

# Principia Fund N.V.

The Netherlands

ANNUAL REPORT

**for the year ended 31 December 2021**

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## General information

Registered Office	Gustav Mahlerplein 3 Symphony Offices, 26 <sup>th</sup> Floor 1082 MS Amsterdam The Netherlands
Fund Manager	Privium Fund Management B.V. Gustav Mahlerplein 3 Symphony Offices, 26 <sup>th</sup> Floor 1082 MS Amsterdam The Netherlands
Foundation	Stichting Administratiekantoor Principia Luna Arena Herikerbergweg 238 P.O. Box 23393 1101 CM Amsterdam The Netherlands
Administrator	Apex Fund Services (Netherlands) B.V. Van Heuven Goedhartlaan 935A 1181 LD Amstelveen The Netherlands
Independent Auditor	Ernst & Young Accountants LLP Antonio Vivaldistraat 150 1083 HP Amsterdam The Netherlands
Payment Bank	ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Custodian	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands

## General information *(continued)*

Fiscal Advisor (UK)

Rawlinson & Hunter  
8<sup>th</sup> Floor  
6 New Street Square  
New Fetter Lane  
London EC4A 3AQ  
United Kingdom

Depository

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

## Historical multi-year overview

### Key figures

	2021	2020	2019	2018	2017
<i>(All amounts in EUR)</i>					
Equity at the beginning of the year	20,332,678	20,484,375	15,839,465	18,082,303	16,884,334
Issue of units	12,919,952	10,694,900	10,252,784	295,611	1,001,578
Direct investment result	764,076	559,676	508,439	393,016	244,267
Indirect investment result	4,169,264	(1,083,914)	3,788,297	(1,756,129)	520,849
	<u>38,185,970</u>	<u>30,655,037</u>	<u>30,388,985</u>	<u>17,014,801</u>	<u>18,651,028</u>
Redemption of units	16,037,966	9,975,612	9,556,311	801,517	264,639
Expenses	360,970	346,747	348,299	373,819	304,086
<b>Equity at the end of the year</b>	<b><u>21,787,034</u></b>	<b><u>20,332,678</u></b>	<b><u>20,484,375</u></b>	<b><u>15,839,465</u></b>	<b><u>18,082,303</u></b>
Investments	21,708,130	20,148,199	20,388,102	15,621,165	16,268,876
Cash	246,300	167,335	1,078,053	420,511	1,857,697
Other assets and liabilities	(167,396)	17,144	(981,780)	(202,211)	(44,270)
<b>Equity at the end of the year</b>	<b><u>21,787,034</u></b>	<b><u>20,332,678</u></b>	<b><u>20,484,375</u></b>	<b><u>15,839,465</u></b>	<b><u>18,082,303</u></b>
<b>Net (loss)/profit</b>					
Investment income	764,076	559,676	508,439	393,016	244,267
Indirect investment result	4,169,264	(1,083,914)	3,788,297	(1,756,129)	520,849
Expenses	(360,970)	(346,747)	(348,299)	(373,819)	(304,086)
<b>Net (loss)/profit</b>	<b><u>4,572,370</u></b>	<b><u>(870,985)</u></b>	<b><u>3,948,437</u></b>	<b><u>(1,736,932)</u></b>	<b><u>461,030</u></b>
<b>Number of units</b>					
Class A	40,070.4849	135,396.9300	133,270.9370	128,721.9657	133,534.7698
Class B	80,279.9993	11,526.5364	8,871.7694	8,031.5235	7,154.7262
<b>Unitholders' equity per unit in accordance with Dutch GAAP</b>					
Class A	170.94	137.50	143.47	115.42	128.23
Class B	186.06	148.81	153.73	122.32	134.14
<b>Unitholders' equity per unit in accordance with the Prospectus</b>					
Class A	170.94	137.50	143.47	115.46	128.38
Class B	186.06	148.81	153.73	122.38	134.31
<b>Performance</b>					
Class A	24.33%	(4.16%)	24.30%	(9.99)%	2.57%
Class B	25.03%	(3.20%)	25.68%	(8.81)%	3.86%

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## Management report

### General equity market conditions

The continuation of extraordinarily aggressive monetary and fiscal policies, combined with the diminishing economic impact of Covid-19 propelled markets higher during 2021.

