

# Principia Fund N.V.

The Netherlands

ANNUAL REPORT

**for the year ended 31 December 2015**

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## General information

Registered Office	Gustav Mahlerplein 3 Symphony Offices, 26 <sup>th</sup> Floor 1082 MS Amsterdam The Netherlands
Fund Manager	Privium Fund Management B.V. Gustav Mahlerplein 3 Symphony Offices, 26 <sup>th</sup> Floor 1082 MS Amsterdam The Netherlands
Foundation	Stichting Administratiekantoor Principia Luna Arena Herikerbergweg 238 P.O. Box 23393 1101 CM Amsterdam The Netherlands
Administrator	Custom House Global Fund Services Limited 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

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

## Historical multi-year overview

### Key figures

	2015	2014 <sup>1</sup>
<i>(All amounts in EUR)</i>		
Equity at the beginning of the year/period	13,301,391	-
Issue of units	751,393	13,489,601
Direct investment result	284,531	92,390
Indirect investment result	(421,440)	1,054,539
	<u>13,915,875</u>	<u>14,636,530</u>
Redemption of units	271,050	1,092,687
Expenses	314,433	242,452
<b>Equity at the end of the year/period</b>	<b><u>13,330,392</u></b>	<b><u>13,301,391</u></b>
Investments	11,382,564	10,435,182
Cash and cash equivalents	2,007,437	2,925,969
Other assets and liabilities	(59,609)	(59,760)
<b>Equity at the end of the year/period</b>	<b><u>13,330,392</u></b>	<b><u>13,301,391</u></b>
<b>Net profit</b>		
Investment income	284,531	92,390
Indirect investment result	(421,440)	1,054,539
Expenses	(314,433)	(242,452)
<b>Net profit</b>	<b><u>(451,342)</u></b>	<b><u>904,477</u></b>
<b>Number of units</b>		
Class A	122,341.5640	120,326.8670
Class B	5,812.8157	3,757.6282
<b>Unitholders' equity per unit</b>		
Class A	103.92	107.17
Class B	106.03	107.99
<b>Performance</b>		
Class A	(3.03)%	7.17%
Class B	(1.81)%	7.99%

<sup>1</sup> The Fund commenced operations on 22 May 2014.

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## Report of the Fund Manager

### General equity market conditions

Global equity markets continued to narrow in 2015; with the bulk of returns once again concentrated in relatively few stocks which generally exhibited distinct and easily identifiable characteristics. For example, for the most widely followed index in the world, the S&P 500, the return was 1.38% in USD. However, without the top 10 contributing stocks (2% of the index), the return would have been -1.9%. This means that the vast majority of available returns in the market were concentrated in very few stocks. None of the top 10 contributing stocks had a PE ratio at year end of less than 21x, while the average was 130x and the median 30x. Most of the top contributors would also be classified as so called “growth” stocks. This very narrow breadth, coupled with a momentum fuelled market, played a defining role in the continued divergence in performance between passive benchmarks and aggregated active (particularly value orientated) managers.

We believe that as investors have been confronted with an increasingly low growth, low yield world; stocks with growth, yield and perceived safety factors like low beta have acquired a considerable scarcity premium. We believe these factors are increasingly systematically being acquired in the market with unduly low sensitivity to the price being paid to acquire them. In general, we have seen stocks with high expected revenue growth but low current earnings on the one hand and so called “bond proxies” as measured by low beta and stable dividends on the other, far outperforming stocks without those characteristics. In addition, stocks with these features have exhibited strong price momentum and momentum itself has become a factor that has driven returns and served to further boost recent market winners.

