

ANNUAL REPORT

Privium Sustainable Alternatives Fund

Year ended 31 December 2017

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General information

Registered office

Privium Sustainable Alternatives Fund
Symphony Towers 26/F
Gustav Mahlerplein 3
1082 MS Amsterdam
The Netherlands

Fund Manager

Privium Fund Management B.V.
Symphony Towers 26/F
Gustav Mahlerplein 3
1082 MS Amsterdam
The Netherlands
www.priviumfund.com/sustainable

Legal Owner

Stichting Juridisch Eigendom Privium
Sustainable Alternatives Fund
Smallepad 30F
3811 MG Amersfoort
The Netherlands

Investment Advisor

Triodos MeesPierson Sustainable Investment
Management B.V.
Hoofdstraat 101a
3971 KE Driebergen
The Netherlands

Administrator

Circle Investment Support Services B.V.
Smallepad 30F
3811 MG Amersfoort
The Netherlands

Legal and Tax Counsel

Van Campen Liem
J.J. Viottastraat 52
1071 JT Amsterdam
The Netherlands

Custodian

ABN AMRO Clearing Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Independent Auditor

Ernst & Young Accountants LLP
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

Depositary

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

Key figures

	2017	2016	2015	2014 ¹
Total for the Fund				
(all amounts in EUR x 1,000)				
Net Asset Value at 31 December	324,077	288,111	240,334	238,163
Result from investments	5,560	4,922	6,854	2,341
Changes in value	(11,936)	3,448	12,527	6,402
Other results	2,074	(330)	134	-
Costs	(1,569)	(1,463)	(1,272)	(1,123)
Net result for the year	(5,871)	6,577	18,243	7,620
Outstanding participations at 31 December	3,061,794	2,620,223	2,151,361	2,305,091
Per participation²				
(in EUR x 1)				
Net Asset Value at 31 December	105.85	109.96	111.71	103.32
Result from investments	1.82	1.88	3.18	1.03
Changes in value	(3.90)	1.31	5.82	2.78
Other results	0.68	(0.12)	0.07	-
Costs	(0.51)	(0.56)	(0.59)	(0.49)
Net result	(1.91)	2.51	8.48	3.32

Dividend payment

During the year 2017, a dividend amount of EUR 5,565,353 (2016: EUR 10,689,958) was distributed by the Fund to the participation holders.

¹ The 2014 figures are for the period 18 July 2014 through 31 December 2014.

² The result per participation is calculated using the number of outstanding participations as per the end of the period.

Fund Manager report

Impact investments further expanded with two renewable energy funds

The Privium Sustainable Alternatives Fund (hereinafter referred to as the fund or PSAF) started on 31 August 2014 and currently consists of alternative investments in the sectors of sustainable real estate, microfinance, renewable energy and student loans. The benchmark for the fund is the 50% GPR 250 World Property and 50% Euro cash 3-month yield index + 2%. The return for 2017 of PSAF was -2% compared to -0.8% for the benchmark. The difference in return between PSAF and the benchmark was caused by the lower return on the real estate shares in the PSAF portfolio. Some of the Real Estate shares were hit by fears of increasing interest rates due to rising inflation. Some of the Real Estate companies were also impacted by big retail companies closing down more shops due to growing competition from online retailers.

Additionally exchange rates had an impact on the returns of the PSAF as most foreign currencies depreciated against the euro. PSAF invests globally and is exposed to various foreign currencies, like the USD, GBP, AUD, HKD and SGD. As a matter of example the USD depreciated by 14% against the euro in 2017. Only the exposure to the USD has been partially hedged.

Greencoat UK Wind and Foresight Solar Fund have been added to the PSAF portfolio

Since its inception, the PSAF has been investing in renewable energy through the Triodos Renewables Europe Fund. In 2017 this sector was expanded by adding the Greencoat UK Wind and Foresight Solar Fund. In October PSAF invested € 2.7 million in the listed British investment fund Greencoat UK Wind. During 2017, the fund produced more than 1,457 GWh of electricity. The dividend yield is over 5% and Greencoat's goal is to increase the dividend amount with the English consumer price increase. The shares were bought in a share issue at a lower price than the market price. The electricity from British wind turbines last year amounted to 15% of the total electricity production. In November, PSAF invested nearly € 4 million in the listed British investment fund Foresight Solar Fund. Foresight invests in British and Australian solar parks. The income from these parks is used by the fund to pay dividends to the shareholders. This dividend is approximately 6%. Foresight aims to increase the dividend in line with the UK consumer inflation rate as well. This can be done because a large part of the income is also raised with the inflation rate. Another part of the income is used by the fund to increase the fund assets. The Foresight solar parks produce enough renewable electricity for the consumption of around 140,000 British households. Last year the company bought some existing and new Australian solar parks. These have a relatively high electricity yield due to the stronger solar radiation in Australia. As of December 2017, PSAF had invested almost 5% of the portfolio in renewable energy funds.