The MSCI world index (iShares ETF) returned 32.5%<sup>1</sup>. A robust economic expansion off a low base led to a strong earnings recovery, and despite a sharp increase in share prices, the index's consensus P/E ratio declined from 25.3 to 20.3x during the year. While the technology sector, driven by US large cap technology companies, continued to perform well but the energy sector was the strongest performing sector after being the weakest in 2020. All sectors generated positive returns, with the utility sector being the weakest.

For the first time in five years, the MSCI world value index (+30.9%), exceeded the performance of the MSCI world growth index (+30.1%). The spread in valuation multiples between value and growth segments of the market continued to be amongst the widest ever recorded. Global growth stocks have outperformed value stocks in ten out of the last twelve years and the performance spread over the last decade is over 200%. Notably, and what points to unsustainability, is that most of this performance differential has come, not from unusual differences in the progression of relative fundamentals but from a change in the spread in valuation multiples. The current consensus price to earnings, price to book value and many other fundamental metrics for the MSCI world growth index is now much higher than the corresponding metrics for the MSCI world value index when compared against history. The discounts are wide no matter what metrics are used.

In 2021 we started to witness strong signs of the potential ending of excessive optimism, euphoria and unbridled speculation in large pockets of global markets. Current conditions and valuations, most prominently in the tech heavy U.S. market, are analogous and on some measures, more extreme than witnessed during the dot-com bubble twenty years ago. In what we believe to still be an early transition, we started to see many indicators that the preference for high revenue growth, low earning, "story stocks" was ending.

### Performance

In 2021, the Fund generated a return of +24.33% (Class A) against +32.54% for the MSCI World Index (iShares ETF) and +30.9% for the MSCI World Value Index. We believe performance for the Fund was in-line with expectations given the Fund's high active share, contrarian value-based strategy and the market backdrop, which we believe continued to favour popular "factors" like growth and momentum, as well as mega cap stocks highly represented in passive benchmarks.

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

### Portfolio developments

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

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

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<sup>1</sup>All return figures in EUR unless stated otherwise.

## Management report (*continued*)

### Portfolio developments (*continued*)

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

In addition to several incremental adds and trims of existing positions, during the year we initiated twenty-one new positions and exited twelve for the Fund.

The twenty-one new positions purchased in 2021 were Adecco, Alibaba, Atos, B2Gold, Bayer, Cameco, China Unicom, FEMSA, Fresnillo, Japan Petroleum, Kaken Pharmaceuticals, KT Corp, Lloyds, M&G, Kazatomprom, Nippon Kayaku, NTT, Novartis, Nutrien, Petrobas and Wheaton Precious Metals.

The twelve positions exited during the year were Bangkok Bank, Berkshire Hathaway, Cisco, Derwent, McKesson, Morrison, OI Glass, Oracle, Roche, Subsea 7 and United Overseas Bank. We generally sold as the stock prices approached or surpassed our estimates of fair value and as we were able to find more attractively valued new opportunities to recycle capital into.

From a sector perspective Materials was the largest increase in exposure as the weight in the Fund rose from 6.1% at the end of 2020 to 11.4% at the end of 2021. The largest decline in exposure was Financials, which declined from 22.1% at the end of 2020 to 16.5% at the end of 2021.

The Fund remained effectively fully invested throughout the year with cash levels near zero in percentage terms.

### Outlook

We believe that, at current prices, prospective long-term returns for aggregate world developed markets (particularly large segments of the US market), as represented by major indices, continues to be moderate to low when compared to historic norms. Despite this, we believe the current environment has created several valuation disparities that create opportunities conducive to high active share, long-term value-oriented strategies. The valuation spread between traditional value and growth indices, between mega cap and smaller sized companies as well as between the US and the rest of the world is very wide and we believe widened further in 2021. Over the last decade, much of the outperformance of large parts of the world market has been due to multiple expansion rather than unusual divergences in fundamentals relative to previous cycles.

