

# Multi Strategy Alternatives Fund

The Netherlands

UNAUDITED INTERIM FINANCIAL STATEMENTS

**for the period from 1 January 2020 to 30 June 2020**

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## General information

Registered Office	Gustav Mahlerplein 3 Symphony Offices, 26 <sup>th</sup> Floor 1082 MS Amsterdam The Netherlands
Fund Manager	Privium Fund Management B.V. Gustav Mahlerplein 3 Symphony Offices, 26 <sup>th</sup> Floor 1082 MS Amsterdam The Netherlands
Delegate/Investment Advisor	Box Consultants B.V. Burgemeester Mollaan 72 5582 CK Waalre The Netherlands
Administrator	Apex Fund Services (Netherlands) B.V. Van Heuven Goedhartlaan 935A 1181 LD Amstelveen The Netherlands
Legal Owner	Stichting Juridisch Eigendom Multi Strategy Alternatives Fund Woudenbergseweg 11 3953 ME Maarsbergen The Netherlands
Independent Auditor*	Ernst & Young Accountants LLP Antonio Vivaldistraat 150 1083 HP Amsterdam The Netherlands
Custodian	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Legal Advisor	Van Campen Liem J.J. Viottastraat 52 1071 JT Amsterdam The Netherlands
Depository	Darwin Depository Services B.V. Barbara Strozziilaan 101 1083 HN Amsterdam The Netherlands
Payment Bank	ABN AMRO Bank Daalsesingel 71 3511SW Utrecht The Netherlands

*\*The interim financial statements are neither audited nor reviewed by the Independent Auditor.*

## Profile

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

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

The net asset value (“NAV”) per participation as at 30 June 2020, 31 December 2019 and 30 June 2019 are as follows:

	30 June 2020	31 December 2019	30 June 2019
<b>NAV per participation in accordance with Dutch GAAP</b>			
Class A participations (in USD)	110.92	107.25	105.03
Class C participations (in USD)	108.33	104.70	96.81
<b>NAV per participation in accordance with the Prospectus</b>			
Class A participations (in USD)	110.92	107.25	104.79
Class C participations (in USD)	108.33	104.70	102.25

## Interim financial statements

### BALANCE SHEET

	<i>Note(s)</i>	<b>30 June 2020 USD</b>	<b>31 December 2019 USD</b>
<b>Assets</b>			
<b>Investments</b>			
Investee funds	3	133,830,391	135,620,353
		<b>133,830,391</b>	<b>135,620,353</b>
<b>Current assets (fall due in less than 1 year)</b>			
Cash	4	6,863,097	504,646
Prepaid expenses		4,713	-
Interest receivable		-	3,193
		<b>6,867,810</b>	<b>507,839</b>
<b>Total assets</b>		<b>140,698,201</b>	<b>136,128,192</b>
<b>Liabilities</b>			
<b>Current liabilities (fall due in less than 1 year)</b>			
Accrued expenses and other payables	5	(59,745)	(67,454)
Subscriptions received in advance	6	(580,000)	-
		<b>(639,745)</b>	<b>(67,454)</b>
<b>Total liabilities</b>		<b>(639,745)</b>	<b>(67,454)</b>
<b>Total assets minus total liabilities</b>		<b>140,058,456</b>	<b>136,060,738</b>
<b>Participants' equity</b>			
Contribution of participants	7	126,332,228	126,890,310
Unappropriated gain	7	13,726,228	9,170,428
<b>Total participants' equity</b>	7	<b>140,058,456</b>	<b>136,060,738</b>

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

## Interim financial statements

### INCOME STATEMENT

(For the periods ended 30 June 2020 and 2019)

