

# Multi Strategy Alternatives Fund

The Netherlands

ANNUAL REPORT

**for the year ended 31 December 2017**

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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
Delegate/Investment Advisor	Box Consultants B.V. Burgemeester Mollaan 72 5582 CK Waalre The Netherlands
Administrator	Custom House Fund Services (Netherlands) B.V. Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Legal Owner	Stichting Juridisch Eigendom Multi Strategy Alternatives Fund Barbara Strozziilaan 101 1083 HN Amsterdam The Netherlands
Independent Auditor	Ernst & Young Accountants LLP Antonio Vivaldistraat 150 1083 HP Amsterdam The Netherlands
Custodian	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Legal Advisor	Van Campen Liem J.J. Viottastraat 52 1071 JT Amsterdam The Netherlands
Depository	Darwin Depository Services B.V. Barbara Strozziilaan 101 1083 HN Amsterdam The Netherlands

## Historical overview

### Key figures

	2017	2016	2015 <sup>1</sup>
<i>(All amounts in USD)</i>			
Equity at the beginning of the year/period	127,967,483	119,726,018	-
Issue of participations	11,546,000	13,745,371	123,654,549
Direct investment result	63,158	42,151	1,680
Indirect investment result	9,030,507	(2,509,070)	618,990
	<b>148,607,148</b>	<b>131,004,470</b>	<b>124,275,219</b>
Redemption of participations	(10,429,626)	(2,724,757)	(4,116,825)
Expenses	(344,912)	(312,230)	(432,376)
<b>Equity at the end of the year/period</b>	<b>137,832,610</b>	<b>127,967,483</b>	<b>119,726,018</b>
Investments	137,029,417	123,007,719	107,313,013
Cash	858,768	4,025,330	2,642,344
Other assets and liabilities	(55,575)	934,434	9,770,661
<b>Equity at the end of the year/period</b>	<b>137,832,610</b>	<b>127,967,483</b>	<b>119,726,018</b>
<b>Net profit/(loss)</b>			
Investment income	63,158	42,151	1,680
Indirect investment result	9,030,507	(2,509,070)	618,990
Expenses	(344,912)	(312,230)	(432,376)
<b>Net profit/(loss)</b>	<b>8,748,753</b>	<b>(2,779,149)</b>	<b>188,294</b>
<b>Number of participations</b>			
Class A participations	1,263,567.5118	1,302,951.5860	1,190,071.8548
Class C participations <sup>2</sup>	50,082.8611	-	-
<b>NAV per participation in accordance with Dutch GAAP<sup>3</sup></b>			
Class A participations	105.03	98.21	100.60
Class C participations	102.34	-	-
<b>NAV per participation in accordance with the Prospectus<sup>3</sup></b>			
Class A participations	105.04	98.23	100.63
Class C participations	102.35	-	-
<b>Performance</b>			
Class A participations	6.94%	(2.38)%	-
Class C participations	2.34%	-	-

<sup>1</sup> The Fund commenced operations on 15 January 2015.

<sup>2</sup> The Class C participations were issued in November 2017.

<sup>3</sup> The NAV per participation is calculated in accordance with Dutch GAAP. Refer to note 15 of these financial statements for the reconciliation between the NAV calculated in accordance with the Prospectus and the NAV calculated in accordance with Dutch GAAP.

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## Management Report

### Review 2017

The Multi Strategy Alternatives Fund (MSAF) returned +6.93% in 2017. The benchmark, the HFRI FoF Conservative Index, returned +4.11% in 2017. For the fund 2017 proved to be a profitable year, outperforming the benchmark. The main investment objective of the Fund is to achieve long term growth while preserving capital. 2017 was a year characterized by the interaction of uncertainty and enthusiasm as elections, fiscal policy and geopolitical tensions dominated headlines against a backdrop of improving growth. Ultimately, the risks that worried many market participants in early 2017, including protectionist trade policies and European election outcomes, failed to materialize, resulting in a renewed focus on the fundamental economic backdrop. As the year progressed and synchronous global growth gathered momentum, developed market central bank rhetoric and actions turned more hawkish, though subdued inflation helped to keep policy expectations anchored. The Federal Reserve continued on its well-telegraphed path of gradual rate normalization, while also commencing balance sheet reduction measures. These policy tightening measures presented tactical trading opportunities in fixed income sectors, but did little to impact US ten-year yields, US financial conditions or dollar strength. The passage of tax reform into year-end marked a victory for the Trump administration and is widely expected to provide a boost to growth at a time when the US economy is already on solid footing. The US Presidential election marked an inflection point, with implications that carried over into 2017 as markets evaluated the potential for pro-growth fiscal policies in the US.

During 2017 all underlying funds were profitable. Especially the market neutral equity funds and the long/short equity funds in the portfolio of the MSAF experienced a good year. During the year a Global Macro Fund was added to the portfolio of MSAF. No divestments took place other than some general rebalancing of positions.

As at 31 December 2017 the Portfolio of the MSAF consists of 11 underlying funds. Direct FX exposures within the Fund were hedged during the full year of 2017 and we expect to continue to do so.

### Outlook 2018

Markets have started 2018 with enthusiasm as the backdrop for risk markets appears favorable, supported by constructive growth data globally, robust labor markets, and market participants that have generally been under-risked. We believe this backdrop has some runway to persist, particularly with the tailwind of tax reform in the US.

As we begin the new calendar year, certain themes we have positioned for will remain important, while others warrant re-evaluation in the context of the current market environment. As developed market central banks continue to move down the path of policy normalization, gradually stepping back from years of unconventional monetary policies, we expect this will have implications and create opportunity in global interest rate and spread markets.