We believe these discrepancies have created a high degree of opportunities for attractive investments for the Fund.

In our last annual report we wrote: “We would not be surprised to see the current bubble-like areas of the market, especially high growth, low earning, story stocks, to be an area of significant weakness in the future”. This has occurred in the most speculative areas like SPACS and low profit disruptive tech companies. We expect more weakness in these areas but also expect even highly profitable growth companies that are trading at unsustainably high valuations to follow suit. As we said last year, the bursting of a bubble tends to create enormous liquidity events and this should create some interesting changes in the investing landscape.

As of the time of writing, the median consensus price to earnings for the portfolio was 10.1x against 17.1x for the MSCI world and the median consensus price to book was 1.4x against 2.8x for the MSCI world; while we believe the portfolio in aggregate consists of a collection of businesses that are not of lower quality than the market.

We believe we have been able to uncover and assemble a portfolio of attractive businesses trading at attractive valuations. We continue to feel confident in our strategy and the Fund’s potential for the generation of superior long-term returns.

We continue to closely monitor the Covid-19 situation and the potential development of new variants.

### Sustainable Finance Disclosure Regulation (SFDR)

As per 10 March 2021 the EU Sustainable Finance Disclosure Regulation (SFDR) has come into force. In the context of the Sustainable Finance Disclosure Regulation (SFDR), the Fund has been classified as an Article 6 fund. The investments of the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

## Management report (*continued*)

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

Privium Fund Management B.V, Fund Manager of various funds, has a careful, controlled and sustainable remuneration policy which meets all the regulatory requirements as included in the Alternative Investment Fund Managers Directive (AIFMD), the guidelines on sound remuneration policies under the AIFMD (ESMA Guidelines) and the Sustainable Finance Disclosure Regulation. 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 is responsible for establishing the Remuneration policy. The Board of Privium reviews the Remuneration policy at least once a year and the policy may be amended if circumstances warrant that. Remunerations at Privium may consist out of a fixed remuneration (this may include a payment to cover certain expenses of staff members) and a variable remuneration.

Privium 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 fund or Privium.

### Remuneration policy 2021

This policy is based on the situation as of December 31, 2021. The financial year of Privium ends on December 31 of any year. For some of the funds the compensation consists of both a management and a performance fee. Amounts reflect remuneration related to funds managed by Privium, for the time Privium was the Fund Manager of those funds.

The two tables below offer an overview of the remuneration at the level of Privium. The first table shows the remuneration overview as of December 31, 2020 and the second table shows the remuneration overview as of December 31, 2021.

Information per fund is not available. The Board of Privium is being described as Identified Staff in senior management roles. All other staff members are categorized as identified staff outside senior management roles.

### Overview as December 31, 2020

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	2	34	36
Total fixed remuneration	€ 148,421	€ 4,839,700	€ 4,988,121
Total variable remuneration	€ 35,000	€ 5,331,064	€ 5,366,064
<b>Total remuneration</b>	<b>€ 183,421</b>	<b>€ 10,170,764</b>	<b>€ 10,354,185</b>



## Management report (*continued*)

### Overview as December 31, 2021

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	2	37	39
Total fixed remuneration	€ 167,492	€ 9,691,135	€ 9,858,627
Total variable remuneration	€ 42,500	€ 9,326,680	€ 9,369,180
<b>Total remuneration</b>	<b>€ 209,992</b>	<b>€ 19,017,815</b>	<b>€ 19,227,807</b>

Privium has delegated certain portfolio management duties of some of its funds to outside investment advisers ('delegates'). Remuneration of identified staff of delegates is not included in the table. The delegates are subject to regulatory requirements on remuneration policies and disclosures that are comparable with the requirements applicable to Privium. Reference to the remuneration of the delegates is included in the Prospectus and annual report of the funds concerned. Since no delegates for portfolio management have been assigned for the Principia Fund N.V. this is not applicable to the Principia Fund N.V..

