

Principia Fund N.V.

The Netherlands

ANNUAL REPORT

for the year ended 31 December 2017

Table of contents

	Page(s)
General information	1-2
Historical multi-year overview	3
Management report	4-7
Financial statements	
Balance sheet	8
Income statement	9
Statement of cash flows	10
Notes to the financial statements	
General information	11
Significant accounting principles and policies	11-13
Principles for determining the result	13
Notes for individual balance sheet items	
Investments	13
Cash	13
Other receivables	14
Accrued expenses and other payables	14
Subscriptions received in advance	14
Share capital	14-16
Notes for individual income statement items	
Interest income	16
Dividend income	16
Foreign currency translation	16
Investment return	16
Costs	17
Relevant contracts	18
Related party transactions	19
Financial investments and associated risks	19-21
Soft dollar arrangements	22
Unitholders' equity as issued	22
Events after the balance sheet date	22
Investment portfolio as at 31 December 2017	23
Investment portfolio as at 31 December 2016	24
Other information	
Provisions of the Prospectus on distribution policy	25
Provision of information	25
Date of authorisation	25
Independent Auditor's report	26-28

General information

Registered Office	Gustav Mahlerplein 3 Symphony Offices, 26 th Floor 1082 MS Amsterdam The Netherlands
Fund Manager	Privium Fund Management B.V. Gustav Mahlerplein 3 Symphony Offices, 26 th 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 Wassenaarseweg 80 2596 CZ The Hague The Netherlands
Payment Bank/Custodian	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Fiscal Advisor (Netherlands)	STP Tax Lawyers Claude Debussylaan 42 1082 MD Amsterdam The Netherlands

General information *(continued)*

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.
101 Barbara Strozziilaan
1083 HN Amsterdam
The Netherlands

Historical multi-year overview

Key figures

	2017	2016	2015	2014 ¹
<i>(All amounts in EUR)</i>				
Equity at the beginning of the year/period	16,884,334	13,330,392	13,301,391	-
Issue of units	1,001,578	849,437	751,393	13,489,601
Direct investment result	244,267	225,332	284,531	92,390
Indirect investment result	520,849	2,879,100	(421,440)	1,054,539
	<u>18,651,028</u>	<u>17,284,261</u>	<u>13,915,875</u>	<u>14,636,530</u>
Redemption of units	264,639	78,906	271,050	1,092,687
Expenses	304,086	321,021	314,433	242,452
Equity at the end of the year/period	<u>18,082,303</u>	<u>16,884,334</u>	<u>13,330,392</u>	<u>13,301,391</u>
Investments	16,268,876	14,836,177	11,382,564	10,435,182
Cash	1,857,697	2,118,886	2,007,437	2,925,969
Other assets and liabilities	(44,270)	(70,729)	(59,609)	(59,760)
Equity at the end of the year/period	<u>18,082,303</u>	<u>16,884,334</u>	<u>13,330,392</u>	<u>13,301,391</u>
Net profit/(loss)				
Investment income	244,267	225,332	284,531	92,390
Indirect investment result	520,849	2,879,100	(421,440)	1,054,539
Expenses	(304,086)	(321,021)	(314,433)	(242,452)
Net profit/(loss)	<u>461,030</u>	<u>2,783,411</u>	<u>(451,342)</u>	<u>904,477</u>
Number of units				
Class A	133,534.7698	128,336.9880	122,341.5640	120,326.8670
Class B	7,154.7262	6,497.5789	5,812.8157	3,757.6282
Unitholders' equity per unit in accordance with Dutch GAAP²				
Class A	128.23	125.02	103.92	107.17
Class B	134.14	129.16	106.03	107.99
Unitholders' equity per unit in accordance with the Prospectus²				
Class A	128.38	125.32	104.36	107.70
Class B	134.31	129.47	106.48	108.52
Performance				
Class A	2.57%	20.30%	(3.03)%	7.17%
Class B	3.86%	21.82%	(1.81)%	7.99%

¹ The Fund commenced operations on 22 May 2014.