Finally, we have seen a continuation of the disconcerting trend of large amounts of liquidity into ETFs, and passive index funds, focused increasingly on the popular and hence easy to sell factors or styles discussed above. For example, according to ICI, since the global financial crisis, more than US\$1.2 trillion has flown into US domestic ETFs and index mutual funds while US\$600 billion has flown out of active funds. The US trend is the same on a global scale and seems to be accelerating. Given the important role that active managers play in making the market more efficient, combined with the lack of price sensitivity of passive strategies, the large shift from an active to passive (but popular style) driven market may be having an additional valuation and performance distorting effect. We believe this dynamic is a risk which is underappreciated by the market and may be creating capital risks for those exposed to the areas where most of the liquidity has recently flowed.

### Performance

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 its 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. The Fund’s first 18 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.

During 2015, the Fund generated a return of -3.1% against +10.3% for the MSCI world UCITS ETF. Since the launch of the Fund on 22 May 2014 until the end of 2015, the Fund generated a return of +4.4% against +27.8% for the MSCI world UCITS ETF. We believe, however, that measurement from the Fund launch date does not accurately portray the performance of the underlying strategy. The focus during the Fund launch, as agreed with key seed investors, was to time diversify and phase into our target portfolio and strategy so as to preserve capital and to calibrate for volatile markets and currencies. Given that the Fund launched into a rising market with 100% cash dominated in Euros prior to the steep Euro declines witnessed from mid-2014, combined with our gradual phase in period, we have chosen the end of Q3 2014, when we were close to 80% invested, as a date which more closely represents the start date of our underlying target strategy. This would therefore, be a fairer base to discuss relative returns from a qualitative perspective. The performance differential when measured from the end of the third quarter until the end of 2015 was 11.9% (+4.6% against +16.5% for the performance benchmark). As of the end of May 2016, this delta had shrunk further to 6.3% against the performance benchmark.

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## Report of the Fund Manager

Against a universe of close high calibre global equity peers (such as Orbis and Tweedy Brown), who have managers that have shown considerable skill in long-term security selection, the Funds' performance has been in-line with strategy expectations. The Fund has generated a return of +4.6% against +5.0% for the median of close peers since our stabilisation start date of 30 September 2015 until the end of 2015. We believe that this is a strong indicator that the Principia strategy has performed within expectations of the performance profile given recently experienced market conditions.

### Key portfolio developments

During the year we bought 10 new positions; two of which have become large holdings for your Fund: Berkshire Hathaway and Softbank. Both these companies have attractive long-term prospects and are run by exceptional CEOs who are owner managers and have unrivalled track records of value creation for shareholders. We have been able to acquire these businesses at unusual and what we believe to be unwarrantedly low prices relative to the net book value of the underlying assets.

During the year we sold 6 positions; Myriad Genetics, Moleskine, EBIX, Dart, Apple and Express Scripts; all of which contributed positively to your Fund's performance. We sold as these stocks approached or surpassed our estimates of fair value and as we were able to find more attractively valued new opportunities to recycle capital into.

The Fund's exposure to the US equity market continued to decline during the year as we started to uncover more opportunities in other regions. 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.

The Fund's cash levels continued to gradually decline through the year. We started 2015 with about 22% cash and ended on 15% as we uncovered further opportunities, especially during periods of high market volatility. As of the time of writing, the Fund's cash level has declined further to around 12%. Our aim is to be fully invested for the majority of the market cycle but will only invest if we can find a sufficient number of attractive companies trading on significant absolute discounts to our valuation estimates. In 2015 there were relatively more opportunities to allocate capital but we continue to believe that the overall opportunity set remains fairly limited. 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 believe that global markets, in aggregate, continue to be priced to deliver below historic average long-term returns to investors. Although aggregate markets are less attractively valued in a historical context, we believe the dispersions we discussed earlier have created more absolute value opportunities, which is reflected in the Fund's gradually declining cash balance.

Should the currently popular factors or styles discussed in our market conditions section above become less popular, we believe this may lead to a rapid and painful unwinding of the excesses built around them. ETF and index investors are by definition valuation insensitive and liquidity flows based on superficial factors may be fickle with just as much price insensitivity on the way down should market sentiment change. Any form of liquidity driven market distress would be an opportunity for your Fund to allocate additional capital.