Variable payments to both identified staff members in senior management roles and identified staff outside senior management depend e.g. on the profitability of the company, the performance of the funds, extraordinary commitment to the firm, customer satisfaction, work according best practice ethical, compliance and risk management standards and other performance/non-performance related criteria. In 2021 no variable remuneration specifically related to the Principia Fund N.V. has been paid to any Identified Staff of Privium. Privium does not charge any employee remuneration fees to the funds, except for the Supermarkt Vastgoed fund.

Employee remuneration is paid out of the management and performance fees (if applicable). In total 39 staff members were involved during (some part of) the year 2021 (2020: 36), including consultants and including both part-time and full-time staff.

Three staff members, active in portfolio management, have earned more than EUR 1,000,000 in relation to the performance results during the year 2021 (2020: one).

### Risk management

Privium Fund Management B.V. has a clear and elaborate Risk Management framework, in line with current legislation, such as the Alternative Investment Fund Manager Directive (AIFMD). The Risk Management function within Privium is performed by an independent Risk Manager. Privium has a Risk Management Committee which meets at least on a monthly basis.

The Risk Management framework consists of several individual components, whereby Risk Monitoring is being performed on an ongoing basis.

Under the AIFM Directive, the Fund Manager is required to establish and maintain a permanent risk management function. This function should have a primary role in shaping the risk policy of each Alternative Investment Fund ("AIF") under management by the Fund Manager, risk monitoring and risk measuring in order to ensure that the risk level complies on an ongoing basis with the AIF's risk profile.

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## Management report (*continued*)

### Risk management (*continued*)

The risk management function performs the following roles:

- Implement effective risk management policies and procedures in order to identify, measure, manage and monitor risks;
- Ensure that the risk profile of an AIF is consistent with the risk limits set for the AIF;
- Monitor the liquidity profile of the AIF;
- Monitor sustainability risk levels;
- Monitor compliance with risk limits; and
- Provide regular updates to senior management concerning:
  - 1: The consistency of stated profile versus risk limits;
  - 2: The adequacy and effectiveness of the risk management process; and
  - 3: The current level of risk of each AIF and any actual or foreseeable breaches of risk limits.

As described by the AIFM Directive quantitative risk limits are, where possible, constructed for various risk categories: market risk, liquidity risk, credit risk, counterparty risk, and operational risk. These risk limits should be in agreement with the risk profile of the fund.

The risk management function is fully independent from the portfolio management function of the Fund Manager. The risk manager has full authority to close positions or the authorization to instruct the closing of positions on his behalf in case of a risk breach.

To ensure that all risk management tasks are executed correctly and timely, the Fund Manager uses an automated system that registers all risk tasks, keeps a list of all pending risk tasks, and escalates risk tasks that have not been executed or report a violation of a risk rule. The system produces an audit log that can be verified by the internal auditor, the external auditor, the management board, the regulator or other stake holders. Not all risk variables have limits but to identify any new relevant risks, every variable that is reported in the system flows through a sanity check. The sanity check will raise an exception if the variable falls outside its “normal” boundaries. The Risk Manager is notified of these exceptions and will make an assessment whether the situation is stable or whether further escalation is needed.

The positions of the fund are administered and reconciled by using a professional portfolio management system. Risk reports such as Value at Risk and Stress Scenarios are run using Bloomberg.

The Compliance Monitoring system is used for monitoring of the pre-defined risk limits. The limits can either be configured as notification limits, soft limits or hard limits. In case of a breach of any of the limits, the escalation procedures are followed as described in the Risk Management Procedures (Annex 17) of the Privium Handbook.

The reoccurring risk tasks are:

- Weekly risk report by risk management, including Value at Risk;
- Monthly reporting by portfolio management;
- Quarterly Operational risk management; and
- Monthly stress scenarios. On ad hoc basis extra stress scenarios can be done.