Microfinance funds increase in size and therefore also their impact

The funds within PSAF have an impact on the world. Impact that we make clear on the basis of practical examples and figures. But also impact that we can map according to the Sustainable Development Goals (SDGs) of the United Nations (UN). Various funds report their impact on the basis of these goals. But what are these goals? The 17 SDGs are the successors to the Millennium Development Goals and became effective in January 2016. Together, the goals must put an end to poverty, inequality and climate change in 2030. The first and most important aim is to end extreme poverty. According to the UN, this is the biggest challenge of our time. There are also goals about health, education, clean drinking water, sustainable energy, less inequality, tackling climate change, etc. Citizens were able to vote on themes that they consider important. Worldwide, almost 7.8 million people voted. A UN working group consisting of 70 countries then drew up a list with the individual goals. The priority for implementation differs per country. The themes are not equally important in every country.

The activities of the microfinancing, renewable energy, impact and education funds in PSAF all contribute to achieving these sustainable development goals. Microfinance has been developed as a way to combat poverty and thus contributes to the main goal. This is done by offering poor people in developing countries opportunities through financial services. The financing which is being provided to microfinance institutions (MFIs) by a number of underlying funds of PSAF contribute to multiple goals simultaneously. For example, the financing to MFI SEF Armenia provided by the BlueOrchard Microfinance Fund is being used to provide loans to farmers in the poorest areas of Armenia and contributes to the second goal, ending hunger. At the same time it offers its clients educational loans and stimulates goal 4, good education. Triodos Microfinance Fund recently provided a loan to the MFI Varthana. Varthana is using

funding to make education in India more accessible. That education can again contribute to other goals, such as ending poverty and economic growth. These are just a few of the many examples that show PSAF's contribution to the SDGs. These funds achieved positive returns in the past year. The FMO Privium Impact Fund performed best and gained +3.8% while the responsAbility Microfinance Leaders fund was the laggard and gained +0.6%.

The assets under management of these impact funds have increased. The fund size of the BlueOrchard fund rose most strongly by U\$ 588 million to U\$ 1277 million at the end of 2017. The impact of the microfinance funds concerns the number of customers of the microfinance institutions financed in the developing countries concerned. Together these institutions reach a few dozen million mostly poor customers. The majority of these customers are women and the average amount that is lent is around U\$ 1,200.

The holding of PSAF in the FMO Privium Impact Fund increased from € 12.9 million to € 15.4 million in 2017. This holding represents almost 5% of the PSAF assets as of December 31, 2017. The holding in the BlueOrchard Microfinance Fund also rose due to an additional investment. As of December 31, 2017 this represents around 8% of PSAF. The holding in Triodos Microfinance fell to € 48 million as some rebalancing took place. This Fund remains the largest holding in PSAF and represents a 15% position.

Real estate - acquisitions Hammerson and Unibail-Rodamco, new purchases and selling Ventas

In regional terms, the return differences in the real estate sector were once more rather large last year. European real estate equities rose the fastest with a gain of +13%. Japanese and US real estate equities witnessed the strongest declines with -10% and -9%. Within the real estate component of the portfolio, Prologis which invests in global logistics real estate, had the highest total return last year with a 10% increase.

Two real estate companies in the PSAF portfolio announced a takeover. Hammerson from the UK made an offer to buy British Intu Properties. Both companies invest in European retail property mainly in the United Kingdom. After the merger, Hammerson expects an annual cost saving of GBP 25 million. It finances the acquisition through sales of its own shares. In addition, French Unibail-Rodamco made an offer for Westfield from the US. Both companies invest in large shopping centers. Unibail in Europe and Westfield mostly in the United States. This gives the combined property portfolio exposure to shopping centers in virtually all countries of the European Union and a few prosperous coastal American cities. Unibail-Rodamco finances the acquisition for 2/3rd part with shares and the remainder in cash. The expected annual cost saving is € 100 million.

New real estate companies in the portfolio are Ascendas REIT from Singapore and Link REIT from Hong Kong. REIT stands for Real Estate Investment Trust and can be compared with the Dutch fiscal investment institution (FBI). A REIT, like an FBI, does not pay corporation tax on its profits. However, almost the entire taxable profit must be distributed to the shareholders as dividend. Ascendas mainly invests in industrial and office real estate in Singapore (86%) and Australia (14%). Link REIT mainly invests in retail property and also in parking facilities and offices. The geographical focus is on Hong Kong (90% of the portfolio) and some large cities on the Chinese mainland. The total interest of both funds at the end of 2017 was representing around 2% of the PSAF portfolio. Due to these investments additional diversification is added to the real estate portfolio of the PSAF.

Last year the shares of the American real estate share Ventas were sold and the proceeds reinvested in shares of HCP another US Reit. Ventas was no longer allowed due to the low sustainability score. HCP, like Ventas, invests in real estate for the American healthcare sector. At the end of 2017 the HCP holding was almost 4% of the PSAF portfolio.

