTIVE

Principia Fund N.V. (the “Fund”) aims to be predominantly invested in global equities and is therefore exposed to all the risks and rewards associated with the equities selected for the Fund. The Fund aims to earn a higher return than the average of the world’s developed equity markets, as represented by iShares MSCI World UCITS ETF (Acc) Euro. The Fund is actively managed and will likely differ materially from the benchmark in order to achieve its objective.

INVESTMENT POLICY

The Fund will, in principle, not use derivatives other than for reducing exposure to certain risks such as currency risk. The Fund does not intend to, but may (to a limited extent) also invest in other investment funds (including ETF’s), call options and warrants.

Below is a summary of the investment strategies that fit into the profile of the Fund.

Fundamental Research

The investment philosophy is value orientated. Investments are selected after implementing detailed “bottom-up” fundamental research with the objective of finding opportunities where there is a large discrepancy between price and intrinsic value.

Long-term thinking

A long-term approach to investing is used for the Fund. It is believed that focusing on long-term intrinsic value rather than short-term news and events, drives long-term outperformance. In the short-term stock prices can deviate materially from intrinsic value as prices tend to be influenced by market sentiment; however, in the long-term prices tend to reflect underlying fundamentals.

Contrarian approach

A focus on long-term value while ignoring short-term sentiment often leads the Fund to invest in companies in a contrarian manner in the sense that the companies that are selected may be unpopular, misunderstood or experiencing negative news flow or events. The Fund Manager believes that many investment opportunities arise because crowd behavior among investors can, at times, lead to widespread pessimism, which has the potential to understate long-term prospects for companies.

No market timing

It is believed that trying to chase or time short-term stock or market performance via predicting near term news-flow or macro data is futile at best and highly damaging to long-term results at worst. The Fund Manager does not believe superior results can be achieved through excessive trading and market or sector timing.

Diversification

Although the Fund aims to be concentrated enough so that stock selection matters substantially to performance, the Fund Manager strongly believes in the benefits of diversification to investment results. The Fund seeks to hold a portfolio of 20 to 30 individually selected securities, with multiple return drivers and avoids excessive concentration in individual securities.

Benchmark unconstrained, no preset targets

The Fund does not seek to mirror a benchmark and has no preset market capitalization, style, sector or geographic targets. Apart from practical liquidity and portfolio risk controls, the Fund’s exposures are driven by the outcome of the Fund’s fundamental “bottom-up” value driven process.

Divergent performance

Being benchmark unconstrained with a long-term value orientated approach means that the portfolio will likely deviate significantly from the benchmark, both in terms of makeup, as well as performance. While the Fund aims to generate higher long-term returns than the benchmark, it is expected that the Fund’s relative short to medium-term performance will be volatile and much higher or lower than the performance benchmark.

Investment objective, policy and processes

INVESTMENT POLICY (*CONTINUED*)

No Leverage

The Fund will not use leverage to magnify investment results.

Currency Management

The Fund will not structurally manage currency risk. Currency exposure within the Fund generally tends to mirror the geographic exposure of the Fund's investments. However, currency hedging may take place from time to time by using derivatives such as over the counter ("OTC") currency forwards, if deemed necessary by the Fund Manager.

INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS

The Fund adheres to the following restrictions in executing its investment policy:

- a maximum of 15% of the unitholders' equity of the Fund may be invested in securities issued by one single issuer;
- a maximum of 10% of the unitholders' equity of the Fund may be invested in collective investment schemes;
- a maximum of 5% of the unitholders' equity of the Fund may be invested in call warrants or call options;
- the Fund does not have short positions in stocks or options;
- the Fund does not enter into derivatives transactions to reduce its exposure to overall world stock markets;
- the Fund does not enter into over-the-counter or uncovered equity derivatives transactions; and
- borrowing is limited to 10% of the Fund's unitholders' equity and amounts borrowed must be repaid within 90 days.

In case the Fund breaches one or more of those restrictions, the Fund Manager will use its best efforts to ensure that all restrictions are complied with again as soon as possible, in any event within four calendar weeks.