On a monthly basis the Risk Committee of the Fund Manager meets to discuss the performances and risks of the Fund. Any breaches are discussed. On a yearly basis a Risk Evaluation and Product Review is conducted.

In 2016 Privium’s senior management team decided to engage an external party in the annual evaluation of the internal processes. This audit primarily focusses on risk management and compliance processes. In Q4 2021 this audit was executed for the sixth time and the findings were reported to Privium’s management. The audit did not demonstrate any material deviations.

## Management report *(continued)*

### Risk management and willingness to take risks

There have been no risk breaches during the year 2021. The risk profile of the Fund has not changed during the reporting period. Neither did the investment objective (s) or any of the investment restrictions of the Fund during the reporting period.

Reference to the investment objective (s), risk profile and the investment restrictions of the Fund is made in the Prospectus of the Fund and the Key Investor Information Document.

In the table below we list the various risks 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 2021 NAV	Expected impact on 2022 NAV if risk materializes	Adjustments made or expected adjustments to risk management in 2021 or 2022
Price/Market Risk	No	The fund has been holding cash and long only equity positions. In line with the philosophy of the fund, buying shares of companies at a price that is lower than the intrinsic value is a fundamental part of the risk management framework of the fund. Strong bottom-up company analysis is a very important item in mitigating risks during the holding period of a position. However share price fluctuations due to general equity market movements during the holding period can't be mitigated or avoided in full by conducting company analysis. This risk is inherent when securities like equities are traded.	The Fund gained +24.33 (Class A) in 2021. The Fund underperformed its benchmark. The iShares Core MSCI World UCITS ETF gained +32.5% in 2021.	Investments are being selected on having discounts to its intrinsic value but largely this will also depend on general market circumstances.	No
Interest rate risk	No	The Fund has no interest bearing financial instruments except for cash at bank. Therefore the Fund is not exposed to significant interest rate risk.	None	None	No
Foreign Exchange risk	No	FX risk is not being hedged. It is not expected that this will change in the near future either.	Around 90% of the investments are denominated in non-EUR currencies (mostly JPY, HKD, USD and GBP) and because of the appreciation of most foreign currencies vs the EUR this had a positive impact in 2021 (the only exception being the JPY).	This will largely depend on FX movements.	No
Liquidity risk	No	Liquidity risk mostly has been mitigated by investing in positions that offer sufficient liquidity	None	We would not expect a negative NAV impact if this risk would materialize.	No
Credit risk	No	Spare cash is maintained at ABN AMRO. ABN AMRO has an A credit rating (S&P credit rating) and we would reconsider the relationship if this changes.	None	None	No
Operational risk	No	This risk is mostly mitigated by having rigid operational procedures in place. Next to that duties and responsibilities are clearly divided between Privium employees. The same is applicable at the service providers of the several Privium Funds.	None	None	No
Counterparty Risk	No	This risk is mostly mitigated by selecting and maintaining relationships with top tier counterparties and service providers.	None	None	No
Leverage Risk	No	The Fund is not using leverage (no implied leverage and no actual borrowings). Nevertheless as of December 31, 2021 the leverage calculations according to the Gross method and Commitment method are as follows: Gross method: 99.92% and Commitment method: 100%.	None	None	No
Sustainability Risk	No	Sustainability risks are categorized into Environmental, Social or Governance (ESG) issues and may pose a material risk to the value of an investment. Not all sustainability risks may have a material negative effect on the value of an investment. Therefore, the Fund applies the Materiality Map of the Sustainability Accounting Standards Board (SASB) to determine which sustainability risks are material to consider in the investment decision making process. In each investment decision the relevant material sustainability risks are investigated using the following focus points: * Policy and practices: Investigating if relevant sustainability risks to the investment are well covered by policies informs if all risks are sufficiently in scope and in control. If so, then the value of the investment may be less sensitive to the relevant sustainability risk than its peers. * Incidents: If the sector or the investment experienced significant incidents regarding the relevant sustainability risk recently, this may inform the understanding of both the frequency of it occurring, as well as the investments readiness and quality of response. Better preparedness and a strong response mean the value of the investment may be less sensitive to the relevant sustainability risk than its peers.	None	None	No