For 2018 we expect continued political risk and strong global economic growth

The global economy had an excellent 2017. Growth was above expectations in all important regions, and inflation was in line with or lower than expectations. Geopolitics did not do any damage to the economy or to financial markets, and there was no sign of financial instability. 2017 was truly a 'Goldilocks' year. But now it is 2018. A number of things could spoil the party. The most obvious would be a material rise in US inflation. Recent data on wages and the US CPI suggest that inflation may be accelerating. We reject this suggestion. Our detailed analysis of the data does not confirm the notion that relatively disappointing inflation data reflect underlying inflation pressures. In line with our view on inflation, we think the Fed will not be forced to raise rates by more than they were projecting in December: three times this year. These rate hikes will not disrupt financial markets. China could be another spoiler, but we think the Chinese policymakers will stay on top of the process of a gradual slowdown, while addressing a number of fundamental problems, such as the deleveraging of a range of corporates and also environmental challenges. A further risk is posed by US policymakers. Not only are they providing material stimulus to an economy already doing well, there is still a risk of protectionism. In Europe, the Brexit process and the political gridlock in Italy pose risks. At this stage, there is no reason to assume that they will upset financial markets. On balance, the outlook for 2018 is for strong global growth, low inflation and only modestly rising interest rates. There are risks, as always, but we expect them to remain contained.

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 maintains a number of long only equity investments. Strong bottom-up company analysis is a very important item in mitigating risks during the holding period of a position. However 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 declined by -2% in 2017. The Fund underperformed most global equity and bond indices. The Fund underperformed its benchmark (50% GPR 250 World Property (EUR) Index and 50% Euro cash 3m + 2% per annum) mainly due to the exposure to UK and US Real Estate stocks. The benchmark lost 1.2% in 2017.	Investments are selected after a thorough due diligence process but largely this will also depend on general market circumstances.	No
Manager Risk	No	The Fund maintains a number of investments in other investment funds. These are mostly Micro Finance type of funds or other Impact Fund type of funds. These funds are mostly managed by external Fund Management companies. An exception is the FMO Privium Impact Fund. A rigid due diligence process is in place when investment funds are selected.	The Fund underperformed most global equity and bond indices. The Fund underperformed its benchmark as well.	Much will depend on the actual positioning of the underlying investment funds. However we expect that the the selected investments funds will perform better than general equity markets over the long term.	No
Emerging Market risk	No	A significant weight of the portfolio is allocated to micro finance investments and Impact funds. These investments are mainly made in Emerging Markets. This risk is partially mitigated by having rigid selection criteria in place by the underlying Fund Managers.	None	This will depend on general market circumstances.	No
Interest rate risk	No	The Fund maintains a number of positions in Funds which invest in interest bearing securities but these are mostly floating rate positions. An additional explanation on interest rate risk can be found in the risk paragraph of the annual accounts.	This has been limited.	Much will depend on the actual positioning of the underlying investment funds.	No
Foreign Exchange risk	No	Direct FX risk is only partially hedged. The fund has the possibility to hedge currency risks in full.	Currency movement had a large impact on the performance of the Fund as FX risks are only partially hedged. Around 55% of the investments are denominated in EUR.	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. However some of the underlying investments of PSAF, predominantly the Micro Finance Funds, may have a liquidity mismatch between the liquidity which is offered to investors and the liquidity of the underlying investments of those funds. During periods when these funds receive large redemptions from investors the underlying Fund Managers may decide to gate redemptions. When at the same time PSAF is having large redemptions from investors as well, the Fund Manager may suspend redemptions to protect the remaining investors of PSAF.	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 position if this changes.	None	None	No
Operational risk	No	This risk is mostly mitigated by having rigid operational procedures in place. Next to that duties and responsibilities are clearly divided between Privium employees. The same is applicable at the service providers of the several Privium Funds.	None	None	No
Counterparty Risk	No	This risk is mostly mitigated by selecting and maintaining relationships with top tier counterparties and service providers.	None	None	No
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: 101.54% and Commitment method: 108.41%.	None	None	No

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

Remuneration Investee Funds

The Privium Sustainable Alternatives Fund invests, among other securities, 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.

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 (‘Bgf)’”. 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 Bgf 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.

Amsterdam, 25 June 2018

Fund Manager

Privium Fund Management B.V.

Financial statements

Balance sheet as at 31 December

(all amounts in EUR)	Notes	2017	2016
Assets			
Investments			
Investment funds	1	279,663,698	256,731,460
Bonds		14,860,500	14,797,500
Forward contracts		38,312	43,927
Total of investments		294,562,510	271,572,887
Receivables			
Other receivables	2	614,964	600,321
Total of receivables		614,964	600,321
Other assets			
Cash	3	59,023,708	34,543,643
Total of other assets		59,023,708	34,543,643
Total assets		354,201,182	306,716,851
Liabilities			
Net asset value			
Participations paid in surplus	4	315,686,958	268,284,646
Undistributed income prior years		14,261,490	13,250,106
Result current year		(5,871,304)	6,576,737
Total net asset value		324,077,144	288,111,489
Investments			
Forward contracts	1	39,816	47,197
Total of investments		39,816	47,197
Other liabilities			
Bank overdrafts	3	15,227,364	13,513,934
Payable for investments purchased		14,812,690	5,000,401
Other liabilities	5	44,168	43,830
Total other liabilities		30,084,222	18,558,165
Total liabilities		354,201,182	306,716,851

Profit and loss statement

(For the year ended 31 December)