² The unitholders' equity per unit is calculated in accordance with Dutch GAAP. Refer to note 18 of these financial statements for the reconciliation between the unitholders' equity calculated in accordance with the Prospectus and the unitholders' equity calculated in accordance with Dutch GAAP.

Management report

General equity market conditions

Going into 2018, world stock markets had their longest period ever without a 5% decline; while emerging markets had gone a record period without a 10% decline. In the US; the S&P 500 delivered positive returns in every single month of a calendar year for the first time ever and tied the previous record of most consecutive years of generating a positive return. In what was possibly the biggest indicator of the “risk on” mindset was the strange rise of cryptocurrencies and the fifteen-fold increase in the “value” of bitcoin. Finally, and most importantly, most traditional equity valuation measures remain very stretched relative to history, with many indicators (particularly in the US) more expensive than before the last two stock market crashes.

Investors seem to have entered 2018 expecting the music to continue. This is evidenced by bullish sentiment and risk appetite indicators, that were, until recently, at or close to record levels. Predictably; all the large Wall Street banks have recommended overweighting equities going into 2018

Performance

During 2017, the Fund generated a return of 2.44% against 7.49% for the MSCI World Index and 2.73% for the MSCI World Value Index, when measured in Euros. We believe performance for the Fund was in line with expectations given the Fund’s high active share, contrarian value-based strategy and the current market backdrop which we believe heavily favours popular “factors” like growth and momentum as well as stocks highly represented in passive benchmarks.

Our objective is to achieve superior long-term capital appreciation and we believe the best way to achieve that is to invest in a diversified group of attractive businesses that are trading at sizeable discounts to our valuation assessments. The Fund does not seek to mirror the exposure in a benchmark. A result of this approach is that the portfolio (and consequently its performance) will differ materially from the benchmark. We believe relatively little weight should be placed on short-term results, good or bad. We would be disappointed, however, if the Fund did not significantly exceed the performance of a passive global benchmark over a full market cycle.

Portfolio developments

There are three ways in which we aim to put the odds in our favour in terms of generating attractive long-term performance for our investors. The first is to identify businesses that will grow their underlying intrinsic values over time. If the Fund holds a collection of well managed businesses that are likely to reinvest free cash flows at attractive returns on capital, then the intrinsic value of the portfolio will grow over time.

The second is to buy businesses for less than their current underlying values. Buying businesses for less than they are worth, lowers risk and increases return. If the discount to value unwinds over time, investors should benefit from the movement toward value plus the growth in value.

And finally, through our incremental trading activity, we aim to further grow the value of the Fund by proactively recycling capital from relatively more expensive securities to less expensive securities as the relationships between price and fundamentals change over time. By selling shares of companies with higher price to value ratios and reinvesting proceeds into companies with lower price to value ratios, we can buy more value for each dollar invested and hence further increase the intrinsic value of the Fund.

In addition to incremental adds and trims of existing positions, during the year we bought seven new positions and exited six for the Fund.

The seven new positions purchased in 2017 were; Baidu, Credit-Suisse, Imperial Brands, McKesson, Roche, Sanofi and WPP. Of these; Roche and Sanofi have become top 10 holdings.

The six positions exited during the year were; Apollo Education, Atos, Performant Financial, Samsung Electronics, Scripps Networks and Tronc. We sold as the stock prices approached or surpassed our estimates of fair value and as we were able to find more attractively valued new opportunities to recycle capital into.

Management report (*continued*)

Portfolio developments (*continued*)

From a sector perspective Health Care was the largest increase in exposure from 9% at the end of 2016 to 15.6% at the end of 2017. The largest decline in exposure was from the Technology sector, which declined from 23.1% to 16.8% at the end of 2017.

The Fund's cash levels declined from approximately 12.5% to 10% over the course of the year. In addition, we initiated a relatively small position in a Gold ETF equating to approximately 3% of the Fund. We view Gold as a form of currency with very unique diversifying and store of value properties; particularly in times of market distress.