With the economy at full employment and US inflation trending higher, the boost from tax reform could further accelerate inflation, which has been muted through the recovery. This will inevitably have implications for the Federal Reserve's policy response.

Interestingly, in a year filled with headline risk, the US ten-year rate ended roughly unchanged. We believe this has fostered complacency as market participants are underappreciating a potential pick up in volatility as we move to higher rates, the composition of the Fed changes and tax stimulus takes effect. In this environment of low volatility, we maintain a risk-aware approach to investing and remain mindful of potential for shifting correlations in markets.

Many of the geopolitical risks that markets contemplated in early 2017, such as protectionist trade policies, failed to materialize. However, these have the potential to resurface in 2018 alongside a new set of risks to monitor, including elections in Europe and emerging markets. We will also closely monitor central bank leadership changes and policy responses, particularly from the ECB and BOJ, as the trajectory is toward a reduction in accommodation.

## Management Report (*continued*)

We maintain a low beta and a low net exposure to both equity and fixed income markets, which has proven to be the right strategy in an eventful year. We maintained our allocation to Equity Long/Short and Equity Market Neutral given increased dispersion across stocks and to maintain a low portfolio beta. We are also keeping an overweight position in Event Driven given the tailwind of a lower corporate tax rate, accommodating policy for foreign cash repatriation and increase in rates in the US. We decreased the allocation to Multi Strategy Funds and as explained in the 2017 review paragraph we started allocating to a Macro Fund. This alongside our existing allocation towards CTA's. We prefer the combination because of the negative correlation of both strategies towards long only markets i.e. equity and bonds. Moreover, Macro Funds prove to be pro active while CTA's have proven to be reactive compared to macro-economic developments.

### General principles of remuneration policy Privium Fund Management B.V. ('Privium')

Privium Fund Management B.V. has a careful, controlled and sustainable remuneration policy which meets all the requirements included in the Alternative Investment Fund Managers Directive (AIFMD) and the guidelines on sound remuneration policies under the AIFMD (ESMA Guidelines). The remuneration policy is consistent with and contributes to a sound and effective risk management framework and does not encourage risk taking beyond what is acceptable for Privium Fund Management B.V.

The Board of Privium Fund Management B.V. is responsible for establishing the Remuneration policy. The Board of Privium Fund Management B.V. reviews the Remuneration policy at least once a year and the policy may be amended if circumstances warrant that.

Remunerations at Privium Fund Management B.V. may consist out of a fixed salary (this may include a payment to cover certain expenses of staff members) and a variable remuneration.

Privium Fund Management B.V. may reclaim all or part of the variable remuneration paid if (i) this payment was made on the basis of incorrect information, (ii) in the event of fraud by the employee, (iii) in the event of serious improper behaviour by the employee or serious negligence in the performance of his tasks, or (iv) in the event of behaviour that has resulted in considerable losses for the institution.

### Remuneration policy 2017

This policy is based on the situation as of 31 December 2017. The financial year of the Fund Manager ends on 31 December of any year. The financial year of the Windmill Trend Evolution Fund ends on 30 June of any year, while the financial year of all other Funds of which Privium is the Fund Manager will end on 31 December of any year.

For some of the funds the compensation consists of both a management and a performance fee. In 2017, the aggregate costs for staff totalled EUR 2,451,200. In the table below the Board of Privium Fund Management is being described as Identified Staff in senior management roles. All other staff members are categorized as identified staff outside senior management roles.

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	2	19	21
Total fixed payment	€120,600	€2,330,600	€2,451,200

Variable payments to staff members in senior management roles are dependent on the profitability of the company. Variable payments to identified staff outside senior management depend on the profitability of the company and/or the performance of the funds. In 2017, no variable payments regarding the Multi Strategy Alternatives Fund have been paid to any Identified Staff of Privium Fund Management B.V.

Privium Fund Management BV, the investment manager of the fund, does not charge any employee remuneration fees to the fund (except for the Supermarkt VastGoed fund). Employee remuneration is paid out of the management and performance fees (if any). In total 21 staff members were involved during (some part of) the year, including both part-time and full time staff.

## Management Report *(continued)*

### Remuneration Investee Funds

The Multi Strategy Alternatives Fund invests in other Investee Funds. These Funds are managed by other Investment Managers. These Investment Managers are regulated and need to comply with the local legislation in the countries in which they are regulated.

The Investment Objective and Investment Strategy of the Investee Funds are guided by a clear framework and should avoid any excessive risk taking. The Investment Managers of the Investee Funds each have remuneration policies in place as required by law. This both includes fixed and variable remuneration. In the audited financial statements of the Investee Funds these remuneration policies are explained in greater detail. Also on the websites of the Investment Managers these remuneration policies have been published.

### Risk management and willingness to take risks

In the table below we list the various risk to which investors in the Fund are exposed and we discuss the measures applied to manage these risks and their potential impact on the Fund's NAV's.

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Impact on 2017 NAV	Expected impact on 2018 NAV if risk materializes	Adjustments to risk management in 2017 or 2018
Manager Risk/Price risk	No	The Fund maintains investments in other investment funds (hedge funds). These funds are managed by external Fund Management companies. A rigid due diligence process is in place when investment funds are selected.	The Fund gained +6.93% in 2017. The Fund outperformed its benchmark which gained +4.11% (HFRI Fund of Fund Conservative Index).	Much will depend on the actual positioning of the underlying investment funds. However we expect that the selected investments funds will perform better than general equity markets over the long term. Especially measured on a risk/return basis.	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
Foreign Exchange risk	Yes	Direct FX risk is hedged within the fund.	None	None	No
Liquidity risk	No	Liquidity risk mostly has been mitigated by investing in positions that offer sufficient liquidity.	None	We would not expect a negative NAV impact if this risk would materialize.	No
Credit risk	No	Spare cash is maintained at ABN AMRO Clearing. ABN AMRO Clearing has an A credit rating (S&P credit rating) and we would reconsider the relationship 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
Leverage Risk	No	The Fund is not utilizing any borrowings to take positions. Because the Fund is hedging direct FX risk by using FX forwards, the fund is utilizing implied leverage. As of December 31, 2017 the leverage calculations according to the Gross method and Commitment method are as follows: Gross method: 114.79% and Commitment method: 115.46%.	None	None	None

## Management Report (*continued*)

### Control Statement

The Board of Privium Fund Management B.V. declares to have an AO/IB (Handbook) that meets the requirements of the “Wet op het financieel toezicht and the ‘Besluit gedragtoezicht financiële ondernemingen (“Bgfo”)’.