	<i>Note(s)</i>	<b>2020</b> <b>USD</b>	<b>2019</b> <b>USD</b>
<b>Investment result</b>			
<i>Direct investment result</i>			
Interest income	8	2,084	75,675
Other income		-	14,993
		<u><b>2,084</b></u>	<u><b>90,668</b></u>
<i>Indirect investment result</i>			
Realised gains/(losses) on investee funds	3, 10	478,981	(198,790)
Realised gains on derivative financial instruments	3, 10	650	404,308
Unrealised gains on investee funds	3, 10	4,230,761	7,060,636
Unrealised gains on derivative financial instruments	3, 10	-	85,863
Foreign currency gains/(losses) on translation	9	175	(91,150)
		<u><b>4,710,567</b></u>	<u><b>7,260,867</b></u>
<b>Total investment income</b>		<u><b>4,712,651</b></u>	<u><b>7,351,535</b></u>
<b>Expenses</b>			
Management fee	12, 13	(57,938)	(57,782)
Administration fee	12	(29,765)	(29,676)
Custody fee	12	(27,875)	(26,424)
Depositary fee	12	(11,366)	(11,292)
Auditor's fee		(10,155)	(9,782)
Other operational costs		(8,970)	(8,142)
Bank charges		(5,313)	(13,649)
Legal ownership fee		(4,622)	(5,848)
Interest expense		(847)	(25,050)
Incorporation credit		-	121
<b>Total expenses</b>	11	<u><b>(156,851)</b></u>	<u><b>(187,524)</b></u>
<b>Net profit</b>		<u><b>4,555,800</b></u>	<u><b>7,164,011</b></u>

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

## Interim financial statements

### STATEMENT OF CASH FLOWS

(For the periods ended 30 June 2020 and 2019)

	<i>Note(s)</i>	<b>2020</b> <b>USD</b>	<b>2019</b> <b>USD</b>
<b>Cash flows from operating activities</b>			
Purchase of investments	3	(12,600,000)	(50,381,637)
Proceeds from sale of investments	3	19,099,704	32,905,954
Net receipts from derivative financial assets and liabilities	3	650	404,308
Interest received		4,464	38,457
Dividend received		-	10,311
Management fee paid		(57,578)	(56,548)
Administration fee paid		(30,861)	(25,766)
Audit fee paid		(13,423)	(13,114)
Custody fee paid		(28,156)	(26,781)
Depository fee paid		(11,366)	(11,292)
Legal fee paid		(9,335)	(5,848)
Incorporation costs received		-	121
Bank charges paid		(6,153)	(13,649)
Other general expenses paid		(11,588)	(3,759)
<b>Net cash flows provided by/(used in) operating activities</b>		<b><u>6,336,358</u></b>	<b><u>(17,179,243)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of participations – Class A participants	7	1,369,250	12,445,619
Payments on redemptions of participations – Class A participants	7	(952,332)	(2,829,648)
Payments on redemptions of participations – Class C participants		(975,000)	-
Subscriptions received in advance		580,000	1,380,000
<b>Net cash flows provided by financing activities</b>		<b><u>21,918</u></b>	<b><u>10,995,971</u></b>
<b>Net increase/(decrease) in cash</b>		<b><u>6,358,276</u></b>	<b><u>(6,183,272)</u></b>
Cash at the beginning of the period		504,646	8,344,695
Foreign currency translation of cash positions		175	(91,150)
<b>Cash at the end of the period</b>	4	<b><u><u>6,863,097</u></u></b>	<b><u><u>2,070,273</u></u></b>
<b>Analysis of cash</b>			
Cash		6,863,097	965,564
Due from broker		-	14,605,275
Due to broker		-	(13,500,566)
<b>Total cash</b>	4	<b><u><u>6,863,097</u></u></b>	<b><u><u>2,070,273</u></u></b>

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

## Notes to the interim financial statements

### 1. GENERAL INFORMATION

Multi Strategy Alternatives Fund (the “Fund”) is an open-ended investment fund (*beleggingsfonds*) for joint account (*besloten fonds voor gemene rekening*) organised and established on 30 July 2014 under the laws of the Netherlands. The Fund is not a legal entity (*rechtspersoon*), but a contractual arrangement *sui generis* between the Fund Manager, the Legal Owner and each of the participants separately, governing the assets and liabilities acquired or assumed by the Legal Owner for the account and risk of the Participants. The Fund is registered at the commercial register of the Chamber of Commerce of the Netherlands under number 61167649. The Fund commenced operations on 15 January 2015. The most recent Prospectus of the Fund was issued in October 2017.

The Fund may issue Class A participations, Class B participations and Class C participations. As at 30 June 2020 and 31 December 2019, only the Class A participations and the Class C participations are in issue.

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

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

The Fund had no employees during the period ended 30 June 2020 and the year ended 31 December 2019.

The Fund Manager is subject to supervision by the AFM (Stichting Autoriteit Financiële Markten) and DNB (Central Bank of the Netherlands). On 22 July 2014, the AFM licence of the Fund Manager was automatically converted into an Alternative Investment Fund Managers Directive (“AIFMD”) licence by the AFM.