As we have discussed before, our aim is to be fully invested for a great deal of any market cycle but will only invest if we can find a sufficient number of attractive companies trading on absolute discounts to our valuation estimates. We continue to believe that the overall opportunity set remains relatively limited. Although cash has a very low current yield, we don't believe it is necessarily detrimental to portfolio performance over the long run 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 overvalued securities today so as to buy significantly undervalued securities in the future, then the eventual return on cash currently held will be much higher.

Outlook

Long periods of rising markets lead investors to believe they have a higher tolerance for risk as they forget how painful losses can be. Markets have been pain free for a long time now and tolerance for risk seems high while prospective returns provided by risk appear low. While global growth conditions give reasons for optimism, it is difficult to be optimistic about valuations. We continue to believe that global markets, as represented by popular indices, continue to be priced to deliver below historic average long-term returns and the reward for bearing incremental risk remains low.

Fortunately, we do not need to invest in the indices but only need to find a relatively small subset of stocks with attractive valuations. Although we believe opportunities for genuine bargains remain relatively scarce we do believe we have been able to uncover and assemble a portfolio of attractive businesses trading at attractive valuations. We continue to feel confident in our strategy and the Fund's potential for the generation of superior long-term returns.

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.

Management report (*continued*)

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 totaled 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 Principia Fund have been paid to any Identified Staff of Privium Fund Management B.V.

Privium Fund Management BV, the Fund 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)*

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
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.	The Fund gained +2.44% in 2017. The Fund underperformed its benchmark (iShares Core MSCI World UCITS ETF) in 2017 because of the depreciation of the US Dollar and the large cash balance of the Fund. The iShares Core MSCI World UCITS ETF gained 7.49% in 2017.	Investments are being selected on having discounts to its intrinsic value but largely this will also depend on general market circumstances.	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	No	FX risk is not being hedged. It is not expected that this will change in the near future either.	Around 90% of the investments are denominated in non-EUR currencies and because of the depreciation of the US Dollar this had a large impact in 2017.	This will largely depend on FX movements.	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. ABN AMRO 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 using leverage (no implied leverage and no actual borrowings). Nevertheless as of December 31, 2017 the leverage calculations according to the Gross method and Commitment method are as follows: Gross method: 104.14% and Commitment method: 106.19%.	None	None	No

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 gedragstoezicht 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 signaled.

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 signaled.

Financial statements

BALANCE SHEET

(As at 31 December)

	<i>Note</i>	31 December 2017 EUR	31 December 2016 EUR
Assets			
Investments			
Equities	3	<u>16,268,876</u>	<u>14,836,177</u>
		<u>16,268,876</u>	<u>14,836,177</u>
Current assets (fall due in less than 1 year)			
Cash	4	1,931,252	2,118,886
Other receivables	5	<u>9,322</u>	<u>11,397</u>
		<u>1,940,574</u>	<u>2,130,283</u>
Total assets		<u>18,209,450</u>	<u>16,966,460</u>
Current liabilities (fall due in less than 1 year)			
Due to custodian	4	(73,555)	-
Accrued expenses and other payables	6	(44,848)	(47,126)
Subscriptions received in advance	7	<u>(8,744)</u>	<u>(35,000)</u>
		<u>(127,147)</u>	<u>(82,126)</u>
Total liabilities		<u>(127,147)</u>	<u>(82,126)</u>
Total assets minus total liabilities		<u>18,082,303</u>	<u>16,884,334</u>
Unitholders' equity			
Contribution of unitholders		14,384,727	13,647,788
Unappropriated gain		<u>3,697,576</u>	<u>3,236,546</u>
Total unitholders' equity	8, 18	<u>18,082,303</u>	<u>16,884,334</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>	2017 EUR	2016 EUR
Investment income			
<i>Direct investment result</i>			
Interest income	9	8,082	2,555
Dividend income	10	235,074	221,542
Other income		1,111	1,235
		<u>244,267</u>	<u>225,332</u>
<i>Indirect investment result</i>			
Foreign currency (losses)/gains on translation	11	(201,213)	51,676
Realised gains on investments in equities	3, 12	1,078,228	369,329
Unrealised (losses)/gains on investments in equities	3, 12	(358,530)	2,459,374
Realised gains/(losses) on derivative financial instruments		2,364	(1,279)
		<u>520,849</u>	<u>2,879,100</u>
Total investment income		<u>765,116</u>	<u>3,104,432</u>
Expenses			
Management fee	13		
	13, 14	(203,671)	(172,764)
Administration fee	13, 14	(22,207)	(18,881)
Depositary fee	13, 14	(19,965)	(18,150)
Audit fee	13, 14	(14,375)	(11,894)
Bank charges		(7,496)	(6,827)
Other operational costs		(7,230)	(10,430)
FATCA fees		(4,398)	(4,534)
Interest expense		(3,934)	(1,343)
Custody fee	13, 14	(3,791)	(3,300)
Legal fees	13	(947)	(1,588)
Total expenses		<u>(288,014)</u>	<u>(249,711)</u>
Net profit before tax		477,102	2,854,721
Withholding tax		(16,072)	(71,310)
Net profit after tax		<u>461,030</u>	<u>2,783,411</u>