It is believed that a detailed, fundamental value based approach, in which the Fund Manager aims to buy securities of companies trading at large discounts to assessed intrinsic value is inherently a risk conscious approach to investing. The Fund Manager defines risk as the probability of long-term capital loss and/or under-performance against investment alternatives. An approach that seeks to buy securities for significantly less than what they are intrinsically worth is logically also seeking to reduce the chances of the aforementioned risks occurring. In addition to a fundamental value based approach, risks are managed by pursuing diversification and through active monitoring of the Fund's exposure to market, counter-party and liquidity risk.

Financial statements

BALANCE SHEET

(As at 31 December)

	<i>Note</i>	2014 EUR
Assets		
Investments		
Equities		10,435,182
	3	<u>10,435,182</u>
Current assets		
Cash and cash equivalents	4	2,925,969
Other receivables	5	5,419
		<u>2,931,388</u>
Total assets		<u>13,366,570</u>
Current liabilities		
Accrued expenses and other payables	6	(64,120)
Subscriptions received in advance	7	(1,059)
		<u>(65,179)</u>
Total liabilities		<u>(65,179)</u>
Total assets minus total liabilities		<u>13,301,391</u>
Unitholders' equity		
Contribution of unitholders		12,396,914
Unappropriated profit		904,477
Total unitholders' equity	8	<u>13,301,391</u>

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

Financial statements

INCOME STATEMENT

(For the period from 22 May 2014 (date of commencement of operations) to 31 December 2014)

	<i>Note</i>	2014 EUR
Investment income		
<i>Direct investment result</i>		
Interest income	9	575
Dividend income	10	91,815
		<u>92,390</u>
<i>Indirect investment result</i>		
Realised gains on equities	3	552,930
Unrealised gains on equities	3	412,989
Subscription and redemption fees		21,596
Foreign currency translation	11	67,024
		<u>1,054,539</u>
Total investment income		<u>1,146,929</u>
Expenses		
Management fee	14, 15	(96,916)
Incorporation costs		(75,244)
Audit fee	14	(12,705)
Administration fee	14	(12,613)
Depository fee	14	(5,404)
Custody fee	14	(4,592)
FATCA fees		(4,255)
Bank charges		(2,746)
Interest expense		(79)
Other operational costs		(6,240)
Total expenses	13	<u>(220,794)</u>
Net profit before tax		926,135
Withholding tax		(21,658)
Net profit after tax		<u>904,477</u>

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

Financial statements

STATEMENT OF CASH FLOWS

(For the period from 22 May 2014 (date of commencement of operations) to 31 December 2014)

	<i>Note</i>	2014 EUR
Cash flows from operating activities		
Net payments from investments		(9,469,263)
Interest received		546
Interest paid		(79)
Dividend received		86,425
Entry and exit fees received		21,596
Management fee paid		(69,613)
Custody fee paid		(4,592)
Depository fee paid		(5,404)
Incorporation costs paid		(75,244)
Bank charges paid		(2,742)
Withholding tax paid		(21,658)
Other income received		1,000
Net cash flows used in operating activities		<u>(9,539,028)</u>
Cash flows from financing activities		
Proceeds from sales of units		13,490,660
Payments on redemptions of units		(1,092,687)
Net cash flows provided by financing activities		<u>12,397,973</u>
Net increase in cash and cash equivalents		2,858,945
Cash and cash equivalents at the beginning of the period		-
Foreign currency translation of cash positions		67,024
Cash and cash equivalents at the end of the period	<i>4</i>	<u>2,925,969</u>
Analysis of cash and cash equivalents		
Cash at bank		109,878
Due from broker		2,816,091
Total cash and cash equivalents		<u>2,925,969</u>

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

Notes to the financial statements

1. GENERAL INFORMATION

Principia Fund N.V. (the “Fund”) is structured as an open-ended investment fund and was established in Amsterdam in April 2014. The Fund is a public company limited by shares (*naamloze vennootschap*) and is a legal entity under the laws of the Netherlands. The Fund commenced operations on 22 May 2014.