## Management report (*continued*)

### Control Statement

The Board of Privium Fund Management B.V. declares to have an AO/IB (Handbook) that meets the requirements of the “Wet op het financieel toezicht and the ‘Besluit gedragstoezicht financiële ondernemingen (‘Bgfo’)””. During 2021 we assessed the various aspects of the Privium operations as outlined in the AO/IB (Handbook). We have not identified any internal control measures that do not meet the requirements of Article 121 of the Bgfo and as such we declare that the operations in the year 2021 functioned effectively as described. During 2021 a number of independent service providers have conducted checks on Privium’s operations as part of their ongoing responsibility and investor demand. No errors have been signalled.

Privium is updating its AO/IC (Handbook) on a regular basis as required by law. The 2021 update was completed in December 2021. During the fourth quarter of 2021 the external audit officer performed its annual due diligence on a number of internal procedures at the Fund Manager. These are mostly related to Compliance and Risk Management. The external audit officer has reported his findings to the Fund Manager in a report. No meaningful errors have been signalled.

## Financial statements

### BALANCE SHEET

(As at 31 December)

	<i>Note</i>	<b>31 December 2021 EUR</b>	<b>31 December 2020 EUR</b>
<b>Assets</b>			
<b>Investments</b>			
Equities	3	21,708,130	20,148,199
		<b>21,708,130</b>	<b>20,148,199</b>
<b>Current assets (fall due in less than 1 year)</b>			
Cash	4	246,300	352,640
Other receivables	5	35,146	51,378
		<b>281,446</b>	<b>404,018</b>
<b>Total assets</b>		<b>21,989,576</b>	<b>20,552,217</b>
<b>Current liabilities (fall due in less than 1 year)</b>			
Due to custodian	4	-	(185,305)
Accrued expenses and other payables	6	(39,838)	(27,202)
Subscriptions received in advance	7	(162,704)	(7,032)
		<b>(202,542)</b>	<b>(219,539)</b>
<b>Total liabilities</b>		<b>(202,542)</b>	<b>(219,539)</b>
<b>Total assets minus total liabilities</b>		<b>21,787,034</b>	<b>20,332,678</b>
<b>Unitholders' equity</b>			
Contribution of unitholders		12,176,568	15,294,582
Unappropriated gain		9,610,466	5,038,096
<b>Total unitholders' equity</b>	8	<b>21,787,034</b>	<b>20,332,678</b>

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

## Financial statements

### INCOME STATEMENT (For the years ended 31 December)

	<i>Note(s)</i>	<b>2021</b> <b>EUR</b>	<b>2020</b> <b>EUR</b>
<b>Investment income</b>			
<i>Direct investment result</i>			
Interest income	9	-	63
Dividend income	10	757,284	557,803
Other income		6,792	1,810
		<b>764,076</b>	<b>559,676</b>
<i>Indirect investment result</i>			
Foreign currency gains/(losses) on translation	11	297	(1,615)
Realised gains on investments in equities	3, 12	2,225,247	838,145
Unrealised gains/(losses) on investments in equities	3, 12	1,943,720	(1,920,444)
		<b>4,169,264</b>	<b>(1,083,914)</b>
<b>Total investment income/(loss)</b>		<b>4,933,340</b>	<b>(524,238)</b>
<b>Expenses</b>			
Management fee	13, 14	(187,666)	(173,682)
Administration fee	13, 14	(26,120)	(24,598)
Depositary fee	13, 14	(21,940)	(20,504)
Other operational costs	13	(19,992)	(11,006)
Audit fee	13, 14	(15,556)	(14,201)
Bank charges	13	(15,159)	(10,306)
FATCA fees	13	(4,240)	(4,367)
Custody fee	13, 14	(3,085)	(5,409)
Interest expense	13	(2,084)	(997)
Legal fees	13	-	(724)
<b>Total expenses</b>		<b>(295,842)</b>	<b>(265,794)</b>
<b>Net profit/(loss) before tax</b>		<b>4,637,498</b>	<b>(790,032)</b>
Withholding tax		(65,128)	(80,953)
<b>Net profit/(loss) after tax</b>		<b>4,572,370</b>	<b>(870,985)</b>