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>	2017 EUR	2016 EUR
Cash flows from operating activities			
Purchases of investments		(5,443,421)	(5,490,871)
Proceeds from sale of investments		4,730,420	4,865,961
Net receipts/(payments) for derivative financial instruments		2,364	(1,279)
Interest received		7,596	2,304
Interest paid		(3,761)	(1,292)
Dividend received		237,635	222,360
Entry and exit fees received		(7,028)	(11,685)
Management fee paid		(202,565)	(169,308)
Custody fee paid		(3,791)	(3,300)
Depositary fee paid		(19,965)	(18,150)
Bank charges paid		(7,496)	(6,827)
Withholding tax paid		(16,072)	(71,310)
Other income received		1,111	1,235
Administration fee paid		(22,109)	(18,719)
Audit fee		(13,165)	(11,652)
Legal fee paid		(947)	(1,588)
Other general expenses paid		(9,465)	(6,466)
Net cash flows used in operating activities		(770,659)	(720,587)
Cash flows from financing activities			
Proceeds from sales of units – class A units		916,705	772,918
Proceeds from sales of units – class B units		84,873	76,519
Payments on redemptions of units – class A units		(264,639)	(78,906)
Subscriptions received in advance		(26,256)	9,829
Net cash flows provided by financing activities		710,683	780,360
Net (decrease)/increase in cash		(59,976)	59,773
Cash at the beginning of the year		2,118,886	2,007,437
Foreign currency (losses)/gains on translation of cash positions		(201,213)	51,676
Cash at the end of the year	4	1,857,697	2,118,886
Analysis of cash			
Cash at bank		9,896	35,665
Due from custodian		1,921,356	2,083,221
Due to custodian		(73,555)	-
Total cash	4	1,857,697	2,118,886

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

Notes to the financial statements

1. GENERAL INFORMATION

Principia Fund N.V. (the “Fund”) is structured as an open-ended investment fund and was established in Amsterdam in April 2014. The Fund is a public company limited by shares (naamloze vennootschap) and is a legal entity under the laws of the Netherlands. The Fund is registered at the commercial register of the Chamber of Commerce of the Netherlands under number 60521945. The Fund commenced operations on 22 May 2014. The Fund has a registered office at Gustav Mahlerplein 3, Symphony Offices, 26th Floor, 1082 MS Amsterdam, The Netherlands. The most recent Prospectus of the Fund was issued in September 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 2017 and 2016, 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 years ended 31 December 2017 and 2016.

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 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 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.

Notes to the financial statements

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

Recognition and measurement *(continued)*

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.

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 calculated based on historical cost and recognised in the income statement as 'realised gains on investments in equities', 'unrealised (losses)/gains on investments in equities' and 'realised gains/(losses) on derivative financial instruments'.

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.