The shares of the Fund are divided in two series (“shareclasses”), Shareclass A and Shareclass B. The investment policy and risk profile of the Fund are equal for both shareclasses. The shareclasses only differ with respect to the management fee and the performance fee, since no such fees are charged to Shareclass B. Investors can invest in the Fund by obtaining depository receipts (“units”) representing an interest in Shareclass A (“A units”) or Shareclass B (“B units”). Units will be issued by the Foundation, who will be the legal owner of the shares represented by the units. The units of the Fund will be issued in two series (“unitclasses”), Unitclass A and Unitclass B. The units in Unitclass B are only available for subscription by persons working for the Fund Manager or related to the Fund. All other persons can subscribe for units in Unitclass A. As at 31 December 2014, both Unitclass A and Unitclass B units are in issue.

The investment objective of the Fund is to earn a higher return than the average of the world’s developed equity markets, as represented by iShares MSCI World UCITS ETF.

The Fund’s investment activities are managed by Privium Fund Management B.V. (the “Fund Manager”), with the administration delegated to TMF Custom House Global Fund Services (the “Administrator”).

The Fund Manager is subject to the supervision of the Netherlands Authority for the Financial Markets (“AFM”).

The Fund had no employees during the period ended 31 December 2014.

The financial statements have been authorised for issue by the Fund Manager on 29 June 2015.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Basis of preparation

The financial statements of the Fund have been prepared in accordance with reporting principles generally accepted in the Netherlands (“Dutch GAAP”) and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code.

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

These financial statements are prepared for the period from date of commencement of operations on 22 May 2014 to 31 December 2014. Below is a summary of the accounting policies of the Fund.

Functional currency

The financial statements are presented in Euro (“EUR”), which is the Fund’s functional currency.

Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

Expenses (including value added tax (“VAT”), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (*CONTINUED*)

Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. If necessary, for the purposes of providing the view required under Section 362, subsection 1, Book 2 of the Dutch Civil Code, the nature of these estimates and judgements, including related assumptions, is disclosed in the notes to the financial statements in question.

Foreign exchange

Assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in the income statement.

Classification of units

The units of the Fund are classified as equity. These units are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

Basis of valuation - policies in preparing the balance sheet

Financial investments are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

The Fund measures the fair value of any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon using its last traded price on the relevant business day. If no trades occurred on such day, it will be valued at the closing price on the previous business day.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised gains on equities' and 'unrealised gains on equities'.

Receivables

The value of accounts receivable will be deemed to be the full amount unless it is unlikely to be received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

Payables and accruals

Payables and accruals and deferred income are included at fair value.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Principles for determining the result

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in the value of the investments held by the Fund are accounted for in the income statement. Dividends from equities are included at the date when they are declared.

Expenses are accounted for in the income statement on the accrual basis.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

Tax position

The Dutch tax authorities have granted a ruling confirming that the Fund is tax transparent. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a unitholder) are not subject to dividend withholding tax.

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

3. Investments

Movement in schedule of investments

(All amounts in EUR)

2014

Investment in equities

Opening balance at 22 May	-
Purchases	13,529,671
Sales	(4,060,408)
Realised gain	318,107
Realised gain on foreign exchange differences	234,823
Unrealised loss	(290,683)
Unrealised gain on foreign exchange differences	703,672

Closing balance at 31 December

10,435,182

4. Cash and cash equivalents

As at 31 December 2014, cash and cash equivalents comprise of balances held with ABN AMRO Clearing Bank N.V. amounting to EUR 109,878. As at 31 December 2014, no restrictions in the use of these balances exist.

Cash and cash equivalents also include amounts due from ABN AMRO Clearing Bank N.V. of EUR 2,816,091, representing amounts held in brokerage accounts.

5. Other receivables

At the reporting date, other receivables consist of the following:

(All amounts in EUR)

2014

Dividend receivable	5,390
Interest receivable	29
Total other receivables	<u>5,419</u>

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

6. Accrued expenses and other payables

As at 31 December 2014, accrued expenses and other payables consist of the following:

<i>(All amounts in EUR)</i>	2014
Management fee payable	(27,303)
Audit fee payable	(12,705)
Administration fee payable	(12,613)
FATCA fee payable	(4,255)
Foundation fee payable	(3,676)
Licence fees payable	(1,519)
Other payables	(2,049)
Total accrued expenses and other payables	<u>(64,120)</u>

7. Subscriptions received in advance

Subscriptions received in advance represent the amounts received from unitholders for subscriptions to units of the Fund for the first business day of the next month. Unitholders are required to deposit the amounts with the Fund prior to the issuance of units.