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 far bigger negative impact on passive benchmarks than on high active share, value orientated strategies such as Principia. 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

### Remuneration paid by the Fund Manager

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 2015 has been EUR 920,637. In total 16 employees were involved during (some part of) the year, including part-time and full time employees. A variable payment of EUR 10,000 (2014: EUR Nil) was paid to staff members in senior management roles. These payments are dependent on the profitability of the company. No variable payment was paid to staff outside senior management roles in 2015, which depended on the profitability of the company. 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.

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Expected impact on 2016 NAV if risk materializes	Impact on 2015 NAV	Adjustments to risk management in 2015 or 2016
Price/Market Risk	No	The fund has been holding cash and long only equity positions. In line with the philosophy of the fund, buying shares of companies at a price that is lower than the intrinsic value is a fundamental part of the risk management framework of the fund. Strong bottom-up company analysis is a very important item in mitigating risks during the holding period of a position. However, share price fluctuations due to general equity market movements during the holding period can't be mitigated or avoided in full by conducting company analysis. This risk is inherent when securities like equities are traded.	Investments are being selected on having discounts to its intrinsic value but largely this will also depend on general market circumstances.	The Fund underperformed its benchmark in 2015 as value stocks in general significantly underperformed general equity markets.	No
Interest rate risk	No	The Fund has no interest bearing financial instruments except for cash at bank. Therefore, the Fund is not exposed to significant interest rate risk	None	None	No



## Report of the Fund Manager

Foreign Exchange risk	No	FX risk is not being hedged. It is not expected that this will change in the near future either.	This will largely depend on FX movements.	Over 90% of the investments are denominated in non-EUR currencies.	No
Liquidity risk	No	Liquidity risk mostly has been mitigated by investing in positions that offer sufficient liquidity	We would not expect a negative NAV impact if this risk would materialize.	None	No
Credit risk	No	Spare cash is maintained at ABN AMRO. ABN AMRO has an A credit rating and we would reconsider the position if this changes.	None	None	No
Operational risk	No	This risk is mostly mitigated by having rigid operational procedures in place. Next to that duties and responsibilities are clearly divided between Privium employees. The same is applicable at the service providers of the several Privium Funds.	None	None	No
Counterparty Risk	No	This risk is mostly mitigated by selecting and maintaining relationships with top tier counterparties and service providers.	None	None	No

## Financial statements

### BALANCE SHEET

(As at 31 December)

	<i>Note</i>	<b>2015</b> <b>EUR</b>	<b>2014</b> <b>EUR</b>
<b>Assets</b>			<i>[Note 2]</i>
<b>Investments</b>			
Equities		11,382,564	10,435,182
	3	<u>11,382,564</u>	<u>10,435,182</u>
<b>Current assets (fall due in less than 1 year)</b>			
Cash and cash equivalents	4	2,007,437	2,925,969
Other receivables	5	11,964	5,419
		<u>2,019,401</u>	<u>2,931,388</u>
<b>Total assets</b>		<u>13,401,965</u>	<u>13,366,570</u>
<b>Current liabilities (fall due in less than 1 year)</b>			
Accrued expenses and other payables	6	(46,402)	(64,120)
Subscriptions received in advance	7	(25,171)	(1,059)
		<u>(71,573)</u>	<u>(65,179)</u>
<b>Total liabilities</b>		<u>(71,573)</u>	<u>(65,179)</u>
<b>Total assets minus total liabilities</b>		<u>13,330,392</u>	<u>13,301,391</u>
<b>Unitholders' equity</b>			
Contribution of unitholders		12,877,257	12,396,914
Unappropriated gain		453,135	904,477
<b>Total unitholders' equity</b>	8	<u>13,330,392</u>	<u>13,301,391</u>

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

## Financial statements

### INCOME STATEMENT

(For the year ended 31 December 2015/for the period from 22 May 2014 to 31 December 2014)