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

Unitholders' equity

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

Principles for determining the result

The Fund recognises financial assets and 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. Dividend withholding tax is presented gross on the income statement.

Income and expense are accounted for in the income statement on the accrual basis.

Subscription fees, where applicable, are included in the income statement.

Tax position

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

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

3. Investments

Movement in schedule of investments

<i>(All amounts in EUR)</i>	31 December 2017	31 December 2016
Investment in equities		
As at 1 January	14,836,177	11,382,564
Purchases	5,443,421	5,490,871
Sales	(4,730,420)	(4,865,961)
Realised gain/(loss)	908,049	(87,500)
Realised gain on foreign exchange differences	170,179	456,829
Unrealised gain	1,321,439	2,678,627
Unrealised loss on foreign exchange differences	(1,679,969)	(219,253)
As at 31 December	<u>16,268,876</u>	<u>14,836,177</u>

4. Cash

As at 31 December 2017, cash comprises of balances held with ABN AMRO Clearing Bank N.V. amounting to EUR 9,896 (2016: EUR 35,665). As at 31 December 2017 and 2016, no restrictions in the use of these balances exist.

Cash also include amounts due from ABN AMRO Clearing Bank N.V. of EUR 1,921,356 (2016: EUR 2,083,221) and amounts due to ABN AMRO Clearing Bank N.V. of EUR 73,555 (2016: EUR Nil), representing amounts held in brokerage accounts.

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

5. Other receivables

As at 31 December, other receivables consist of the following:

<i>(All amounts in EUR)</i>	31 December 2017	31 December 2016
Dividend receivable	8,492	11,053
Interest receivable	830	344
Total other receivables	<u>9,322</u>	<u>11,397</u>

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>	31 December 2017	31 December 2016
Management fee payable	(17,876)	(16,770)
Audit fee payable	(14,157)	(12,947)
Administration fee payable	(5,010)	(4,912)
FATCA fee payable	(4,165)	(4,753)
Foundation fee payable	(3,112)	(4,090)
Interest fee payable	(377)	(204)
Other payables	(151)	(2,150)
Licence fee payable	-	(1,300)
Total accrued expenses and other payables	<u>(44,848)</u>	<u>(47,126)</u>

7. Subscriptions received in advance

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

As at 31 December 2017, the subscriptions received in advance amount to EUR 8,744 (2016: EUR 35,000). On 2 January 2018, the Fund issued 68.0512 units of Unitclass A to the subscribing unitholders.

8. Share capital

Structure of the Fund's capital

The Fund 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 2017 and 2016, 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 is as follows:

<i>(All amounts in EUR)</i>	31 December 2017	31 December 2016
<i>Contributions of unitholders</i>		
Balance at the beginning of the year	13,647,788	12,877,257
Issue of units – class A units	916,705	772,918
Issues of units – class B units	84,873	76,519
Redemption of units – class A units	(264,639)	(78,906)
Total contributions at the end of the year	<u>14,384,727</u>	<u>13,647,788</u>
<i>Unappropriated gain</i>		
Balance at the beginning of the year	3,236,546	453,135
Net profit after tax	461,030	2,783,411
Total undistributed gain at the end of the year	<u>3,697,576</u>	<u>3,236,546</u>
Equity at the end of the year	<u>18,082,303</u>	<u>16,884,334</u>

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 2017 was as follows:

	Units at the beginning of the year	Units issued	Units redeemed	Units at the end of the year
Unit class A	128,336.9880	7,243.1200	(2,045.3382)	133,534.7698
Unit class B	6,497.5789	657.1473	-	7,154.7262
Total	<u>134,834.5669</u>	<u>7,900.2673</u>	<u>(2,045.3382)</u>	<u>140,689.4960</u>

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

	Units at the beginning of the year	Units issued	Units redeemed	Units at the end of the year
Unit class A	122,341.5640	6,730.6049	(735.1809)	128,336.9880
Unit class B	5,812.8157	684.7632	-	6,497.5789
Total	<u>128,154.3797</u>	<u>7,415.3681</u>	<u>(735.1809)</u>	<u>134,834.5669</u>

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

8. 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 unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Fund does not intend to pay dividends. All earnings will normally be retained for investments.