The interim financial statements have been authorised for issue by the Fund Manager on 12 August 2020.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The interim financial statements of the Fund have been prepared in accordance with reporting principles generally accepted in the Netherlands (“Dutch GAAP”) and the statutory provisions contained in Part 9, Book 2 of the Dutch Civil Code and Dutch Accounting Standard 394. The interim financial statements have also been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”).

The interim 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 interim financial statements are presented in United States Dollar (“USD”), which is the Fund’s functional currency.

#### Recognition and measurement

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

## Notes to the interim 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 interim 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 interim financial statements in question.

#### **Foreign exchange**

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

#### **Classification of participations**

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

#### **Basis of valuation - policies in preparing the balance sheet**

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

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

Gains and losses arising from fair value changes are calculated based on historical cost and recognised in the income statement as 'realised gains/(losses) on investee funds' and 'realised gains on derivative financial instruments' or 'unrealised gains on investee funds' and 'unrealised gains on derivative financial instruments'.

The Fund's investment in investee funds are valued based on the reporting received from the administrators of those funds. As at 30 June 2020, the value of investment in investee funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investee funds.

The profit or loss of the Fund on its investment in investee funds is the aggregate of the Fund's attributable share of the result of the investee funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the investee funds. No adjustments were made during the periods.

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

#### *Receivables and prepayments*

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

#### *Payables and accruals*

Payables and accruals are included at fair value.

## Notes to the interim financial statements

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

#### 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 period 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.

#### Participants' equity

All references to NAV throughout the interim financial statements are equivalent to participants' 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 value of the investments in investee funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts, are accounted for as currency transactions. The change in value of forward currency contracts, are also accounted for in the income statement.

Interest income and expenses are accounted for in the income statement on the accrual basis.

#### Tax position

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

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

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

<i>(All amounts in USD)</i>	<b>1 January to 30 June 2020</b>	<b>1 January to 30 June 2019</b>
<b>Investment in investee funds</b>		
Opening balance	135,620,353	117,913,756
Purchases	12,600,000	50,381,637
Sales	(19,099,704)	(32,905,954)
Realised	478,981	(198,790)
Unrealised	4,230,761	7,060,636
<b>As at 30 June</b>	<b>133,830,391</b>	<b>142,251,285</b>

## Notes to the interim financial statements

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

#### 3. Investments (continued)

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

<i>(All amounts in USD)</i>	<b>1 January to 30 June 2020</b>	<b>1 January to 30 June 2019</b>
<b>Derivative financial instruments</b>		
Opening balance	-	(69,456)
Purchases	-	-
Sales	(650)	(404,308)
Realised	650	404,308
Unrealised	-	85,863
<b>As at 30 June</b>	<b>-</b>	<b>16,407</b>
<b>Total investments</b>		
Opening balance	135,620,353	117,844,300
Purchases	12,600,000	50,381,637
Sales	(19,100,354)	(33,310,262)
Realised	479,631	205,518
Unrealised	4,230,761	7,146,499
<b>As at 30 June</b>	<b>133,830,391</b>	<b>142,267,692</b>

The Fund did not hold any forward currency contracts at 30 June 2020.

The table below provides an analysis of the forward currency contracts as at 30 June 2019:

*(All amounts in USD)*

<b>Expiration date</b>	<b>Contract currency</b>	<b>Bought</b>	<b>Contract currency</b>	<b>Sold</b>	<b>Contract rate*</b>	<b>Current rate*</b>	<b>Unrealised USD</b>
02/07/2019	EUR	30,000	USD	34,158	1.1386	1.1368	(54)
31/07/2019	USD	13,462,455	EUR	11,800,000	1.1409	1.1395	16,461
<b>Total unrealised gain on open forward currency contracts</b>							<b>16,407</b>

\* Showing the equivalent of 1 United States Dollar.

#### 4. Cash

As at 30 June 2020, cash comprises of balances held with ABN AMRO Bank N.V. amounting to USD 580,510 (31 December 2019: USD 492) and with ABN AMRO Clearing Bank N.V. amounting to USD 6,282,587 (31 December 2019: USD 504,154). As at 30 June 2020 and 31 December 2019, no restrictions in the use of these balances exist.