As at 31 December 2014 the subscriptions received in advance amount to EUR 1,059. On 1 January 2015 the Fund issued 9.8181 units of Unitclass A to the subscribing unitholders.

8. Share capital

Structure of the Fund's capital

Principia Fund N.V. is structured as an open-ended investment fund and was established in Amsterdam in April 2014. The shares of the Fund are divided in two series ("shareclasses"), Shareclass A and Shareclass B. The investment policy and risk profile of the Fund are equal for both shareclasses. The shareclasses only differ with respect to the management fee and the performance fee, since no such fees are charged to Shareclass B. Investors can invest in the Fund by obtaining depository receipts ("units") representing an interest in Shareclass A ("A units") or Shareclass B ("B units"). Units will be issued by the Foundation, who will be the legal owner of the shares represented by the units. The units of the Fund will be issued in two series ("unitclasses"), Unitclass A and Unitclass B. The units in Unitclass B are only available for subscription by persons working for the Fund Manager or related to the Fund. All other persons can subscribe for units in Unitclass A. As at 31 December 2014, both Unitclass A and Unitclass B units are in issue.

The movement of equity in the units during the period is as follows:

<i>(All amounts in EUR)</i>	2014
<i>Contributions of unitholders</i>	
Balance at the beginning of the period	-
Issue of units	13,489,601
Redemption of units	(1,092,687)
Total contributions at the end of the period	<u>12,396,914</u>
<i>Unappropriated gain</i>	
Balance at the beginning of the period	-
Net profit after tax	904,477
Total undistributed gain at the end of the period	<u>904,477</u>
Equity at the end of the period	<u>13,301,391</u>

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

8. Share capital (continued)

Subscriptions and redemptions

The Fund enables the Foundation to issue units on the first business day of each calendar month at the unitholders' equity per unit on the preceding valuation day, plus a subscription fee of 0.15% of the subscription amount. The minimum initial subscription for each unitholder is EUR 20,000 with the minimum subsequent subscription amounts being EUR 1,000. The Unitclass A and Unitclass B units were issued at an initial subscription price of EUR 100 per unit and thereafter at the unitholders' equity per unit. The minimum subscription amount can be lowered at the sole discretion of the Fund Manager.

The Fund enables the Foundation to redeem units of the unitholders' equity on the last day of each calendar month, less a fee of 0.15% of the redemption amount. The minimum value of units which may be subject of one redemption request is EUR 1,000. The Fund Manager may decide to lower this amount in individual cases.

The movement of the units during the period ended 31 December 2014 was as follows:

	Units at the beginning of the period	Units issued	Units redeemed	Units at the end of the period
Unitclass A	-	131,113.7521	(10,786.8851)	120,326.8670
Unitclass B	-	3,757.6282	-	3,757.6282
Total	-	134,871.3803	(10,786.8851)	124,084.4952

Capital management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Fund does not intend to pay dividends. All earnings will normally be retained for investments.

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

9. Interest income

Interest income relates to the interest on bank and broker balances.

10. Dividend income

Dividend incomes relates to dividend from equity instruments.

11. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains on assets and liabilities other than financial assets and liabilities. For the period ended 31 December 2014, this amounted to gains of EUR 67,024. The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one Euro is shown):

	2014	
	Average	Closing
<i>Showing the equivalent of 1 Euro</i>		
Great Britain Pound	0.7939	0.7766
Hong Kong Dollar	10.0786	9.3825
Japanese Yen	140.1000	144.9000
Norwegian Krone	8.3982	9.0155
United States Dollar	1.2999	1.2098

Notes to the financial statements

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

12. Investment return

	Profit	2014 Loss	Balance
Equities			
Realised result	608,358	(55,428)	552,930
Unrealised result	1,698,418	(1,285,429)	412,989
Total result	<u>2,306,776</u>	<u>(1,340,857)</u>	<u>965,919</u>

13. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses.