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

9. Interest income

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

10. Dividend income

Dividend income relates to dividend from equity instruments.

11. Foreign currency (losses)/gains on translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains and losses on assets and liabilities other than investment assets and liabilities. For the year ended 31 December 2017, this amounted to losses of EUR 201,213 (2016: gains of EUR 51,676). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one Euro is shown):

	2017		2016	
	Average	Closing	Average	Closing
<i>(Showing the equivalent of 1 Euro)</i>				
Great Britain Pound	0.8764	0.8882	0.8193	0.8523
Hong Kong Dollar	8.8069	9.3783	8.5921	8.1558
Japanese Yen	126.7100	135.2448	120.3300	123.0012
Norwegian Krone	9.3338	9.8495	9.2922	9.0931
United States Dollar	1.1300	1.2005	1.1069	1.0520

12. Investment return

(All amounts in EUR)

	2017		2017	2016
	Profit	Loss	Total	Total
Equities				
Realised result	1,078,228	-	1,078,228	369,329
Unrealised result	1,321,439	(1,679,969)	(358,530)	2,459,374
Total result	2,399,667	(1,679,969)	719,698	2,828,703

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 for the years ended 31 December 2017 and 2016.

<i>(All amounts in EUR)</i>	2017	2016
Expenses accruing to Fund Manager		
Management fee	(203,671)	(172,764)
Other expenses		
Administration fee	(22,207)	(18,881)
Depositary fee	(19,965)	(18,150)
Audit fee	(14,375)	(11,894)
Bank charges	(7,496)	(6,827)
Other operational costs	(7,230)	(10,430)
FATCA fees	(4,398)	(4,534)
Interest expense	(3,934)	(1,343)
Custody fee	(3,791)	(3,300)
Legal fees	(947)	(1,588)
Total	<u>(288,014)</u>	<u>(249,711)</u>

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the 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 EUR 3,934 (2016: EUR 1,343), FATCA fees of EUR 4,398 (2016: EUR 4,534), bank charges of EUR 7,496 (2016: EUR 6,827), legal fees of EUR 947 (2016: EUR 1,588), audit tax fees of EUR 2,033 (2016: EUR 1,730) and other general expenses of EUR 968 (2016: EUR 3,080) 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 2017, the ongoing charges ratio for the Fund is as follows:

	2017
Ongoing charges ratio including performance fees	1.68%
Ongoing charges ratio excluding performance fees	1.65%

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

	2016
Ongoing charges ratio including performance fees	1.72%
Ongoing charges ratio excluding performance fees	1.72%

Turnover factor

For the year ended 31 December 2017, the turnover factor for the Fund is 66.65% (2016: 78.22%). 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.

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 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 years ended 31 December 2017 and 2016.

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 |

Effective 1 January 2017, the Administrator charges a fixed fee of EUR 5,000 per annum for the preparation of the annual report. No VAT has to be paid on these amounts. Prior to 1 January 2017, a fixed fee of EUR 3,500 was charged.

Details of administration fees charged for the year 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 11,132 (2016: EUR 11,894) 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 depositary agreement with Darwin Depositary Services B.V. From 1 January 2017, the Depository charges an annual fee of EUR 16,500 (excluding VAT), payable quarterly in advance, for depositary services provided to the Fund. From 1 January 2016, the Depository charged an annual fee of EUR 15,000 (excluding VAT). Details of depositary fees charged for the year 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 years.

Transactions from 1 January 2017 - 31 December 2017 and balances as at 31 December 2017

	Paid EUR	Balance EUR
Management fee	(202,565)	(17,876)

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

	Paid EUR	Balance EUR
Management fee	(169,308)	(16,770)

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 1,145,624 units (2016: 1,068.1794 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.

Notes to the financial statements

16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

Market risk (continued)

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 equities.