(all amounts in EUR)	Notes	<u>2017</u>	<u>2016</u>
Investment result			
Dividend income		5,506,705	4,917,401
Interest income		53,495	4,841
Total investment result		<u>5,560,200</u>	<u>4,922,242</u>
Revaluation of investments			
Realised results	6	4,062,450	1,735,932
Unrealised results		(15,998,145)	1,712,280
Total changes in value		<u>(11,935,695)</u>	<u>3,448,212</u>
Other results			
Foreign currency translation	7	1,504,246	(719,033)
Other income		569,383	388,445
Total other results		<u>2,073,629</u>	<u>(330,588)</u>
Operating expenses			
Management fee	8	(262,443)	(228,627)
Administration fees	9	(100,046)	(80,943)
Custody expenses	10	(84,235)	(71,205)
Depositary fees		(50,485)	(42,557)
Interest expenses	11	(233,918)	(160,506)
Brokerage fees and other transaction costs		(54,340)	(36,683)
Audit fees	12	(13,684)	(10,032)
Legal fees		(20,465)	(28,077)
Supervision fees		(21,015)	(21,897)
Tax advisory fees		(10,869)	-
Other expenses		(23,207)	(81,706)
		<u>(874,707)</u>	<u>(762,233)</u>
Result for the year before tax		<u>(5,176,573)</u>	<u>7,277,633</u>
Withholding tax	14	(694,731)	(700,896)
Net result for the year after tax		<u>(5,871,304)</u>	<u>6,576,737</u>

Cash flow statement

(For the year ended 31 December)

(all amounts in EUR)	Notes	<u>2017</u>	<u>2016</u>
Cash flow from operating activities			
Purchases of investments		(95,429,168)	(66,189,734)
Proceeds from sales of investments		70,308,758	18,838,270
Dividend received		4,778,777	4,358,836
Interest received		53,495	4,841
Interest paid		(233,918)	(160,506)
Operating expenses paid		(621,897)	(577,042)
Other income received		569,383	388,445
		<u>(20,574,570)</u>	<u>(43,336,890)</u>
Cash flow from financing activities			
Proceeds from subscriptions to redeemable shares		78,120,096	78,609,244
Payments for redemption of redeemable shares		(30,717,784)	(26,718,236)
Dividend paid		(4,730,550)	(9,086,465)
Dividend tax paid		(834,803)	(1,603,493)
		<u>41,836,959</u>	<u>41,201,050</u>
Net cash flow from financing activities		41,836,959	41,201,050
Net cash flow for the year		21,262,389	(2,135,840)
Cash at beginning of the year		21,029,709	23,884,582
Foreign currency translation	7	1,504,246	(719,033)
Cash at the end of the year	3	<u>43,796,344</u>	<u>21,029,709</u>

Notes to the financial statements

General information

Privium Sustainable Alternatives Fund (the "Fund") is an open ended investment fund ("beleggingsfonds") and a fund for joint account (fonds voor gemene rekening) organized and established under the laws of The Netherlands. The Fund was incorporated on July 18, 2014.

The Fund is not a legal entity but a contractual agreement 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. In view of its legal form of fund for joint account the Fund is not eligible for registration in the Trade Register (handelsregister) of The Netherlands.

Fund Manager is in possession of an AFM license as referred to in article 2:65 (1)(a) FSA, and as a consequence may offer the Fund to professional and non-professional investors within The Netherlands.

The Fund's office address is that of the Fund Manager, being Gustav Mahlerplein 3, 26th floor, 1082 MS Amsterdam, The Netherlands.

The Fund's objective is to achieve long term capital growth by investing in Investee Companies and Investment Funds focused on Sustainable alternatives.

To achieve the Fund Objective, the Fund will primarily invest in a diversified portfolio of Investment Funds and listed Investee Companies established worldwide (both developed countries and emerging markets) focused on Sustainable alternatives and instruments derived from them. The portfolio will be managed actively with a long term investment horizon and following a sustainability approach. Only those Investee Companies that score above the sector average in the relative analysis and are not substantially involved in controversies or controversial products are eligible for investment, based on policies and procedures as determined by the Fund Manager.

The performance objective of the Fund is to seek to outperform the following composite benchmark by 0.75% per annum, over rolling three-year periods:

- a) 50% GPR 250 World Property (total return, EUR) Index (BB ticker: G250PGLE Index); and
- b) 50% Euro cash 3 months (BB ticker: ECC0TR03 Index) + 2% per annum.

Subscription and redemption fee

In order to determine the total amount due by the subscriber to the Fund the total subscription price may at the sole discretion of the Fund Manager be increased by a surcharge in the event subscriptions on the applicable Subscription Note Date exceed redemptions on such day and the associated costs to the Fund are material. The surcharge shall not exceed 0.5% of the Total Subscription Price of the Participations subscribed for. For 2017 the Fund has not applied any such surcharges.

In order to determine the net amount due by the Fund to a Participant in consideration for the redemption of Participations, the Total Redemption Price may at the sole discretion of the Fund Manager be reduced by a discount in the event redemptions on the applicable Redemption Note Date exceed subscriptions on such day and the associated costs to the Fund are material. The discount shall not exceed 0.5% of the relevant Total Redemption Price of the Participations redeemed. For 2017 the Fund has not applied any such discounts.

Accounting policies

General

The financial statements are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. The accounting principles of the Fund are summarized below. These accounting principles have all been applied consistently throughout the financial year and the preceding period.

Basis of accounting

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Measurement currency

The amounts included in the financial statements are denominated in euro, which is the functional and presentation currency.

Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortized cost equal the face value. Possible provisions deemed necessary for the risk of doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Investments

Recognition and basis of measurement

All investment securities are initially recognized at cost.

Valuation

Investment securities are valued at the last reported sales price on the largest recognized market on which they are traded. For securities in which no trading took place on that date the securities are valued at the most recent official price. Securities which are neither listed nor quoted on any securities exchange or similar electronic system or if, being so listed or quoted, are not regularly traded thereon or in respect of which no prices as described above are available, will be valued at their probable realization value as determined by the Fund Manager (or Administrator as delegated party) in good faith having regard to its cost price. Investments in funds (fund-of-fund) will be valued on the basis of the latest available valuation of Investee Funds Interests provided by the administrators of the relevant Investee Fund. In the absence of quoted values or audited net asset value calculations, the valuation of the investments is based on the reported values of the respective funds in which the Fund has a position. Lacking any proper valuation, a fair price will be determined by the Fund Manager and Investment Advisor.

Cost of investment securities sold is determined on a FIFO method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Gains and losses

Gains and losses are treated as realised for financial statement purposes on the trade date of the transaction closing or offsetting the open position against the historical cost price. Unrealised gains and losses are the difference between the value initially recognized and the fair value of open positions. All gains and losses are recognized in the profit and loss account.

Dividend and interest income

Dividends are recorded on the date that the dividends are declared, gross of applicable withholding taxes. Interest income is recognized on accrual basis.

Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, stock market indexes and interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices. All derivative financial instruments are carried in assets when amounts are receivable by the Fund and in liabilities when amounts are payable by the Fund. Changes in fair values of derivatives are included in the profit and loss statement.

Translation of foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rates of exchange prevailing at yearend. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the profit and loss account as foreign currency gains and losses except where they relate to investments where such amounts are included within realised and unrealised gains and losses on investments.

Brokerage/expenses

Commissions payable on opening and closing positions are recognized when the trade is entered into the Fund. Expenses are recorded in the period in which they originate. Transaction costs are borne by the Fund and be brought at the charge of the Fund's profit and loss account. Expenses on disposal of investments are deducted from the proceeds of disposal.

Cash

For the purpose of presentation in the balance sheet and the cash flow statement, cash is defined as cash at banks and brokers. The cash at bank and brokers is valued at face value. If cash is not freely disposable, then this has been taken into account upon valuation.

Cash flow statement

The cash flow statement is prepared using the direct method. The cash flow statement shows the Fund's cash flows for the period divided into cash flows from operations and financing activities.

Due to the nature of the Fund's operations, cash flows related to the financial instruments are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of participations of the Fund.

Bank overdrafts that are repayable on demand form an integral part of the Fund's cash management and are a component of cash.

Ongoing charges figure (OCF)

The ongoing charges figure contains all costs that have been charged to the Fund for the period 1 January 2017 until 31 December 2017 excluding the transaction costs, interest costs and performance fees. The ongoing charges figure is calculated by dividing all the costs of the period with the average net asset value. The average net asset value is calculated by adding all the monthly net asset values and divide them by the number of month's used (for this period the number of months is 12).

Turnover ratio (TOR)

The turnover ratio is calculated the following way: the sum of all purchases of investments plus the sum of all the sales of investments minus the sum for the subscriptions and redemptions. The total of this number will be divided by the average net asset value of the Fund and multiplied by 100.

Notes to the balance sheet

1. Investments

(all amounts in EUR)

	2017	2016
Investment funds	279,663,698	256,731,460
Bonds	14,860,500	14,797,500
Forward contracts Long	38,312	43,927
Forward contract Short	(39,816)	(47,197)
Position as per 31 December	294,522,694	271,525,690

The market value of the investments is based on quoted market prices. The movement of the financial instruments is as follows:

<i>Investment funds</i>		
Opening balance	256,731,460	215,725,613
Purchases	105,241,457	56,190,135
Sales	(70,308,758)	(19,000,392)
Realised investment result	4,062,450	1,898,054
Unrealised investment result	(16,062,911)	1,918,050
Balance at 31 December	279,663,698	256,731,460
<i>Bonds</i>		
Opening balance	14,797,500	-
Purchases	-	15,000,000
Unrealised investment result	63,000	(202,500)
Balance at 31 December	14,860,500	14,797,500
<i>Forward contracts</i>		
Opening balance	(3,270)	-
Sales and expirations	-	162,122
Realised investment result	-	(162,122)
Unrealised investment result	1,766	(3,270)
Balance at 31 December	(1,504)	(3,270)

Portfolio breakdown to valuation methods

(all amounts in EUR)

	2017	2016
Quoted prices	197,873,807	145,776,490
Net Present Value calculations	96,648,887	125,749,200
Balance at 31 December	294,522,694	271,525,690

2. Other receivables

(all amounts in EUR)

	2017	2016
Dividend receivable	600,315	569,610
Deferred organizational fees	13,920	28,979
Prepaid administration fees	729	1,732
Balance at 31 December	614,964	600,321

3. Cash

At 31 December 2017 and 31 December 2016, no restrictions on the use of cash exist.

4. Redeemable participations

Redeemable participations are redeemable at the shareholders' option and are classified as financial liabilities.