	<i>Note</i>	<b>2015</b> <b>EUR</b>	<b>2014</b> <b>EUR</b> <i>[Note 2]</i>
<b>Investment income</b>			
<i>Direct investment result</i>			
Interest income	9	330	575
Dividend income	10	284,201	91,815
		<u><b>284,531</b></u>	<u><b>92,390</b></u>
<i>Indirect investment result</i>			
Realised gains on equities	3	792,359	552,930
Unrealised (losses)/gains on equities	3	(1,398,793)	412,989
Subscription and redemption fees		975	21,596
Foreign currency translation	11	184,019	67,024
		<u><b>(421,440)</b></u>	<u><b>1,054,539</b></u>
<b>Total investment (loss)/income</b>		<u><b>(136,909)</b></u>	<u><b>1,146,929</b></u>
<b>Expenses</b>			
Management fee	14, 15	(171,056)	(96,916)
Administration fee	14	(18,511)	(12,613)
Depositary fee	14	(14,786)	(5,404)
Audit fee	14	(14,620)	(12,705)
Other operational costs		(12,295)	(6,240)
Incorporation costs		(10,986)	(75,244)
Bank charges		(7,851)	(2,746)
FATCA fees		(4,532)	(4,255)
Custody fee	14	(4,468)	(4,592)
Interest expense		(2,232)	(79)
Legal fees		(605)	-
<b>Total expenses</b>	13	<u><b>(261,942)</b></u>	<u><b>(220,794)</b></u>
<b>Net (loss)/profit before tax</b>		<b>(398,851)</b>	<b>926,135</b>
Withholding tax		(52,491)	(21,658)
<b>Net (loss)/profit after tax</b>		<u><b>(451,342)</b></u>	<u><b>904,477</b></u>

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

## Financial statements

### STATEMENT OF CASH FLOWS

(For the year ended 31 December 2015/for the period from 22 May 2014 to 31 December 2014)

	<i>Note</i>	<b>2015</b> <b>EUR</b>	<b>2014</b> <b>EUR</b>
			<i>[Note 2]</i>
<b>Cash flows from operating activities</b>			
Purchases of investments		(5,462,463)	(13,529,671)
Proceeds from sale of investments		3,908,647	4,060,408
Interest received		266	546
Interest paid		(2,079)	(79)
Dividend received		277,720	86,425
Entry and exit fees received		975	21,596
Management fee paid		(185,045)	(69,613)
Custody fee paid		(4,468)	(4,592)
Depository fee paid		(14,786)	(5,404)
Incorporation costs paid		(10,986)	(75,244)
Bank charges paid		(7,851)	(2,742)
Withholding tax paid		(52,491)	(21,658)
Other income received		(1,000)	1,000
Administration fee paid		(26,374)	-
Audit fee		(14,620)	-
Legal fee paid		(605)	-
Other general expenses paid		(11,846)	-
<b>Net cash flows used in operating activities</b>		<b><u>(1,607,006)</u></b>	<b><u>(9,539,028)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of units		775,505	13,490,660
Payments on redemptions of units		(271,050)	(1,092,687)
<b>Net cash flows provided by financing activities</b>		<b><u>504,455</u></b>	<b><u>12,397,973</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,102,551)</b>	<b>2,858,945</b>
Cash and cash equivalents at the beginning of the year/period		2,925,969	-
Foreign currency translation of cash positions		184,019	67,024
<b>Cash and cash equivalents at the end of the year/period</b>	<i>4</i>	<b><u>2,007,437</u></b>	<b><u>2,925,969</u></b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank		81,554	109,878
Due from broker		1,925,883	2,816,091
<b>Total cash and cash equivalents</b>		<b><u>2,007,437</u></b>	<b><u>2,925,969</u></b>

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

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## 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. 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 2015 and 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 Custom House Global Fund Services Limited (the “Administrator”).

The Fund had no employees during the year ended 31 December 2015 or the period ended 31 December 2014.