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

Sector	2017 EUR	% of unitholders' equity	2016 EUR	% of unitholders' equity
Pharmaceuticals	2,093,488	11.6	-	-
Insurance	1,790,195	9.9	1,786,991	10.6
Banks	1,128,548	6.2	-	-
Software	1,026,927	5.7	907,340	5.4
Internet	930,985	5.2	788,992	4.7
Media	-	-	1,713,512	7.0
Computers	-	-	1,004,904	5.9
Semiconductors	-	-	1,221,708	7.2
Telecommunications	-	-	1,003,055	5.9
Other sectors	9,298,733	51.4	6,949,675	41.2
	16,268,876	90.0	14,836,177	87.9

The table below details the sensitivity of the Fund's investments to a reasonable possible increase of 5% at 31 December 2017 and 2016:

Sector	2017 Amount in EUR	% of unitholders' equity	2016 Amount in EUR	% of unitholders' equity
Pharmaceuticals	104,674	0.6	-	-
Insurance	89,510	0.5	89,350	0.5
Banks	56,427	0.3	-	-
Software	51,346	0.3	45,367	0.3
Internet	46,549	0.3	39,450	0.2
Media	-	-	58,676	0.3
Computers	-	-	50,245	0.3
Semiconductors	-	-	61,085	0.4
Telecommunications	-	-	50,153	0.3

Notes to the financial statements

16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

Market risk (continued)

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 custodian which are subject to normal market related short-term interest rates. Therefore, the Fund is not exposed to significant interest rate risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. The Fund's exposure to foreign exchange movements at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Fair value EUR	% of unitholders' equity	Fair value EUR	% of unitholders' equity
Currency				
Great Britain Pound	2,509,446	13.9	1,658,078	9.8
Hong Kong Dollar	908,356	5.0	736,161	4.4
Japanese Yen	2,110,806	11.7	1,810,543	10.7
Norwegian Krone	384,545	2.1	477,926	2.8
Swiss Franc	1,079,970	6.0	-	-
United States Dollar	9,581,043	53.0	10,705,550	63.4

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 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 1,940,574 (2016: EUR 2,130,283).

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 2017, the credit rating 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 Fund 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.

Notes to the financial statements

17. SOFT DOLLAR ARRANGEMENTS

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

The Fund Manager had no soft dollar arrangement as of 31 December 2017. The Fund Manager had a soft dollar arrangement with Green Street during the year ended 31 December 2016 to the value of EUR 10,000.

18. UNITHOLDERS' EQUITY AS ISSUED

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

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

	2017	2016
	EUR	EUR
Unitholders' equity attributable to holders of units in accordance with the Prospectus	18,105,298	16,924,575
Adjustments		
Unamortised incorporation costs	(22,995)	(40,241)
Adjusted unitholders' equity attributable to holders of units in accordance with Dutch GAAP	<u>18,082,303</u>	<u>16,884,334</u>
Number of units		
Unitclass A	133,534.7698	128,336.9880
Unitclass B	7,154.7262	6,497.5789
Unitholders' equity per unit in accordance with the Prospectus		
Unitclass A	128.38	125.32
Unitclass B	134.31	129.47
Adjusted unitholders' equity per unit in accordance with Dutch GAAP		
Unitclass A	128.23	125.02
Unitclass B	134.14	129.16