During 2017, we assessed the various aspects of the Privium operations as outlined in the AO/IB (Handbook). We have not identified any internal control measures that do not meet the requirements of Article 121 of the Bgfo and as such we declare that the operations in the year 2017 functioned effectively as described. During 2017 a number of independent service providers have conducted checks on Privium’s operations as part of their ongoing responsibility. No errors have been signalled.

Privium is updating its AO/IC (Handbook) on a regular basis as required by law. The 2017 update was finalized in November 2017. During the fourth quarter of 2017 the external audit officer performed its annual due diligence on a number of internal procedures at the Fund Manager. These are mostly related to Compliance and Risk Management. The external audit officer has reported his findings to the Fund Manager in a report. No meaningful errors have been signalled.

## Financial statements

### BALANCE SHEET

(As at 31 December)

	<i>Note</i>	<b>31 December 2017 USD</b>	<b>31 December 2016 USD</b>
<b>Assets</b>			
<b>Investments</b>			
Investee funds		137,029,170	123,046,224
Derivative financial assets		59,585	59,839
	3	<u>137,088,755</u>	<u>123,106,063</u>
<b>Current assets (fall due in less than 1 year)</b>			
Cash	4	858,768	4,025,330
Interest receivable		5,922	1,349
Prepaid investments	5	-	1,000,000
		<u>864,690</u>	<u>5,026,679</u>
<b>Total assets</b>		<u>137,953,445</u>	<u>128,132,742</u>
<b>Investment liabilities</b>			
Derivative financial liabilities		(57,641)	(72,280)
Investee funds		(1,697)	(26,064)
	3	<u>(59,338)</u>	<u>(98,344)</u>
<b>Current liabilities (fall due in less than 1 year)</b>			
Accrued expenses and other payables	6	(61,497)	(66,915)
		<u>(61,497)</u>	<u>(66,915)</u>
<b>Total liabilities</b>		<u>(120,835)</u>	<u>(165,259)</u>
<b>Total assets minus total liabilities</b>		<u>137,832,610</u>	<u>127,967,483</u>
<b>Equity</b>			
Contribution of participants		131,674,712	130,558,338
Unappropriated gain/(loss)		6,157,898	(2,590,855)
<b>Total shareholders' equity</b>	7,15	<u>137,832,610</u>	<u>127,967,483</u>

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

## Financial statements

### INCOME STATEMENT

(For the years ended 31 December)

	<i>Note</i>	<b>2017</b> <b>USD</b>	<b>2016</b> <b>USD</b>
<b>Investment result</b>			
<i>Direct investment result</i>			
Interest income	8	<u>63,158</u>	<u>42,151</u>
		<b><u>63,158</u></b>	<b><u>42,151</u></b>
<i>Indirect investment result</i>			
Realised gains/(losses) on investee funds	3,10	572,826	(855,089)
Realised (losses)/gains on derivative financial instruments	3,10	(3,242,090)	1,310,157
Unrealised gains/(losses) on investee funds	3,10	11,053,704	(2,304,824)
Unrealised gains/(losses) on derivative financial instruments	3,10	14,385	(5,889)
Foreign currency gains/(losses) on translation	9	<u>631,682</u>	<u>(653,425)</u>
		<b><u>9,030,507</u></b>	<b><u>(2,509,070)</u></b>
<b>Total investment income/(loss)</b>		<b><u>9,093,665</u></b>	<b><u>(2,466,919)</u></b>
<b>Expenses</b>			
Management fee	11 12,13	(116,822)	(111,684)
Administration fee	12	(58,019)	(53,503)
Custody fee	12	(43,216)	(40,683)
Interest expense		(35,313)	(49,030)
Other operational costs		(32,532)	(22,068)
Depositary fee	12	(22,625)	(20,771)
Bank charges		(17,899)	(19,218)
Auditor's fee	12	(15,055)	(10,682)
Incorporation (fee)/credit		(3,431)	740
Legal ownership credit		-	14,669
<b>Total expenses</b>		<b><u>(344,912)</u></b>	<b><u>(312,230)</u></b>
<b>Net profit/(loss)</b>		<b><u>8,748,753</u></b>	<b><u>(2,779,149)</u></b>