On any Settlement Date, provided the requirements of the Terms and Conditions have been met, the Fund Manager may redeem Participations at the request of a Participant sent in writing to the Administrator.

The Fund Assets will be sufficiently liquid to, under normal circumstances, allow the Fund to redeem Participations as requested by its Participants for at least 10% of the assets managed.

Applications for the redemption of Participations should be submitted to the Administrator by means of a duly signed Redemption Notice specifying the details of the redemption. Redemption Notices are irrevocable once received by the Administrator.

The Redemption Price of a Participation redeemed, is equal to the Net Asset Value per Participation as at the Valuation Date of such Participation. The Total Redemption Price is the applicable redemption price multiplied by the number of redeemed Participations.

In order to determine the net amount due by the Fund to a Participant in consideration for the redemption of Participations (the "Total Redemption Amount"), the Total Redemption Price may at the sole discretion of the Fund Manager be reduced by a discount in the event redemptions on the applicable Redemption Notice Date exceed subscriptions on such day and the associated costs to the Fund are material. The discount shall not exceed 0.5% of the relevant Total Redemption Price of the Participations redeemed. The discount shall be for the benefit of the Fund.

Participants shall economically be treated as having redeemed on the Valuation Date of the Participations redeemed and accordingly shall not receive any distributions declared by the Fund during the period from such Valuation Date to the Settlement Date of the Participations redeemed.

Movement schedule of net asset value

(all amounts in EUR)

	2017	2016
Participations paid in surplus		
Opening balance	268,284,646	216,393,638
Subscriptions to redeemable shares	78,120,096	78,609,244
Redemption of redeemable shares	(30,717,784)	(26,718,236)
Closing balance	315,686,958	268,284,646
Undistributed income prior years		
Opening balance	13,250,106	5,697,561
Addition from undistributed result	6,576,737	18,242,503
Dividend paid	(5,565,353)	(10,689,958)
Closing balance	14,261,490	13,250,106
Undistributed result		
Opening balance	6,576,737	18,242,503
Addition to undistributed income prior years	(6,576,737)	(18,242,503)
Result current year	(5,871,304)	6,576,737
Closing balance	(5,871,304)	6,576,737
Total net assets value at 31 December	324,077,144	288,111,489

Movement schedule of participations

(in number of participations)

	2017	2016
Outstanding participations		
Opening balance	2,620,223	2,151,361
Subscriptions to redeemable shares	725,537	711,321
Redemption of redeemable shares	(283,966)	(242,459)
Outstanding participations at 31 December	3,061,794	2,620,223

5. Other liabilities

(all amounts in EUR)

	2017	2016
Management fees payable	23,273	20,875
Legal and audit fees payable	12,342	14,407
Reporting fees payable	3,025	3,025
AIFMD fees payable	318	313
Other liabilities	5,210	5,210
Balance at 31 December	44,168	43,830

Notes to the profit and loss statement

6. Revaluation of investments

(all amounts in EUR)

	2017	2016
<i>Net realised result on financial assets and liabilities at fair value through profit or loss</i>		
Realised gains on investment funds	4,086,644	2,076,307
Realised gains on forward contracts	-	368,410
Realised losses on investment funds	(24,194)	(178,250)
Realised losses on forward contracts	-	(530,535)
Total realised result	4,062,450	1,735,932
<i>Net unrealised result on financial assets and liabilities at fair value through profit or loss</i>		
Unrealised gains on investment funds	1,974,834	11,363,383
Unrealised gains on bonds	63,000	-
Unrealised gains on forward contracts	85,509	43,927
Unrealised losses on investment funds	(18,037,745)	(9,445,333)
Unrealised losses on bonds	-	(202,500)
Unrealised losses on forward contracts	(83,743)	(47,197)
Total unrealised result	(15,998,145)	1,712,280
Total revaluation of investments	(11,935,695)	3,448,212

7. Foreign currency translation

(all amounts in EUR)

	2017	2016
Currency results on cash	1,504,246	(719,033)
Total currency results on cash	1,504,246	(719,033)

8. Management fee

The Fund Manager is entitled to an annual Management Fee equal to EUR 20,000 plus 0.08% of the Net Asset Value (i.e. 8 basis points) excluding (i.e. before deduction of) the Management Fee, as at the last calendar day of each month, with a minimum of EUR 110,000 per annum, payable monthly in arrears out of the Fund Assets. Any changes to the Management Fee are subject to the prior approval of the Fund Manager and the Legal Owner.

The management fee for the year ended 31 December 2017 amounts to EUR 262,443 (2016: EUR 228,627).

9. Administration fees

The Fund has appointed Circle Investment Support Services BV as the administrator. The administrator is entitled to an annual administration fee of 0.031% of the Net Asset Value (3.1 basis points) of the Fund. The administration fee is payable quarterly in arrears and subject to an annual minimum of EUR 30,000.

10. Custody expenses

The Fund has appointed ABN AMRO Clearing Bank N.V. as custodian to the Fund. The administrator is entitled to a safekeeping fee of 2.5-3.0bps of the value of the investments (depending on the type of investment). In addition, the custodian can charge a settlement fee, cash payment fee, corporate actions fee and proxy voting fee, all in accordance with their customary arrangements.