The Fund Manager is subject to the supervision of the Netherlands Authority for the Financial Markets (“AFM”). On 22 July 2014, the AFM licence of the Fund Manager was automatically converted into an Alternative Investment Fund Managers Directive (“AIFMD”) licence by the AFM.

The financial statements have been authorised for issue by the Fund Manager on 29 June 2016.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with the reporting principles generally accepted in the Netherlands (“Dutch GAAP”) including the guidelines for annual reporting (RJ) 615 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.

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.

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## 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 (losses)/gains on equities'.

#### *Receivables and prepayments*

The value of accounts receivable and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or 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.

#### **Statement of cash flows**

The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the Fund's cash flows for the year divided into cash flows from operations and financing activities and how the cash flows have affected cash funds.

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

#### **Unitholders' equity**

All references to net asset value ("NAV") throughout the financial statements are equivalent to unitholders' equity.

## Notes to the financial statements

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

#### 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.

#### 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.

#### Comparatives

The comparative figures reflect the period from commencement on 22 May 2014 to 31 December 2014 and are therefore not entirely comparable with the current reporting period included in the financial statements.

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### Movement in schedule of investments

<i>(All amounts in EUR)</i>	<b>2015</b>	<b>2014</b>
<b>Investment in equities</b>		
As at 1 January/22 May	10,435,182	-
Purchases	5,462,463	13,529,671
Sales	(3,908,647)	(4,060,408)
Realised gain	381,503	318,107
Realised gain on foreign exchange differences	410,856	234,823
Unrealised loss	(2,070,157)	(290,683)
Unrealised gain on foreign exchange differences	671,364	703,672
<b>As at 31 December</b>	<b><u>11,382,564</u></b>	<b><u>10,435,182</u></b>

#### 4. Cash and cash equivalents

As at 31 December 2015, cash and cash equivalents comprise of balances held with ABN AMRO Clearing Bank N.V. amounting to EUR 81,554 (2014: EUR 109,878). As at 31 December 2015 and 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 1,925,883 (2014: EUR 2,816,091), representing amounts held in brokerage accounts.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 5. Other receivables

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

<i>(All amounts in EUR)</i>	<b>2015</b>	<b>2014</b>
Dividend receivable	11,871	5,390
Interest receivable	93	29
<b>Total other receivables</b>	<b><u>11,964</u></b>	<b><u>5,419</u></b>

#### 6. Accrued expenses and other payables

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

<i>(All amounts in EUR)</i>	<b>2015</b>	<b>2014</b>
Management fee payable	(13,314)	(27,303)
Audit fee payable	(12,705)	(12,705)
Foundation fee payable	(9,725)	(3,676)
Administration fee payable	(4,750)	(12,613)
FATCA fee payable	(4,606)	(4,255)
Other payables	(1,149)	(2,049)
Interest fee payable	(153)	-
Licence fees payable	-	(1,519)
<b>Total accrued expenses and other payables</b>	<b><u>(46,402)</u></b>	<b><u>(64,120)</u></b>

#### 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 2015, the subscriptions received in advance amount to EUR 25,171 (2014: EUR 1,059). On 4 January 2016 the Fund issued 145.3543 units of Unitclass A and 93.9049 units of Unitclass B 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, as 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 2015 and 31 December 2014, both Unitclass A and Unitclass B units are in issue.



## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

#### 8. Share capital (continued)

##### Structure of the Fund's capital (continued)

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

<i>(All amounts in EUR)</i>	<b>2015</b>	<b>2014</b>
<i>Contributions of unitholders</i>		
Balance at the beginning of the year/period	12,396,914	-
Issue of units	751,393	13,489,601
Redemption of units	(271,050)	(1,092,687)
<b>Total contributions at the end of the year/period</b>	<b><u>12,877,257</u></b>	<b><u>12,396,914</u></b>
<i>Unappropriated gain</i>		
Balance at the beginning of the year/period	904,477	-
Net profit after tax	(451,342)	904,477
<b>Total undistributed gain at the end of the year/period</b>	<b><u>453,135</u></b>	<b><u>904,477</u></b>
<b>Equity at the end of the year/period</b>	<b><u>13,330,392</u></b>	<b><u>13,301,391</u></b>

##### 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 year ended 31 December 2015 was as follows:

	<b>Units at the beginning of the year</b>	<b>Units issued</b>	<b>Units redeemed</b>	<b>Units at the end of the year</b>
Unitclass A	120,326.8670	4,478.3082	(2,463.6112)	122,341.5640
Unitclass B	3,757.6282	2,055.1875	-	5,812.8157
<b>Total</b>	<b><u>124,084.4952</u></b>	<b><u>6,533.4957</u></b>	<b><u>(2,463.6112)</u></b>	<b><u>128,154.3797</u></b>

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

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

##### 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 to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 9. Interest income

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

#### 10. Dividend income

Dividend income 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 year ended 31 December 2015, this amounted to gains of EUR 184,019 (period ended 31 December 2014: 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):

	2015		2014	
	Average	Closing	Average	Closing
<i>(Showing the equivalent of 1 Euro)</i>				
Great Britain Pound	0.7264	0.7372	0.7939	0.7766
Hong Kong Dollar	8.6071	8.4180	10.0786	9.3825
Japanese Yen	134.3600	130.6848	140.1000	144.9000
Norwegian Krone	8.9529	9.6074	8.3982	9.0155
United States Dollar	1.1102	1.0856	1.2999	1.2098

#### 12. Investment return

*(All amounts in EUR)*

	2015		2015	2014
	Profit	Loss	Total	Total
<b>Equities</b>				
Realised result	1,057,031	(264,672)	792,359	552,930
Unrealised result	1,490,853	(2,889,646)	(1,398,793)	412,989
<b>Total result</b>	<b>2,547,884</b>	<b>(3,154,318)</b>	<b>(606,434)</b>	<b>965,919</b>

## Notes to the financial statements

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

#### 13. Costs

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

<i>(All amounts in EUR)</i>	<b>2015</b>	<b>2014</b>
<b>Expenses accruing to Fund Manager</b>		
Management fee	(171,056)	(96,916)
<b>Other expenses</b>		
Administration fee	(18,511)	(12,613)
Depositary fee	(14,786)	(5,404)
Audit fee	(14,620)	(12,705)
Other operational costs	(12,295)	(6,240)
Incorporation costs	(10,986)	(75,244)
Bank charges	(7,851)	(2,746)
FATCA fees	(4,532)	(4,255)
Custody fee	(4,468)	(4,592)
Interest expense	(2,232)	(79)
Legal fees	(605)	-
<b>Total</b>	<b><u>(261,942)</u></b>	<b><u>(220,794)</u></b>

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 year ended 31 December 2015, all costs actually charged to the Fund were in accordance with the costs disclosed in the Prospectus. During the year, the Fund also incurred costs such as interest expense of EUR 2,232 (2014: EUR 79), FATCA fees of EUR 4,532 (2014: EUR 4,255), bank charges of EUR 7,851 (2014: EUR 2,746), legal fees of EUR 605 (2014: EUR Nil) and other general expenses of EUR 5,579 (2014: 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 year ended 31 December 2015, the ongoing charges ratio for the Fund is as follows:

	<b>2015</b>
Ongoing charges ratio including performance fees	1.84%
Ongoing charges ratio excluding performance fees	1.84%

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

	<b>2014</b>
Ongoing charges ratio including performance fees*	1.80%
Ongoing charges ratio excluding performance fees*	1.80%

#### Turnover factor

For the year ended 31 December 2015, the turnover factor for the Fund is 74.02% (2014: 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 the ongoing charges ratio is 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 year/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 year ended 31 December 2015 or the period ended 31 December 2014.