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

## Financial statements

### STATEMENT OF CASH FLOWS (For the years ended 31 December)

	<i>Note</i>	<b>2017</b> <b>USD</b>	<b>2016</b> <b>USD</b>
<b>Cash flows from operating activities</b>			
Purchase of investments		(24,550,000)	(68,875,000)
Proceeds from sale of investments		23,169,217	59,870,493
Net (payments)/receipts from derivative financial assets and liabilities		(3,242,090)	1,310,157
Management fee paid		(116,467)	(111,067)
Administration fee paid		(56,344)	-
Custody fee paid		(48,725)	(45,200)
Other general expenses paid		(40,246)	(87,977)
Dividend received		26,104	23,127
Depository fee paid		(22,625)	(20,771)
Bank charges paid		(17,899)	(19,218)
Audit fee paid		(12,165)	-
Incorporation costs (paid)/received		(3,431)	740
Interest received/(paid)		53	(29,487)
<b>Net cash flows used in operating activities</b>		<b><u>(4,914,618)</u></b>	<b><u>(7,984,203)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of participations		11,546,000	12,745,371
Payments on redemptions of participations		(10,429,626)	(2,724,757)
<b>Net cash flows provided by financing activities</b>		<b><u>1,116,374</u></b>	<b><u>10,020,614</u></b>
<b>Net (decrease)/increase in cash</b>		<b>(3,798,244)</b>	<b>2,036,411</b>
Cash at the beginning of the year		4,025,330	2,642,344
Foreign currency gains/(losses) on translation of cash positions		631,682	(653,425)
<b>Cash at the end of the year</b>	<b>4</b>	<b><u>858,768</u></b>	<b><u>4,025,330</u></b>
<b>Analysis of cash</b>			
Cash at bank		858,768	2,775,593
Due from broker		-	1,249,737
<b>Total cash</b>	<b>4</b>	<b><u>858,768</u></b>	<b><u>4,025,330</u></b>

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

## Notes to the financial statements

### 1. GENERAL INFORMATION

Multi Strategy Alternatives Fund (the “Fund”) is an open-ended investment fund (*beleggingsfonds*) for joint account (*besloten fonds voor gemene rekening*) organised and established on 30 July 2014 under the laws of the Netherlands. The Fund is not a legal entity (*rechtspersoon*), but a contractual arrangement *sui generis* between the Fund Manager, the Legal Owner and each of the participants separately, governing the assets and liabilities acquired or assumed by the Legal Owner for the account and risk of the Participants. The Fund commenced operations on 15 January 2015. The most recent Prospectus of the Fund was issued in October 2017.

The Fund may issue Class A participations, Class B participations and Class C participations. As at 31 December 2017, only the Class A participations and the Class C participations are in issue.

The investment objective of the Fund is to achieve long term growth by investing in a diversified portfolio of investee funds worldwide, predominantly hedge funds. When selecting investee funds, the Fund Manager will focus on fund managers that manage at least EUR 100,000,000 in the same strategy. The aim is to avoid illiquid strategies and illiquid investee funds.

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

The Fund had no employees during the years ended 31 December 2017 and 2016.

The Fund Manager is subject to supervision by the AFM (Stichting Autoriteit Financiële Markten) and DNB (Central Bank of the Netherlands). 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 15 June 2018.

### 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 have also been prepared in accordance with the requirements of the Dutch Financial Supervision ACT (“FSA”), which came into force on 1 January 2007.

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 United States Dollar (“USD”), 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 USD are converted to USD 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 participations**

The participations of the Fund are classified as equity. These participations 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 and financial derivatives 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 calculated based on historical cost and recognised in the income statement as 'realised gains/(losses) on investee funds' and 'realised (losses)/gains on derivative financial instruments' or 'unrealised gains/(losses) on investee funds' and 'unrealised gains/(losses) on derivative financial instruments'.

The Fund's investments in investee funds are valued based on the reporting received from the administrators of those funds. As at 31 December 2017 and 2016, the value of investments in investee funds is the aggregate of the Fund's attributable share of the latest available net asset value ("NAV") of the investee funds.

The profit or loss of the Fund on its investments in investee funds is the aggregate of the Fund's attributable share of the result of the investee funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the investee funds. As at 31 December 2017 and 2016, no such adjustments were made.

Where an up-to-date value of an underlying investment is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value.

#### *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**

Cash comprises cash on hand and demand deposits. Cash also includes 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.

## Notes to the financial statements

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

#### **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.

#### **Shareholders' equity**

All references to NAV throughout the financial statements are equivalent to shareholders' equity.

#### **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 value of investments in investee funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Interest income and expense 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 participant) are not subject to dividend withholding tax.

## Notes to the financial statements

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### *Movement in schedule of investments*

<i>(All amounts in USD)</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Investment in investee funds</b>		
As at 01 January	123,020,160	107,319,565
Purchases	16,450,000	68,231,001
Sales	(14,069,217)	(49,370,493)
Realised	572,826	(855,089)
Unrealised	11,053,704	(2,304,824)
<b>As at 31 December</b>	<b><u>137,027,473</u></b>	<b><u>123,020,160</u></b>
<b>Derivative financial instruments</b>		
As at 01 January	(12,441)	(6,552)
Purchases	3,242,090	(1,310,157)
Realised	(3,242,090)	1,310,157
Unrealised	14,385	(5,889)
<b>As at 31 December</b>	<b><u>1,944</u></b>	<b><u>(12,441)</u></b>
<b>Total investments</b>		
As at 01 January	123,007,719	107,313,013
Purchases	28,792,090	66,920,844
Sales	(23,169,217)	(49,370,493)
Realised	(2,669,264)	455,068
Unrealised	11,068,089	(2,310,713)
<b>As at 31 December</b>	<b><u>137,029,417</u></b>	<b><u>123,007,719</u></b>

The table below provides an analysis of the forward currency contracts at 31 December 2017:

<b>Expiration date</b>	<b>Contract currency</b>	<b>Bought</b>	<b>Contract currency</b>	<b>Sold</b>	<b>Contract rate*</b>	<b>Valuation rate*</b>	<b>Unrealised USD</b>
31/01/2018	USD	25,313,168	EUR	21,100,000	1.19968	1.20241	(57,641)
03/01/2018	EUR	1,000,000	USD	1,197,640	1.19764	1.20050	2,860
03/01/2018	EUR	7,200,000	USD	8,623,222	1.19767	1.20050	20,378
03/01/2018	EUR	2,900,000	USD	3,473,273	1.19768	1.20050	8,177
03/01/2018	EUR	1,000,000	USD	1,197,660	1.19766	1.20050	2,840
03/01/2018	EUR	1,000,000	USD	1,197,650	1.19765	1.20050	2,850
03/01/2018	EUR	2,000,000	USD	2,395,440	1.19772	1.20050	5,560
03/01/2018	EUR	6,000,000	USD	7,186,080	1.19768	1.20050	16,920
<b>Total unrealised gain on open forward currency contracts</b>							<b><u>1,944</u></b>

\* Showing the equivalent of 1 Euro.