## Notes to the interim financial statements

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

#### 5. Accrued expenses and other payables

As at 30 June 2020 and 31 December 2019, accrued expenses and other payables consist of the following:

<i>(All amounts in USD)</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Audit fee payable	(17,300)	(20,568)
Administration fee payable	(16,586)	(17,682)
Management fee payable	(10,072)	(9,712)
Custody fee payable	(6,744)	(7,025)
Regulator fee payable	(4,636)	(9,256)
FATCA fee payable	(2,000)	-
Brokerage fee payable	(1,371)	(2,211)
Other payables	(562)	(560)
Interest payable	(474)	(440)
<b>Total accrued expenses and other payables</b>	<b>(59,745)</b>	<b>(67,454)</b>

#### 6. Subscriptions received in advance

Subscriptions received in advance represent the amounts received from participants for subscription to participations of the Fund for the first business day after the reporting period. Participants are required to deposit in advance the amounts with the Fund prior to the issuance of participations.

As at 30 June 2020, the subscriptions received in advance amounts to EUR 580,000. As at 31 December 2019, there were no subscriptions received in advance. On 1 July 2020, the Fund issued 5,228.8598 Class A participations to the subscribing Participants.

#### 7. Share capital

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

The Fund is structured as an open-ended contractual fund for joint accounts which is subject to Dutch law. The Fund may issue Class A participations, Class B participations and Class C participations. All classes are subject to the same investment objective and investment strategy. The sole difference between the different classes is that Class A participants will pay a lower management fee, due to the fact that the Delegate/Investment Advisor will waive its advisory fee that is payable out of the management fee for Class A. Only investors that are a client of the Delegate/Investment Advisor shall be issued Class A participations against each such participants' individual subscription. Class C participations will pay no management fee, due to the fact that both the Delegate/Investment Advisor and the Fund Manager will waive, respectively, the delegation fee payable out of the management fee and the management fee payable for this Class. Other participants subscribing will be issued Class B participations, unless otherwise determined by the Fund Manager in its sole discretion. The holders of Class A participations at any time wishing to increase their subscriptions, shall be issued Class A participations. As at 30 June 2020 and 30 June 2019, only Class A participations and Class C participations are in issue.

## Notes to the interim financial statements

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

#### 7. Share capital (continued)

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

The movement of equity in the participations during the periods are as follows:

<i>(All amounts in USD)</i>	<b>1 January to 30 June 2020</b>	<b>1 January to 30 June 2019</b>
<i>Contributions of participants</i>		
Balance at the beginning of the period	126,890,310	127,314,065
Issue of Class A participations	1,369,250	12,445,619
Redemption of Class A participations	(952,332)	(2,829,648)
Redemption of Class C participations	(975,000)	-
<b>Total contributions at the end of the period</b>	<b><u>126,332,228</u></b>	<b><u>136,930,036</u></b>
<i>Unappropriated gain</i>		
Balance at the beginning of the period	9,170,428	(1,191,002)
Net gain for the period	4,555,800	7,164,011
<b>Total undistributed profit at the end of the period</b>	<b><u>13,726,228</u></b>	<b><u>5,973,009</u></b>
<b>Equity at the end of the period</b>	<b><u>140,058,456</u></b>	<b><u>142,903,045</u></b>

##### Subscriptions and redemptions

Participants can, at the sole discretion of the Fund Manager, subscribe to the Fund on the first business day of each calendar month ("subscription day") at the NAV per participation as at the valuation day immediately preceding the subscription day ("subscription price"). The minimum initial subscription for each participant is USD 100,000. Participations were issued at an initial subscription price of USD 100 per participation and thereafter at the NAV per participation. No subscription fees are charged to the participants of the Fund.

The Fund will enable participants to redeem participations at the NAV per participation as at the valuation day immediately preceding the redemption day ("redemption price") on the first business day of each calendar month ("redemption day"). The Administrator must receive the redemption request in proper form at least one month before the relevant redemption day. The Fund Manager may decide, in its sole discretion to accept redemption notices which are not received in a timely manner. No redemption fees are charged to the participants of the Fund.