(All amounts in EUR)

	2014
Expenses accruing to Fund Manager	
Management fee	(96,916)
Other expenses	
Incorporation costs	(75,244)
Audit fee	(12,705)
Administration fee	(12,613)
Depositary fee	(5,404)
Custody fee	(4,592)
FATCA fee	(4,255)
Bank charges	(2,746)
Interest expense	(79)
Other operational costs	(6,240)
Total	<u>(220,794)</u>

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the period ended 31 December 2014, all costs actually charged to the Fund were in accordance with the costs disclosed in the Prospectus. During the period, the Fund also incurred costs such as interest expense of EUR 79, FATCA fees of EUR 4,255, bank charges of EUR 2,742 and other general expenses of EUR 1,049 which are not detailed in the Prospectus.

Ongoing charges ratio*

The ongoing charges ratio is the ratio of the total costs to the average net assets of the Fund. The average net assets are based on the Fund's net assets at each calculation of the unitholders' equity i.e., monthly.

For the period ended 31 December 2014, the ongoing charges ratio for the Fund is as follows:

	2014
Ongoing charges ratio including performance fees	1.80%
Ongoing charges ratio excluding performance fees	1.80%

Turnover factor*

For the period ended 31 December 2014, the turnover factor for the Fund is 24.53%. The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the average unitholders' equity.

*Please note these ratios are not annualised.

Notes to the financial statements

14. RELEVANT CONTRACTS

Fund Manager

Management fee

Privium Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 1.25% of the unitholders' equity of Unitclass A. The management fee is calculated monthly and payable monthly in arrears. No management fee is charged to Unitclass B.

Details of management fees charged for the period are disclosed in the income statement.

Performance fee

The Fund Manager is also entitled to a monthly performance fee in respect of Unitclass A. No performance fee is charged to Unitclass B. The performance fee is equal to 20% of the percentage to which the Fund outperforms the MSCI World ETF, after deduction of the fixed fees. The performance fee only applies once the Fund reaches a new Outperformance High Water Mark ("OHWM"). This means that the Fund Manager will only receive a performance fee when the performance of Unitclass A relative to the performance of the benchmark reaches a new all-time high level. Should the OHWM have increased, the Fund Manager is entitled to 20% of the increase of the OHWM. Should the Fund outperformance versus the benchmark decrease, then the Fund Manager will not be entitled to the performance fee until the outperformance has surpassed the previous OHWM. The performance fee will be determined on the basis of the unitholders' equity of Unitclass A on the last day of each calendar month, after adjusting for subscriptions, redemptions and distributions with respect to Unitclass A, and will then fall due immediately.

No performance fees were charged for the period ended 31 December 2014.

Administrator

The Fund has entered into an administration agreement with TMF Custom House Global Fund Services. The Administrator charges an annual fee, to be calculated and paid monthly in arrears on the basis of the unitholders' equity of the Fund before deduction of the management fee, and with a minimum of EUR 15,000 per annum. This annual fee is based on the following sliding scale:

- | | |
|--|-----------------|
| ▪ Part up to EUR 30 million | 10 basis points |
| ▪ Part between EUR 30 million and EUR 50 million | 8 basis points |
| ▪ Part above EUR 50 million | 6 basis points |

The Administrator also charges a fixed fee of EUR 3,500 per annum. No VAT has to be paid on these amounts.

Details of administration fees charged for the period are disclosed in the income statement.

Payment Bank/Custodian

ABN AMRO Clearing Bank N.V. acts as Custodian to the Fund. The Custodian is entitled to receive fees from the Fund in accordance with its customary charges.

Independent Auditor

The Fund appointed Ernst & Young LLP Accountants as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 12,705 audit fee (including VAT) for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

Depository

The Fund has entered into a depository agreement with Darwin Depository Services B.V. The Depository charges an annual fee of EUR 10,000 (excluding VAT), payable quarterly in advance, for depository services provided to the Fund. A once-off fee of EUR 2,500 for the on-boarding process was paid by the Fund on signing the depository agreement. Details of depository fees charged for the period are disclosed in the income statement.