## Notes to the financial statements

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

#### 3. Investments (continued)

##### *Movement in schedule of investments (continued)*

The table below provides an analysis of the forward currency contracts at 31 December 2016:

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Valuation rate*	Unrealised USD
31/01/2017	USD	20,711,555	EUR	19,600,000	1.056712	1.053659	59,839
03/01/2017	EUR	3,500,000	USD	3,694,190	1.055483	1.052000	(12,190)
03/01/2017	EUR	10,100,000	USD	10,662,370	1.055680	1.052000	(37,170)
03/01/2017	EUR	1,000,000	USD	1,055,470	1.055470	1.052000	(3,470)
03/01/2017	EUR	1,000,000	USD	1,055,750	1.055750	1.052000	(3,750)
03/01/2017	EUR	1,000,000	USD	1,055,520	1.055520	1.052000	(3,520)
03/01/2017	EUR	2,000,000	USD	2,110,970	1.055485	1.052000	(6,970)
03/01/2017	EUR	1,500,000	USD	1,583,210	1.055473	1.052000	(5,210)
<b>Total unrealised loss on open forward currency contracts</b>							<b>(12,441)</b>

\* Showing the equivalent of 1 Euro.

The tables below provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value based on how that fair value is determined.

#### 31 December 2017

	Total USD	Quoted prices (unadjusted) in active markets USD	Other USD
Investment in investee funds (assets)	137,029,170	84,222,788	52,806,382*
Investment in investee funds (liabilities)	(1,697)	(1,697)	-
Derivative financial assets	59,585	59,585	-
Derivative financial liabilities	(57,641)	(57,641)	-
<b>Total</b>	<b>137,029,417</b>	<b>84,223,035</b>	<b>52,806,382</b>

#### 31 December 2016

	Total USD	Quoted prices (unadjusted) in active markets USD	Other USD
Investment in investee funds (assets)	123,046,224	48,280,437	74,765,787*
Investment in investee funds (liabilities)	(26,064)	-	(26,064)*
Derivative financial assets	59,839	59,839	-
Derivative financial liabilities	(72,280)	(72,280)	-
<b>Total</b>	<b>123,007,719</b>	<b>48,267,996</b>	<b>74,739,723</b>

\*For the investment in investee funds, the fair value is derived from Administrator statements.

## Notes to the financial statements

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

#### 4. Cash

As at 31 December 2017, cash comprises of balances held with ABN AMRO Clearing Bank N.V. amounting to USD 858,768 (2016: USD 2,775,593).

As at 31 December 2017, balances due from ABN AMRO Clearing Bank N.V. amount to USD Nil (2016: USD 1,249,737).

#### 5. Prepaid investments

During the year ended 31 December 2017, the fund did not have any prepaid investments. During the year 31 December 2016, the Fund subscribed for shares of investee funds which were to be settled on the first business day after the reporting date. Subscribers in investee funds are required to pay in advance prior to settlement. The prepaid investments represent the amounts paid in advance to the funds. All prepaid investments have been converted into the following investments subsequent to 31 December 2016.

<i>(All amounts in USD)</i>	<b>31 December 2016</b>
Global Event Partners, Class A1 USD – Series 5	1,000,000
<b>Total prepaid investments</b>	<b><u>1,000,000</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 USD)</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
Administration fee payable	(17,969)	(16,294)
Audit fee payable	(13,073)	(10,183)
FATCA fee payable	(11,045)	(9,678)
Management fee payable	(9,955)	(9,600)
Interest payable	(5,492)	(2,606)
Custody fee payable	(2,600)	(8,109)
Other payables	(1,363)	(1,710)
Regulator fee payable	-	(8,735)
<b>Total accrued expenses and other payables</b>	<b><u>(61,497)</u></b>	<b><u>(66,915)</u></b>

#### 7. Share capital

##### *Structure of the Fund's capital*

Multi Strategy Alternatives Fund is structured as an open-ended contractual fund for joint accounts which is subject to Dutch law. The Fund may issue Class A participations, Class B participations and Class C participations. All classes are subject to the same investment objective and investment strategy. The sole difference between the different classes is that Class A participants will pay a lower management fee, due to the fact that the Delegate/Investment Advisor will waive its advisory fee that is payable out of the management fee for Class A. Only investors that are a client of the Delegate/Investment Advisor shall be issued Class A participations against each such participants' individual subscription. Class C participations will pay no management fee, due to the fact that both the Delegate and the Fund Manager will waive, respectively, the delegation fee payable out of the management fee and the management fee payable for this Class. Other participants subscribing will be issued Class B participations, unless otherwise determined by the Fund Manager in its sole discretion. The holders of Class A participations at any time wishing to increase their subscriptions, shall be issued Class A participations. As at 31 December 2017, only the Class A participations and Class C participations are in issue.