The movement of the participations during the period ended 30 June 2020 was as follows:

	<b>Participations at the beginning of the period</b>	<b>Participations issued</b>	<b>Participations redeemed</b>	<b>Participations at the end of the period</b>
Class A participations	1,207,242.9395	12,580.6148	(9,263.3371)	1,210,560.2172
Class C participations	62,864.3263	-	(9,513.1407)	53,351.1856
<b>Total</b>	<b><u>1,270,107.2658</u></b>	<b><u>12,580.6148</u></b>	<b><u>(18,776.4778)</u></b>	<b><u>1,263,911.4028</u></b>

The movement of the participations during the period ended 30 June 2019 was as follows:

	<b>Participations at the beginning of the period</b>	<b>Participations issued</b>	<b>Participations redeemed</b>	<b>Participations at the end of the period</b>
Class A participations	1,214,213.4669	120,301.3672	(27,399.8157)	1,307,115.0184
Class C participations	57,974.6540	-	-	57,974.6540
<b>Total</b>	<b><u>1,272,188.1209</u></b>	<b><u>120,301.3672</u></b>	<b><u>(27,399.8157)</u></b>	<b><u>1,365,089.6724</u></b>

## Notes to the interim financial statements

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

#### 7. Share capital (continued)

##### Capital management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Fund does not intend to pay dividends. All earnings will normally be retained for investments. However, the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides. During the periods ended 30 June 2020 and 2019, the Fund did not declare dividends or make distributions and all earnings were reinvested in the Fund.

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 8. Interest income

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

#### 9. Foreign currency gains/(losses) 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 period ended 30 June 2020, this amounted to gains of USD 175 (2019: losses of USD 91,150). The following average and closing rates have been applied in the preparation of these interim financial statements (the equivalent of one United States Dollar is shown):

	2020		2019	
	Average	Closing	Average	Closing
<i>Showing the equivalent of 1 United States Dollar</i>				
Euro	0.8910	0.8902	0.8854	0.8797

#### 10. Investment return

<i>(All amounts in USD)</i>	2020		2020	2019
	Profit	Loss	Total	Total
<b>Investee funds</b>				
Realised result	545,350	(66,369)	478,981	(198,790)
Unrealised result	5,549,565	(1,318,804)	4,230,761	7,060,636
	<u>6,094,915</u>	<u>(1,385,173)</u>	<u>4,709,742</u>	<u>6,861,846</u>
<b>Derivative financial instruments</b>				
Realised result	650	-	650	404,308
Unrealised result	-	-	-	85,863
	<u>650</u>	<u>-</u>	<u>650</u>	<u>490,171</u>
<b>Total result</b>	<u>6,095,565</u>	<u>(1,385,173)</u>	<u>4,710,392</u>	<u>7,352,017</u>

## Notes to the interim financial statements

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

#### 11. Expenses

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses for the periods ended 30 June 2020 and 2019.

<i>(All amounts in USD)</i>	<b>2020</b>	<b>2019</b>
<b>Expenses accruing to the Fund Manager</b>		
Management fee	(57,938)	(57,782)
<b>Other expenses</b>		
Administration fee	(29,765)	(29,676)
Custody fee	(27,875)	(26,424)
Depositary fee	(11,366)	(11,292)
Audit fee	(10,155)	(9,782)
Bank charges	(5,313)	(13,649)
Regulatory fee	(5,262)	(5,012)
Legal ownership fee	(4,622)	(5,848)
FATCA fees	(2,000)	(2,000)
Other operational costs	(1,708)	(1,130)
Interest expense	(847)	(25,050)
Incorporation credit	-	121
<b>Total</b>	<b><u>(156,851)</u></b>	<b><u>(187,524)</u></b>

The basis on which various expenses are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual expenses and the expenses disclosed in the Prospectus. During the period ended 30 June 2020, all expenses actually charged to the Fund were in accordance with the expenses disclosed in the Prospectus. During the period, the Fund also incurred expenses such as interest expense of USD 847 (2019: USD 25,050), bank charges of USD 5,313 (2019: USD 13,649), FATCA fees of USD 2,000 (2019: USD 2,000), regulatory fee of USD 5,262 (2019: USD 5,012) and other operational costs of USD 1,708 (2019: USD 1,130) which are not detailed in the Prospectus.

#### 12. RELEVANT CONTRACTS

##### Fund Manager

###### *Management fee*

Privium Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 0.09% of the NAV of Class A participations and 1.09% of the NAV of Class B participations as at the last day of each calendar month. The management fee is calculated monthly and payable monthly in arrears. The Fund Manager pays a delegation fee to the Delegate for the Class B participations. No management fee is applicable to Class C participations.