11. Interest expenses

The interest expenses of EUR 233,918 have seen another rise compared to previous year EUR 160,506. The rise is attributable to the negative interest charge from the ABN AMRO Bank N.V. on several currencies.

12. Audit fees

The Fund has appointed Ernst & Young Accountants LLP as the independent auditor of the Fund. The Independent Auditor's remuneration for the audit of the annual report amounts to USD 13,684 (2016: 10,032). The Independent Auditor does not provide any other audit or non-audit services to the Fund.

13. Related parties

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 making financial or operational decisions.

All services rendered by the Fund from the Fund Manager therefore qualify as related party transactions. During the period, the Fund paid management fees of EUR 260,045 (2016: EUR 225,442) to the Fund Manager.

The Privium Sustainable Alternatives Fund maintains an investment in Class A of FMO Privium Impact Fund. The value of the investment as per 31 December 2017 amounts to EUR 15,373,126 (2016: EUR 13,805,138).

14. Income and withholding tax

The Fund is organized as an investment Fund ("Fonds voor gemene rekening") under the current system of taxation in The Netherlands. The Fund is transparent for The Netherlands corporate income tax purposes. As a consequence, the Fund is not subject to The Netherlands corporate income tax. Certain dividend and interest income received by the Fund are subject to withholding tax imposed in the country of origin. During the year the average withholding tax rate incurred by the Fund was 12.61% (2016: 14.25%).

Other notes

Risk management

The nature of the Fund's investments involves certain risks and the Fund may utilize investment techniques (such as leverage, short selling and the use of derivatives) which may carry additional risks. An investment in the Fund therefore carries substantial risk and is suitable only for persons who can afford the risk of losing their entire investment.

The Fund's financial risks are managed by diversification of the financial instruments at fair value through profit or loss. For further explanation of the investment objectives, policies and processes, refer to the General section of the notes to the financial statements.

Market risk

Market risk is the risk that the value 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 contains market price risk, currency risk and interest rate risk. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the EUR, the price initially expressed in foreign currency and then converted into EUR also fluctuates because of changes in foreign exchange rates. The paragraph 'Currency risk' sets out how this component of price risk is managed and measured.

The Fund's investment strategy may include actively taking on equity-like exposure defined as exposure to equity, commodity and non-investment grade bond markets in various developed and emerging markets. The Fund may decide to hedge all or parts of these exposures.

As of 31 December 2017, the sector allocations of the Fund were as follows:

(in %)	2017	2016
Sustainable real estate investments	44.4	45.2
Microfinance investments	34.9	40.6
Renewable energy investments	4.7	3.1
Education related investments	4.6	5.1
Cash balances	11.4	6.0
Total	100.0	100.0

The total market risk that the Fund bears at 31 December 2017 is the total net financial assets and liabilities at fair value through profit or loss in the amount of EUR 294,522,694 (2016: EUR 271,525,690). If the prices had risen/fallen by 5%, the total financial assets and liabilities at fair value through profit or loss would have increased/decreased by EUR 14,726,135 (2016: EUR 13,576,285).

Currency risk

Participations are euro-denominated and are issued and redeemed in this currency. However, a large part of the Fund may be invested in securities and other instruments that are exposed to currencies other than the euro. Accordingly, the value of such assets may be affected favourably or unfavourably by exchange rate fluctuations. In addition, potential investors whose assets and liabilities are predominantly denominated in another currency than the euro should take into account the possibility of foreign exchange losses arising from fluctuations in the exchange rate between the euro and their home currency.

The Fund's investment strategy may include actively taking on foreign currency risk in various developed and emerging market currencies and is therefore exposed to a significant currency risk. The Fund may decide to hedge all or parts of the exposure to a foreign currency through an exchange traded instrument (such as a currency future or option) or through an OTC transaction (such as a forward rate agreement).

The currency exposure of the Fund at 31 December 2017 is as follows (no lookthrough applied for investments in funds):

(all amounts in EUR)

	2017			
	Gross fair value	Forward contract	Net fair value	% NAV
Pound sterling	32,379,009	-	32,379,009	9.99
US dollars	69,694,201	(15,385,414)	54,308,787	16.76
Australian dollars	12,898,810	-	12,898,810	3.98
Singapore dollars	11,013,632	-	11,013,632	3.40
Hong Kong dollars	15,467,933	-	15,467,933	4.77
Total			126,068,171	38.90

The currency exposure of the Fund at 31 December 2016 is as follows (no lookthrough applied for investments in funds):

	Gross amount	Forward contract	Net amount	% NAV
Pound sterling	29,017,138	-	29,017,138	10.07
US dollars	62,793,000	(13,761,928)	49,031,072	17.02
Australian dollars	14,919,109	-	14,919,109	5.18
Total			92,967,319	32.27

Interest rate risk

Interest rate risk refers to fluctuations in the value of, amongst others, fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of fixed-income securities will generally go down and vice versa. Financial assets and liabilities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. The Fund's income and operating cash flows are dependent on changes in market interest rates.

The Fund's exposure to market risk for changes in interest rates relates to the Fund's financial instruments at fair value through profit or loss. The Fund has interest bearing financial assets or financial liabilities except for cash at banks which are subject to normal market related short term interest rates. The Fund's interest bearing financial assets or financial liabilities consists less than 5% of the NAV. Therefore the Fund is not exposed to significant interest rate risks.