## Notes to the financial statements

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

#### 7. Share capital (continued)

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

The movement of equity in the participations during the year ended 31 December 2017 and 2016 is as follows:

<i>(All amounts in USD)</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
<i>Contributions of participants</i>		
Balance at the beginning of the year	130,558,338	119,537,724
Issue of participations	11,546,000	13,745,371
Redemption of participations	<u>(10,429,626)</u>	<u>(2,724,757)</u>
<b>Total contributions at the end of the year</b>	<b><u>131,674,712</u></b>	<b><u>130,558,338</u></b>
<i>Unappropriated gain/(loss)</i>		
Balance at the beginning of the year	(2,590,855)	188,294
Net gain/(loss)	<u>8,748,753</u>	<u>(2,779,149)</u>
<b>Total undistributed gain/(loss) at the end of the year</b>	<b><u>6,157,898</u></b>	<b><u>(2,590,855)</u></b>
<b>Equity at the end of the year</b>	<b><u>137,832,610</u></b>	<b><u>127,967,483</u></b>

##### Subscriptions and redemptions

Participants can, at the sole discretion of the Fund Manager, subscribe to the Fund on the first business day of each calendar month ("subscription day") at the NAV per participation as at the valuation day immediately preceding the subscription day ("subscription price"). The minimum initial subscription for each participant is USD 100,000. Participations were issued at an initial subscription price of USD 100 per participation and thereafter at the NAV per participation.

The Fund will enable participants to redeem participations at the NAV per participation as at the valuation day immediately preceding the redemption day ("redemption price") on the first business day of each calendar month ("redemption day"). The Administrator must receive the redemption request in proper form at least 2 months before the relevant redemption day. The Fund Manager may decide, in its sole discretion to accept redemption notices which are not received in a timely manner.

The movement of the participations during the year ended 31 December 2017 was as follows:

	<b>Participations at the beginning of the year</b>	<b>Participations issued</b>	<b>Participations redeemed</b>	<b>Participations at the end of the year</b>
Class A	1,302,951.5860	63,887.3227	(103,271.3969)	1,263,567.5118
Class C	-	<u>50,082.8611</u>	-	<u>50,082.8611</u>
<b>Total</b>	<b><u>1,302,951.5860</u></b>	<b><u>113,970.1838</u></b>	<b><u>(103,271.3969)</u></b>	<b><u>1,313,650.3729</u></b>

The movement of the participations during the year ended 31 December 2016 was as follows:

	<b>Participations at the beginning of the year</b>	<b>Participations issued</b>	<b>Participations redeemed</b>	<b>Participations at the end of the year</b>
Class A	1,190,071.8548	140,819.6516	(27,939.9204)	1,302,951.5860
<b>Total</b>	<b><u>1,190,071.8548</u></b>	<b><u>140,819.6516</u></b>	<b><u>(27,939.9204)</u></b>	<b><u>1,302,951.5860</u></b>

## Notes to the financial statements

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

#### 7. Share capital (continued)

##### 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 participants 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. However, the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides.

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 8. Interest income

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

#### 9. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains and losses on assets and liabilities other than financial assets and liabilities. For the year ended 31 December 2017, this amounted to gains of USD 631,682 (2016: losses of USD 653,425). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one United States Dollar is shown):

	2017		2016	
	Average	Closing	Average	Closing
<i>(Showing the equivalent of 1 United States Dollar)</i>				
Euro	0.8918	0.8330	0.9045	0.9506

#### 10. Investment return

<i>(All amounts in USD)</i>	2017		2017	2016
	Profit	Loss	Total	Total
<b>Investee funds</b>				
Realised result	647,660	(74,834)	572,826	(855,089)
Unrealised result	11,289,885	(236,181)	11,053,704	(2,304,824)
	<b>11,937,545</b>	<b>(311,015)</b>	<b>11,626,530</b>	<b>(3,159,913)</b>
<b>Derivative financial instruments</b>				
Realised result	-	(3,242,090)	(3,242,090)	1,310,157
Unrealised result	14,385	-	14,385	(5,889)
	<b>14,385</b>	<b>(3,242,090)</b>	<b>(3,227,705)</b>	<b>1,304,268</b>
<b>Total result</b>	<b>11,951,930</b>	<b>(3,553,105)</b>	<b>8,398,825</b>	<b>(1,855,645)</b>

## Notes to the financial statements

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

#### 11. 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 USD)</i>	<b>2017</b>	<b>2016</b>
<b>Expenses accruing to Fund Manager</b>		
Management fee	(116,822)	(111,684)
<b>Other expenses</b>		
Administration fee	(58,019)	(53,503)
Custody fee	(43,216)	(40,683)
Interest expense	(35,313)	(49,030)
Depositary fee	(22,625)	(20,771)
Bank charges	(17,899)	(19,218)
Audit fee	(15,055)	(10,682)
Other operational costs	(11,908)	(13,328)
FATCA fees	(10,481)	(10,152)
Regulatory (fee)/credit	(10,143)	1,412
Incorporation (fee)/credit	(3,431)	740
Legal ownership credit	-	14,669
<b>Total</b>	<b><u>(344,912)</u></b>	<b><u>(312,230)</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 2017, 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 USD 35,313 (2016: USD 49,030), regulatory fees of USD 10,143 (2016: USD 1,412), bank charges of USD 17,899 (2016: USD 19,218) and other operational costs of USD 11,908 (2016: USD 13,328) which are not detailed in the Prospectus.

#### Ongoing charges ratio

The ongoing charges ratio is the ratio of the total costs (excluding interest 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 NAV i.e. monthly.

For the year ended 31 December 2017 and 2016, the ongoing charges ratio for the Fund is as follows:

	<b>2017</b>	<b>2016</b>
Ongoing charges ratio	0.24%	0.21%

#### Turnover factor

For the year ended 31 December 2017, the turnover factor for the Fund is 10.41% (2016: 98.69%). The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the average NAV.