#### Administrator

The Fund has entered into an administration agreement with Custom House Global Fund Services Limited. 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 for the preparation of the annual report. No VAT has to be paid on these amounts.

Details of administration fees charged for the year/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 Accountants LLP as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 14,620 (2014: 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 year/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 year/period.

*2015 transactions and balances as at 31 December 2015*

	<b>Paid</b>	<b>Balance</b>
	<b>EUR</b>	<b>EUR</b>
Management fee	(185,045)	(13,314)

*2014 transactions and balances as at 31 December 2014*

	<b>Paid</b>	<b>Balance</b>
	<b>EUR</b>	<b>EUR</b>
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 708.1228 units (31 December 2014: 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 achieve 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 6 and 7 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 2015 and 31 December 2014, price risk arises on the Fund's investments in equities.

## Notes to the financial statements

### 16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS *(CONTINUED)*

#### Market risk *(continued)*

##### Market price risk *(continued)*

The Fund's diversification of financial assets at fair value through profit or loss represented per significant industry sector as at 31 December 2015 and 31 December 2014 is as follows:

<b>Sector</b>	<b>2015 EUR</b>	<b>% of unitholders' equity</b>	<b>2014 EUR</b>	<b>% of unitholders' equity</b>
Semiconductors	1,324,535	9.9	1,410,275	10.6
Internet	1,171,140	8.9	1,028,195	7.7
Insurance	1,085,502	8.1	677,787	5.1
Telecommunications	964,430	7.2	-	-
Media	960,367	7.2	-	-
Software	682,919	5.1	-	-
Retail	-	-	765,053	5.8
Other sectors	5,193,671	39.0	6,553,872	49.3
	<b>11,382,564</b>	<b>85.4</b>	<b>10,435,182</b>	<b>78.5</b>

The table below details the sensitivity of the Fund's investments to a reasonable possible increase of 5% at 31 December 2015 and 31 December 2014:

<b>Sector</b>	<b>2015 Amount in EUR</b>	<b>% of unitholders' equity</b>	<b>2014 Amount in EUR</b>	<b>% of unitholders' equity</b>
Semiconductors	66,227	0.5	70,514	0.5
Internet	58,557	0.4	51,410	0.4
Insurance	54,275	0.4	33,889	0.3
Telecommunications	48,222	0.4	-	-
Media	48,018	0.4	-	-
Software	34,146	0.3	-	-
Retail	-	-	38,253	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.

## Notes to the financial statements

### 16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

#### Market risk (continued)

##### 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 2015 and 31 December 2014 is as follows:

	2015		2014	
	Fair value EUR	% of unitholders' equity	Fair value EUR	% of unitholders' equity
<b>Currency</b>				
Great Britain Pound	1,010,489	7.6	1,032,823	7.8
Hong Kong Dollar	634,996	4.8	503,149	3.8
Japanese Yen	1,550,278	11.6	697,384	5.2
Norwegian Krone	436,189	3.3	305,392	2.3
United States Dollar	9,185,134	68.9	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 amount to EUR 2,019,401 (2014: EUR 2,931,388).

All transactions of the Fund are cleared by ABN AMRO Clearing Bank N.V. representing a concentration risk. Bankruptcy or insolvency of ABN AMRO Clearing Bank N.V. may cause the Fund's rights with respect to the cash and/or its investments to be delayed or limited. The Fund regularly monitors its risk by monitoring the credit quality of ABN AMRO Clearing Bank N.V. as reported.

As at 31 December 2015, the credit rating of ABN AMRO Clearing Bank N.V. is 'A' (2014: 'A'), as determined by Standard and Poor's. If the credit quality or the financial position of this entity deteriorates significantly the Investment Manager will deal with another provider.

##### 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.

### 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 year ended 31 December 2015 to the value of EUR 10,000 (2014: EUR 15,000).