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

##### Administrator

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

The Administrator also charges a fee of EUR 5,000 per annum for the preparation of the financial statements.

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

## Notes to the interim financial statements

### 12. RELEVANT CONTRACTS (CONTINUED)

#### 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.

#### Depository

The Fund has entered into a depository agreement with Darwin Depository Services B.V. The Depository charges an annual minimum fee of EUR 16,500, (excluding VAT), payable quarterly in advance, for depository services provided to the Fund. Details of depository fees changes for the periods are disclosed in the income statement.

#### Independent Auditor

The Fund appointed Ernst & Young Accountants LLP as the Independent Auditor for the audit of the annual financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

#### Legal owner fee

TCS Governance B.V. has been appointed as Management Board of the Legal Owner. The remuneration consists of an annual fixed fee of EUR 3,500 and variable remuneration of 0.0125%.

### 13. RELATED PARTY TRANSACTIONS

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

The following provides details on the related parties of the Fund and transactions with the related parties.

The Global Allocation Fund, a fund also being managed by the Fund Manager, maintains an investment in the Multi Strategy Alternatives Fund. Box Consultants B.V. has also been appointed as Delegate of the Fund. The investment in Multi Strategy Alternatives Fund is maintained in the Class C participations. No management fee is applicable for this share class.

The Fund Manager is considered a related party.

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

*Transactions from 1 January 2020 – 30 June 2020 and balances as at 30 June 2020*

	<b>Paid</b>	<b>Balance</b>
	<b>USD</b>	<b>USD</b>
Management fee	(57,578)	(10,072)

*Transactions from 1 January 2019 – 30 June 2019 and balances as at 31 December 2019*

	<b>Paid</b>	<b>Balance</b>
	<b>USD</b>	<b>USD</b>
Management fee	(56,548)	(9,712)

## Notes to the interim financial statements

### 14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

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

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

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument 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. There may be various reasons why markets fall, like recessions caused by a change in the economic business cycle or a pandemic. Market risk comprises market price risk, interest rate risk and currency risk. The Fund's market risk is managed through diversification of its investments.

#### *Market price risk*

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

As at 30 June 2020 and 31 December 2019, price risk arises on the Fund's investment in investee funds.

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

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency.

The Fund uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

As at 30 June 2020 and 31 December 2019, the Fund did not hold any forward currency contracts.

As at 30 June 2020 and 31 December 2019, all of the investments in investee funds are in USD. As the Fund's assets and liabilities are predominately denominated in the functional currency (USD) the Fund is not exposed to material currency risk.

The currency exposure of the Fund as at 30 June 2020 and 31 December 2019 is as follows:

	<b>2020</b>	<b>2019</b>
	<b>Total currency exposure</b>	<b>Total currency exposure</b>
<b>Currency</b>	<b>USD</b>	<b>USD</b>
Euro	(19,656)	(15,064)

## Notes to the interim financial statements

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

#### **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from cash, derivative financial assets and interest receivable. The carrying values of financial assets (excluding any investment in investee funds) best represent the maximum credit risk exposure as at the reporting dates and amounts to USD 6,867,810 as at 30 June 2020 (31 December 2019: USD 507,839).

#### **Liquidity risk**

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

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

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

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

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

### 15. EVENTS AFTER THE BALANCE SHEET DATE

#### *Covid-19*

At the time of writing this report the global economy continues to be under severe pressure caused by the effects of the COVID-19 pandemic (generally referred to as corona virus). Some recovery has occurred, but the outlook remains uncertain.

There is clear uncertainty about the extent of this economic downturn. As such, there might be a further downward pressure on prices of various asset classes. Governments and central banks have already intervened on a large scale and have announced large fiscal and monetary stimulus packages. It is expected that they will continue to do so.

Based on current available information there are no continuity issues for the Fund.

There were no other material subsequent events which necessitate revision of the figures or disclosures included in the unaudited condensed interim financial statements.

### 16. PROVISION OF INFORMATION

The interim financial statements and the Prospectus of the Fund are available free of charge from the Fund Manager, or available for download free of charge from the Fund Manager's website: [www.priviumfund.com](http://www.priviumfund.com).

### 17. DATE OF AUTHORISATION

The interim financial statements have been authorised for issue by the Fund Manager in Amsterdam on 12 August 2020.