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## Notes to the financial statements

### 12. 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 0.09% of the NAV of Class A participations and 1.09% of the NAV of Class B participations as at the last day of each calendar month. The management fee is calculated monthly and payable monthly in arrears. No management fee is applicable to Class C participations.

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

#### **Administrator**

The Fund has entered into an administration agreement with Custom House Fund Services (Netherlands) B.V. The Administrator charges an annual fee of 0.04% of the NAV, as of the last day of each month, subject to an annual minimum fee of EUR 20,000 (including VAT). The fee is calculated monthly and paid quarterly in arrears.

The Administrator also charges a fee of EUR 5,000 per annum from 1 January 2017 (EUR 3,500 prior to 1 January 2017) for the preparation of the financial statements.

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

#### **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 USD 15,055 (2016: USD 10,682) 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. From 1 January 2017, the Depository charges an annual minimum fee of EUR 16,500, (excluding VAT), payable quarterly in advance, for depository services provided to the Fund. This also includes a fee for management of the legal owner. From 1 January 2016, the Depository charged an annual fee of EUR 15,000, (excluding VAT). Details of depository fees charged for the year are disclosed in the income statement.

### 13. 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.

## Notes to the financial statements

### 13. RELATED PARTY TRANSACTIONS (CONTINUED)

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

*Transactions from 1 January 2017 – 31 December 2017 and balances as at 31 December 2017*

	<b>Paid USD</b>	<b>Balance USD</b>
Management fee	116,467	9,955

*Transactions from 1 January 2016 - 31 December 2016 and balances as at 31 December 2016*

	<b>Paid USD</b>	<b>Balance USD</b>
Management fee	111,067	9,600

### 14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The investment objective of the Fund is to achieve long term growth by investing in a diversified portfolio of investee funds worldwide, predominantly hedge funds. When selecting investee funds, the Fund Manager will focus on fund managers that manage at least EUR 100,000,000 in the same strategy. The aim is to avoid illiquid strategies and illiquid investee funds.

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 fluctuates 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.

#### 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 2017 and 2016, price risk arises on the Fund's investments in investee funds.

The Fund's diversification of financial assets and liabilities at fair value through profit or loss represented per significant strategy as at 31 December 2017 and 2016 is as follows:

Strategy	2017		2016	
	Amount in USD	% of NAV	Amount in USD	% of NAV
Long/Short Equity	51,225,536	37.2	44,284,841	34.6
Multi Strategy	38,289,189	27.8	39,076,853	30.5
Fixed Income	25,140,518	18.2	13,448,600	10.5
Global Allocation	13,984,972	10.1	17,939,766	14.0
Futures	8,387,258	6.1	8,296,164	6.5
	<b>137,027,473</b>	<b>99.4</b>	<b>123,046,224</b>	<b>96.1</b>

## Notes to the financial statements

### 14. 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 2017 and 2016:

Strategy	2017		2016	
	Amount in USD	% of NAV	Amount in USD	% of NAV
Long/Short Equity	2,561,277	1.9	2,214,242	1.7
Multi Strategy	1,914,459	1.4	1,953,843	1.5
Fixed Income	1,257,026	0.9	672,430	0.5
Global Allocation	699,249	0.5	896,988	0.7
Futures	418,773	0.3	414,808	0.3

A 5% decrease of the Fund's investments in each strategy would have resulted in an equal but opposite effect, on the basis that all other variables remain constant.

##### 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 and amounts due to 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 uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

The Fund uses forward currency contracts in order to manage the currency risk exposure of foreign currency positions. The forward currency contracts are settled on a gross basis and as such the Fund has a settlement risk of USD 0.04 million (2016: USD 0.5 million) and a credit risk exposure towards the counterparty at 31 December 2017 of USD 59,585 (2016: USD 59,839).

The currency exposure of the Fund at 31 December 2017 and 2016 is as follows:

Currency	2017			2016		
	Net position USD	Notional amount forwards USD	Total currency exposure USD	Net position USD	Notional amount forwards USD	Total currency exposure USD
Euro	(393,236)	(42,203)	(435,439)	(620,277)	505,925	(114,352)

All forward contracts will mature within 1 month (2016: 1 month). The notional amounts represent the undiscounted cash flow at the maturity date.

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## Notes to the financial statements

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

#### **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, derivative financial assets and interest receivable. The carrying values of financial assets (excluding any investments in investee funds) best represent the maximum credit risk exposure at the reporting date and amount to USD 924,275 (2016: USD 4,086,518).

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.

The current credit rating of ABN AMRO Bank N.V., the parent company of ABN AMRO Clearing Bank N.V., is 'A' (2016: '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 participations and it is therefore exposed to the liquidity risk of meeting participants' redemptions. The Fund's policy only allows for redemptions on the last day of each calendar month and notice of 2 months must be provided.

The Fund is exposed to liquidity risk as the investments of the Fund in investee funds cannot immediately be converted into cash. The liquidity risk involved with the investee funds will be dependent on the redemption policies of the individual investee funds. Some of the investee funds may be or become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. The Fund's investments in such investee funds may not be readily realisable and their marketability may be restricted, in particular because the investee funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups and/or redemption fees.

The liquidity risk is significantly reduced because the Fund diversifies its investments across different investee funds.