Notes to the financial statements

15. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

The Fund Manager is considered a related party.

The following transactions occurred between the Fund and the Fund Manager during the reporting period.

2014 transactions and balances as at 31 December 2014

	Paid	Balance
	EUR	EUR
Management fee	(69,613)	(27,303)

The units in Unitclass B have been issued to persons working for the Fund Manager or related to the Fund. Mr. Ryan Nicholas Dally, the portfolio manager, holds 448.2656 units of Unitclass B.

16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund's investment objective is to earn a higher return than the average of the world's developed equity markets, as represented by iShares MSCI World UCITS ETF.

The Fund attempts to accomplish its objective by investing predominantly in global listed equities and is therefore exposed to all the risks and rewards associated with the equities selected. The Fund is actively managed and will likely differ materially from the benchmark in order to achieve its objective.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, interest rate risk and currency risk. The Fund's market risk is managed through diversification of its investments. For further explanation of the investment objectives, policies and processes, refer to pages 5 and 6 of these financial statements.

Market price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As at 31 December 2014, price risk arises on the Fund's investments in equities.

The Fund's diversification of financial assets at fair value through profit or loss represented per significant industry sector for the period ended 31 December 2014 is as follows:

Sector	2014	% of
	EUR	unitholders'
		equity
Semiconductors	1,410,275	10.6
Internet	1,028,195	7.7
Retail	765,053	5.8
Insurance	677,787	5.1
Other sectors	6,553,872	49.3
	10,435,182	78.5

Notes to the financial statements

16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

Market risk (continued)

Market price risk (continued)

The table below details the sensitivity of the Fund's investments to a reasonable possible increase of 5% at 31 December 2014:

Sector	2014	
	Amount in EUR	% of unitholders' equity
Semiconductors	70,514	0.5
Internet	51,410	0.4
Retail	38,253	0.3
Insurance	33,889	0.3

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at banks and amounts due from broker which are subject to normal market related short-term interest rates. Therefore the Fund is not exposed to significant interest rate risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. The Fund's exposure to foreign exchange movements at 31 December 2014 is as follows:

Currency	2014	
	Fair value EUR	% of unitholders' equity
Great Britain Pound	1,032,823	7.8
Hong Kong Dollar	503,149	3.8
Japanese Yen	697,384	5.2
Norwegian Krone	305,392	2.3
United States Dollar	9,228,962	69.4

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from cash and cash equivalents and other receivables. The carrying values of financial assets (excluding any investments in equity instruments) best represent the maximum credit risk exposure at the reporting date and amounts to EUR 2,931,388.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Fund's Prospectus provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholders redemptions. The Fund's policy only allows for redemptions on the last day of each calendar month and notice of 10 business days must be provided.

The Fund's listed securities are considered to be readily realisable as they are listed on recognised exchanges.

The Fund's other liabilities are short-term in nature.

Notes to the financial statements

17. SOFT DOLLAR ARRANGEMENTS

A 'soft dollar arrangement' applies when a (financial) service provider offers services and products (such as research and information services) to an asset manager in exchange for executing certain securities transactions.

The Fund Manager had a dollar arrangement with Green Street during the period ended 31 December 2014 to the value of EUR 15,000.

18. UNITHOLDERS' EQUITY AS ISSUED

The following schedule shows the reconciliation between the unitholders' equity in accordance with the Prospectus and the unitholders' equity as determined in accordance with Dutch Accounting Standard 210 ("Dutch GAAP").

The Prospectus states that incorporation costs should be amortised over 5 years. Dutch GAAP prefers that incorporation costs be expensed immediately.

	2014
	EUR
Unitholders' equity attributable to holders of units in accordance with the Prospectus	13,367,492
Adjustments	
Unamortised incorporation costs	(66,101)
Adjusted unitholders' equity attributable to holders of units in accordance with Dutch GAAP	<u>13,301,391</u>
Number of units	
Unitclass A	120,326.8670
Unitclass B	3,757.6282
Unitholders' equity per unit in accordance with the Prospectus	
Unitclass A	107.70
Unitclass B	108.52
Unitholders' equity per unit in accordance with Dutch GAAP	
Unitclass A	107.17
Unitclass B	107.99

19. PROVISION OF INFORMATION

These financial statements and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: www.priviumfund.com

20. DATE OF AUTHORISATION

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 29 June 2015.