19. 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 EUR	% of unitholders' equity
Equities			
American International Group Inc.	USD	874,965	4.8
Apple Inc.	USD	190,304	1.1
Astellas Pharma Inc.	JPY	457,961	2.5
Baidu Inc.	USD	380,433	2.1
Bank of America Corp.	USD	145,080	0.8
Berkshire Hathaway Inc.	USD	915,230	5.1
Cisco Systems Inc.	USD	337,602	1.9
Citigroup Inc.	USD	374,994	2.1
Credit Suisse Group.	CHF	316,515	1.8
Derwent London Plc	GBP	617,647	3.4
Discovery Communications	USD	427,280	2.4
Express Scripts Holding Co.	USD	406,929	2.3
Fluor Corp.	USD	393,452	2.2
FTD Cos Inc.	USD	94,593	0.5
Gilead Sciences Inc.	USD	356,261	2.0
Imperial Brands Plc.	GBP	278,039	1.5
Innoviva Inc.	USD	367,569	2.0
Luk Fook Holdings International Ltd	HKD	328,048	1.8
McKesson Corp.	USD	263,706	1.5
Michael Kors Holdings Ltd	USD	505,016	2.8
Nexon Co Ltd	JPY	455,960	2.5
Oracle Corp	USD	1,026,927	5.7
QinetiQ Group Plc	GBP	330,331	1.8
QUALCOMM Inc.	USD	660,465	3.7
Roche Holding Ag-Genusschein	CHF	469,845	2.6
Royal Mail Plc	GBP	409,614	2.3
Safran SA	EUR	691,060	3.8
Sanofi	EUR	495,047	2.7
SJM Holdings Ltd	HKD	246,313	1.4
Softbank Corp.	JPY	481,485	2.7
Sotsu Co Ltd	JPY	331,019	1.8
SPDR Gold Shares	USD	530,650	2.9
Spectrum ASA	NOK	27,600	0.2
Subsea 7 SA	NOK	334,689	1.7
Tata Motors Ltd	USD	384,279	2.1
Television Broadcasts Ltd	HKD	319,622	1.8
Tesco Plc	GBP	484,357	2.7
UBS Group	CHF	291,958	1.6
WPP Plc.	GBP	266,031	1.4
		16,268,876	90.0

Investment portfolio as at 31 December 2016

Assets	Currency	Fair value EUR	% of unitholders' equity
Equities			
American International Group Inc.	USD	911,981	5.4
Apollo Group Inc.	USD	68,924	0.4
Apple Inc.	USD	614,330	3.6
Astellas Pharma Inc.	JPY	318,100	1.9
AtoS	EUR	390,574	2.3
Bank of America Corp.	USD	292,006	1.7
Berkshire Hathaway Inc.	USD	875,010	5.2
Cisco Systems Inc.	USD	352,816	2.1
Citigroup Inc.	USD	296,585	1.8
Derwent London Plc	GBP	389,116	2.3
Discovery Communications	USD	450,754	2.7
Express Scripts Holding Co.	USD	436,803	2.6
Fluor Corp.	USD	355,708	2.1
FTD Cos Inc.	USD	357,917	2.1
Gilead Sciences Inc.	USD	343,755	2.0
Innoviva Inc.	USD	430,207	2.5
Luk Fook Holdings International Ltd	HKD	227,682	1.3
Michael Kors Holdings Ltd	USD	438,380	2.6
Nexon Co Ltd	JPY	431,075	2.5
Oracle Corp	USD	907,340	5.4
Performant Financial Corp	USD	70,509	0.4
QinetiQ Group Plc	GBP	338,613	2.0
QUALCOMM Inc.	USD	721,105	4.3
Royal Mail Plc	GBP	323,683	1.9
Safran SA	EUR	584,580	3.5
Samsung Electronics Co Ltd	USD	500,604	3.0
Scripps Networks Interactive Inc.	USD	359,564	2.1
SJM Holdings Ltd	HKD	246,009	1.5
Softbank Corp.	JPY	650,240	3.9
Sotsu Co Ltd	JPY	262,536	1.6
Spectrum ASA	NOK	77,145	0.5
Subsea 7 SA	NOK	326,959	1.9
Tata Motors Ltd	USD	349,784	2.1
Television Broadcasts Ltd	HKD	244,416	1.4
Tesco Plc	GBP	488,037	2.9
Tronc Inc.	USD	118,778	0.7
UBS Group	CHF	284,552	1.7
		14,836,177	87.9

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.

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 Principia Fund N.V.

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

Our opinion

We have audited the financial statements 2017 of Principia Fund N.V., based in Amsterdam, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Principia Fund N.V. 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 Principia Fund N.V. 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