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

## Notes to the financial statements

### 15. NET ASSET VALUE AS ISSUED

The following schedule shows the reconciliation between the NAV in accordance with the Prospectus and the NAV 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>31 December 2017 USD</b>	<b>31 December 2016 USD</b>
<b>Net assets attributable to holders of participations in accordance with the Prospectus</b>	137,854,050	127,995,665
<b>Adjustments</b>		
Unamortised incorporation costs	(21,440)	(28,182)
<b>Adjusted net assets attributable to holders of participations in accordance with Dutch GAAP</b>	<b><u>137,832,610</u></b>	<b><u>127,967,483</u></b>
<b>Number of participations</b>		
Class A participations	1,263,567.5118	1,302,951.5860
Class C participations	50,082.8611	-
<b>NAV per participation in accordance with the Prospectus</b>		
Class A participations	105.04	98.23
Class C participations	102.35	-
<b>Adjusted NAV per participation in accordance with Dutch GAAP</b>		
Class A participations	105.03	98.21
Class C participations	102.34	-

### 16. EVENTS AFTER THE BALANCE SHEET DATE

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

## Investment portfolio as at 31 December 2017

Assets	Currency	Fair value USD	% of NAV
<b>Investee funds</b>			
BlackRock EOS Fund Ltd. Class C USD	USD	11,529,880	8.4
BlackRock Strategic Funds – Multi-Manager Alternative Strategies Fund	USD	13,984,972	10.1
GIM Portfolio Strategies Fund – Europe Dynamic Long-Short Fund Class A-10-2003-EUR	EUR	13,447,213	9.8
GIM Portfolio Strategies Fund – Europe Dynamic Long-Short Fund USD Class A-10-2015-USD	USD	1,143,919	0.8
GIM Portfolio Strategies Fund – Technology Long-Short Fund Class A-04-2012-USD	USD	13,565,909	9.8
BlackRock Global Event Partners Ltd. Class A1-USD-Series 1	USD	9,432,338	6.8
BlackRock Global Event Partners Ltd. Class A1-USD-Series 5	USD	1,079,878	0.8
BlackRock Global Event Partners Ltd. Class A1-USD-Series 7	USD	1,367,135	1.0
BlackRock Global Event Partners Ltd. Class A1-USD-Series 8	USD	362,752	0.2
JP Morgan Multi Manager Alternatives Fund	USD	14,133,268	10.3
Legg Mason Global Funds PLC-Legg Mason Western Asset Macro Opportunities Bond Fund	USD	12,774,324	9.3
Saemor Europe Alpha Fund Class A EUR	EUR	11,538,614	8.4
Standard Life Investments Global SICAV – Global Absolute Return Strategies Fund	USD	11,913,818	8.6
The Obsidian (Offshore) Fund Ltd.	USD	12,366,194	9.0
Transtrend Fund Alliance Omnitrend Plus Class USD	USD	8,375,455	6.1
Transtrend Fund Alliance Omnitrend Plus Class USD EQ0816	USD	6,217	0.0
Transtrend Fund Alliance Omnitrend Plus Class USD EQ0916	USD	7,284	0.0
Transtrend Fund Alliance Omnitrend Plus Class USD CR1116	USD	(1,697)	0.0
		<b><u>137,027,473</u></b>	<b><u>99.4</u></b>

## Investment portfolio as at 31 December 2016

Assets	Currency	Fair value USD	% of NAV
<b>Investee funds</b>			
BlackRock EOS Fund Ltd. Class C USD	USD	11,069,254	8.7
BlackRock Strategic Funds – Multi-Manager Alternative Strategies Fund	USD	17,939,766	14.0
GIM Portfolio Strategies Fund – Europe Dynamic Long-Short Fund Class A-10-2003-EUR	EUR	11,152,932	8.7
GIM Portfolio Strategies Fund – Europe Dynamic Long-Short Fund Class A 10-2015-USD	USD	430,815	0.3
GIM Portfolio Strategies Fund – Technology Long-Short Fund Class A-04-2012-USD	USD	12,217,219	9.5
BlackRock Global Event Partners Ltd. Class A1-USD-Series 3	USD	3,576,898	2.8
BlackRock Global Event Partners Ltd. Class A1-USD-Series 4	USD	5,159,283	4.0
JP Morgan Multi Manager Alternatives Fund	USD	17,914,526	14.0
Saemor Europe Alpha Fund Class A EUR	EUR	9,414,621	7.4
Standard Life Investments Global SICAV – Global Absolute Return Strategies Fund	USD	12,426,146	9.7
The Obsidian (Offshore) Fund Ltd.	USD	13,448,600	10.5
Transtrend Fund Alliance Omnitrend Plus Class USD	USD	8,296,164	6.5
Transtrend Fund Alliance Omnitrend Plus Class USD CR1116	USD	(26,064)	(0.0)
		<b><u>123,020,160</u></b>	<b><u>96.1</u></b>

## 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.

### Provision of information

The 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).

### Date of authorisation

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 15 June 2018.

## Independent auditor's report

To: The shareholders and the directors of Privium Fund Management B.V. as investment manager of Multi Strategy Alternatives Fund

### Report on the audit of the financial statements 2017 included in the annual report

#### Our opinion

We have audited the financial statements 2017 of Multi Strategy Alternatives Fund, based in Amsterdam, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Multi Strategy Alternatives Fund as at December 31, 2017, and of its result and its cash flows for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The Financial statements as at 31 December 2017
- The following statements for 2017: Profit and loss statement and cash flow statement
- The notes comprising a summary of the significant accounting policies and other explanatory information

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Multi Strategy Alternatives Fund in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

### Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management Report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- General information

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the board of director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of the board of directors for the financial statements

The board of directors of the investment entity is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the manager is responsible for assessing the investment entity's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the investment entity or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the investment entity's ability to continue as a going concern in the financial statements.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit 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 investment entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors

- Concluding on the appropriateness of the board of director's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the investment entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an investment entity to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, 15 June 2018

Ernst & Young Accountants LLP

Signed by R.J. Bleijs