## Notes to the financial statements

### 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.

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>Unitholders' equity attributable to holders of units in accordance with the Prospectus</b>	13,387,685	13,367,492
<b>Adjustments</b>		
Unamortised incorporation costs	(57,293)	(66,101)
<b>Adjusted unitholders' equity attributable to holders of units in accordance with Dutch GAAP</b>	<b><u>13,330,392</u></b>	<b><u>13,301,391</u></b>
<b>Number of units</b>		
Unitclass A	122,341.5640	120,326.8670
Unitclass B	5,812.8157	3,757.6282
<b>Unitholders' equity per unit in accordance with the Prospectus</b>		
Unitclass A	104.36	107.70
Unitclass B	106.48	108.52
<b>Adjusted unitholders' equity per unit in accordance with Dutch GAAP</b>		
Unitclass A	103.92	107.17
Unitclass B	106.03	107.99



## Investment portfolio as at 31 December 2015

Assets		Fair value	% of
	Currency	EUR	unitholders' equity
<b>Equities</b>			
American International Group Inc.	USD	744,942	5.6
Apollo Group Inc.	USD	221,593	1.7
AtoS	EUR	363,241	2.7
Berkshire Hathaway Inc.	USD	340,560	2.6
Blucora Inc.	USD	214,389	1.6
Cisco Systems Inc.	USD	377,258	2.8
Coash Inc.	USD	370,263	2.8
Dena Co Ltd	JPY	368,350	2.8
Fluor Corp	USD	240,319	1.8
FTD Cos Inc.	USD	279,491	2.1
Gilead Sciences Inc.	USD	192,015	1.4
International Business Machines Corp	USD	212,971	1.6
Luk Food Holdings International Ltd	HKD	179,086	1.3
Michael Kors Holdings Ltd	USD	198,898	1.5
Nexon Co Ltd	JPY	308,911	2.3
Nu Skin Enterprises Inc.	USD	205,924	1.5
Oracle Corp	USD	682,919	5.1
Outerwall Inc.	USD	157,018	1.2
Performant Financial Corp	USD	53,558	0.4
Philip Morris International Inc.	USD	415,418	3.1
QinetiQ Group Plc	GBP	170,381	1.3
QUALCOMM Inc.	USD	611,690	4.6
Royal Mail Plc	GBP	359,551	2.7
Samsung Electronics Co Ltd	USD	712,845	5.3
Scripps Networks Interactive Inc.	USD	269,450	2.0
SJM Holdings Ltd	HKD	216,785	1.6
Softbank Corp	JPY	587,172	4.4
Sotsu Co Ltd	JPY	219,175	1.6
Spectrum ASA	NOK	118,686	0.9
Starz – A	USD	261,526	2.0
Subsea 7 SA	NOK	282,200	2.1
Tata Motors Ltd	USD	268,748	2.0
Television Broadcasts Ltd	HKD	232,178	1.7
Tesco Plc	GBP	343,979	2.6
Theravance Inc.	USD	403,862	3.0
Tribune Publishing Co	USD	197,123	1.5
		<b>11,382,564</b>	<b>85.4</b>

## Investment portfolio as at 31 December 2014

Assets		Fair value	% of
	Currency	EUR	unitholders' equity
<b>Equities</b>			
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
		<b>10,435,182</b>	<b>78.5</b>

## Other information

### Provisions of the Prospectus on distribution policy

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

### Provision of information

This annual report 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](http://www.priviumfund.com).

### Events after the balance sheet date

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

### Date of authorisation

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 29 June 2016.

## Independent auditor's report

To: The Board of Directors of Principia Fund N.V.

### Report on the financial statements

We have audited the financial statements 2015 of Principia Fund N.V., Amsterdam, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of cash flows for the year then ended and 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 with respect to the financial statements

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 2015, 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.

#### Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the investment manager's report, to the extent we can assess, has been prepared in accordance with Title 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the fund manager, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, 29 June 2016

Ernst & Young Accountants LLP

signed by R. Bleijs