Credit risk

The Fund could lose money if the issuer of an underlying fixed income security or money market instrument, the counterparty or clearing house of a derivatives contract or repurchase agreement, a Custodian or Prime Broker at which a deposit or other assets are held, or the counterparty in a securities lending agreement does not honor his obligations. Issuers of fixed income instruments and other counterparties are subject to varying degrees of credit risks which are reflected in their credit ratings. The Fund's investment restrictions have been designed to limit the credit risk to any counterparty but this offers no guarantee that a credit event will not occur. The Fund is also exposed to credit risk on its cash which are held at ABN AMRO Bank N.V. The Standard & Poor's credit rating for ABN AMRO Bank N.V. is A (2016: A).

The Fund's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations at 31 December 2017 and 2016 in relation to the assets, is the carrying amount of EUR 74,499,172 (2016: EUR 49,941,464) as indicated in the statement of financial position.

Custody risk

The Fund's assets are held at ABN AMRO Clearing Bank N.V. All long positions and regular cash accounts are segregated and therefore their counterparty risk should be negligible. To manage the counterparty risk the credit rating of the custodian is monitored. The Standard & Poor's credit rating for ABN AMRO Clearing Bank N.V. is A (2016: A).

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Most of the financial instruments in which the Fund has invested are exchange-traded. Under normal circumstances they are bought and sold based on the on-going demand and supply on an exchange. Despite the Fund Manager's policy, which intends to limit liquidity risk, if due to unforeseen circumstances financial instruments cannot be sold or bought under normal conditions, this could lead to significant direct and indirect transaction costs. OTC transactions may involve additional risks, as there is no exchange or market on which to close out open positions.

Capital management

The Fund has no equity. The redeemable participations issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's participations in the Fund's net assets at each monthly redemption date and are classified as liabilities. For a description of the terms of the redeemable participations issued by the Fund, we refer to note 4. The Fund's objectives in managing the redeemable participations are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable participations is discussed in this note. The Fund is not subject to any externally imposed capital requirements.

15. Ongoing charges figure (OCF)

(all amounts in EUR)

	2017	2016
Average net asset value	303,032,452	260,764,424
Total ongoing expenses	592,827	565,044
Ongoing charges figure	0.196%	0.217%

For the calculation of the OCF, no lookthrough has been applied for investments in other investment funds.

The prospectus states that the total ongoing charges figure (excluding transactions costs, interest costs, and performance fees and assuming a net asset value of EUR 225,000,000) will be 0.172%.

Comparison of 2017 expenses with the prospectus

(all amounts in EUR)

	Expenses	OCF	Prospectus
Management fee	262,443	0.087%	0.090%
Administration & Tax Advisory fees	110,915	0.037%	0.031%
Custody expenses (including depositary fee)	134,720	0.043%	0.025%
Audit & reporting fees	13,684	0.005%	0.016%
Legal fees	20,465	0.007%	0.005%
Organization fee	15,059	0.005%	0.005%
Supervision fees	21,015	0.007%	
Other expenses	14,526	0.005%	
Total	592,827	0.196%	0.172%

16. Turnover ratio's (TOR)

The turnover ratio for the Fund over the period 1 January 2017 until 31 December 2017 is: 22 (2016: -6).

17. Core business and outsourcing

The following key task have been outsourced by the Fund:

Administration

The administration has been delegated to Circle Investment Support Services B.V, who carries out the administration of the Fund, including the processing of all investment transactions, processing of revenues and expenses and the preparation of the NAV. It also states, under the responsibility of the Manager, the interim report and the financial statements of the Fund. For information on the fees of the Administrator refer to note 9.

18. Events after balance sheet date

None.

19. Personnel

The Fund did not employ personnel during the year (2016: nil).

20. Appropriation of the result

The primary objective of the Fund is to achieve capital growth. Distributions of Net Proceeds (including profit distributions) will be made when (i) they are required in connection with the fiscal status of the Fund as a fiscal investment institution (fiscale beleggingsinstelling); or (ii) there are no sufficient suitable investment opportunities to achieve the Fund Objectives of the Fund. All distributions (including profit distributions) to the Participants will be made in July of each calendar year and pro rata to the number of Participations held by each Participant.

Any distribution (including profit distributions) to the Participants, including the amount, composition and manner of payment, shall be published on the Fund Manager's website.

In August 2018, the Fund will issue the FBI distribution to the Participants.

Amsterdam, 25 June 2018

Fund Manager
Privium Fund Management B.V.

Independent Auditor's report

To: the board of directors of Privium Sustainable Alternative 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 Privium Sustainable Alternative Fund, based in Amsterdam, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Privium Sustainable Alternative Fund as at 31 December 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 Privium Sustainable Alternative Fund in accordance with 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:

- Board of directors report (the managing board's report)
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- General information, and the report of the investment manager

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 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 board of directors is responsible for assessing the investment entity's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the investment entity or to cease operations, or has no realistic alternative but to do so. The board of directors 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, 25 June 2018

Ernst & Young Accountants LLP

signed by R.J. Bleijs