Investment portfolio as at 31 December 2014

Assets	Currency	Fair value EUR	% of unitholders' equity
Equities			
American International Group Inc.	USD	677,787	5.1
Apollo Group Inc.	USD	411,643	3.1
Apple Inc.	USD	236,581	1.8
AtoS	EUR	161,043	1.2
Blucora Inc.	USD	310,234	2.3
Cisco Systems Inc.	USD	467,461	3.5
Coach Inc.	USD	614,720	4.6
Dart Group plc	GBP	108,789	0.8
Dena Co Ltd.	JPY	249,981	1.9
Ebix Inc.	USD	227,591	1.7
Express Scripts Holding Co.	USD	390,316	2.9
Fluor Corp.	USD	258,096	2.0
FTD Cos Inc.	USD	235,837	1.8
International Business Machines Corp.	USD	198,925	1.5
Luk Fook Holdings International Ltd.	HKD	270,296	2.0
Moleskine S.p.A.	EUR	281,639	2.1
Myriad Genetics Inc.	USD	198,284	1.5
Nexon Co Ltd.	JPY	232,143	1.7
Nu Skin Enterprises Inc.	USD	213,118	1.6
Oracle Corp.	USD	430,073	3.2
Outerwall Inc.	USD	268,288	2.0
Performant Financial Corp.	USD	178,546	1.4
Philip Morris International Inc.	USD	201,976	1.5
QUALCOMM Inc.	USD	672,153	5.1
Royal Mail plc	GBP	279,569	2.1
Samsung Electronics Co. Ltd.	USD	738,122	5.5
Sotsu Co. Ltd.	JPY	152,450	1.2
Spectrum ASA	NOK	272,733	2.1
Television Broadcasts Ltd.	HKD	203,905	1.5
Tesco plc	GBP	432,552	3.3
Theravance Inc.	USD	417,682	3.2
Tribune Publishing Co.	USD	442,649	3.3
		10,435,182	78.5

Other information

Provisions of the Prospectus on distribution policy

The Fund Manager does not intend to distribute any income of the Fund to unitholders. The Fund Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund.

Events after the balance sheet date

No material events occurred after the balance sheet date that could influence the transparency of the financial statements.

Remuneration policy of the Fund Manager

No costs of employees were charged to the funds. Employees are paid out of the management fees (and performance fees for some funds). Privium Fund Management B.V., the investment manager of the Fund, does not charge any remuneration of employees to the Fund. Employee remuneration is paid out of the management and performance fees. The total remuneration for all Privium Fund Management B.V. employees for the year 2014 has been €368.176,-. In total 10 employees were involved during (some part of) the year, including part-time and full time employees. Total remuneration allocated to the Fund was €80.793,- (1.1 FTE, all material impact). No variable payment was paid to the board in 2014, which depends on the profitability of the company. For some of the funds the compensation consists of both a management and a performance fee. No variable payment was paid to individual fund managers in 2014. Remuneration is allocated to funds based on the assets under management for staff members, increased for each fund by remuneration paid to personnel that is only involved with that fund.

The board of Privium Fund Management B.V. is of the opinion that controls, including living up to the internal handbook, have been sufficiently met.

Other information

Independent Auditor's report

To: the board of directors of Principia Fund N.V.

We have audited the accompanying financial statements 2014 of Principia Fund N.V., which comprise the balance sheet as at 31 December 2014, the income statement and the statement of cash flows for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and with the Dutch Act on Financial Supervision, and for the preparation of the investment manager's report in accordance with Title 9 Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the 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 Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Principia Fund N.V. as at 31 December 2014, its result and its cash flows for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and with the Dutch Act on Financial Supervision.

The Hague, 29 June 2015

Ernst & Young Accountants LLP

Signed by R.J. Bleijs