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

## Financial statements

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

	<i>Note(s)</i>	<b>2021</b> <b>EUR</b>	<b>2020</b> <b>EUR</b>
<b>Cash flows from operating activities</b>			
Purchases of investments	3	(11,149,012)	(11,117,783)
Proceeds from sale of investments	3	13,758,048	10,275,387
Interest received		-	178
Interest paid		(2,137)	(1,082)
Dividend received		773,516	541,053
Foundation fees		(12,608)	(7,744)
Management fee paid		(188,139)	(174,486)
Custody fee paid		(2,989)	(5,392)
Depositary fee paid		(21,940)	(20,504)
Bank charges paid		(15,159)	(10,306)
Withholding tax paid		(65,128)	(80,953)
Other income received		6,792	1,810
Administration fee paid		(25,999)	(28,111)
Audit fee paid		(4,835)	(23,126)
Legal fee paid		-	(724)
Other general expenses paid		(9,400)	(14,135)
<b>Net cash flows provided by/(used in) operating activities</b>		<b><u>3,041,010</u></b>	<b><u>(665,918)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from sales of units – class A units	8	682,786	10,300,132
Proceeds from sales of units – class B units	8	12,237,166	394,768
Payments on redemptions of units – class A units	8	(16,037,966)	(9,965,612)
Payments on redemptions of units – class B units	8	-	(10,000)
Subscriptions received in advance		155,672	(962,473)
<b>Net cash flows used in financing activities</b>		<b><u>(2,962,342)</u></b>	<b><u>(243,185)</u></b>
<b>Net increase/(decrease) in cash</b>		<b>78,668</b>	<b>(909,103)</b>
Cash at the beginning of the year		167,335	1,078,053
Foreign currency gains/(losses) on translation of cash positions		297	(1,615)
<b>Cash at the end of the year</b>	<b>4</b>	<b><u><u>246,300</u></u></b>	<b><u><u>167,335</u></u></b>
<b>Analysis of cash</b>			
Due from custodian		80,170	336,378
Cash at bank		166,130	16,262
Due to custodian		-	(185,305)
<b>Total cash</b>	<b>4</b>	<b><u><u>246,300</u></u></b>	<b><u><u>167,335</u></u></b>

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

## Notes to the financial statements

### 1. GENERAL INFORMATION

Principia Fund N.V. (the “Fund”) is structured as an open-ended investment fund and was established in Amsterdam in April 2014. The Fund is a public company limited by shares (*naamloze vennootschap*) and is a legal entity under the laws of the Netherlands. The Fund is registered at the commercial register of the Chamber of Commerce of the Netherlands under number 60521945. The Fund commenced operations on 22 May 2014. The Fund has a registered office at Gustav Mahlerplein 3, Symphony Offices, 26th Floor, 1082 MS Amsterdam, The Netherlands. The most recent Prospectus of the Fund was issued in January 2022.

The shares of the Fund are divided in two series (“shareclasses”), Shareclass A and Shareclass B. The investment policy and risk profile of the Fund are equal for both shareclasses. Investors can invest in the Fund by obtaining units representing an interest in Shareclass A (“A units”) or Shareclass B (“B units”). Units will be issued by the Foundation, who will be the legal owner of the shares represented by the units. The units of the Fund will be issued in two series (“unitclasses”), Unitclass A and Unitclass B. The units in Unitclass B are only available for subscription by persons working for the Fund Manager or related to the Fund and to investors that invest a minimum of EUR 1,000,000 at the ultimate beneficial owner level. All other persons can subscribe for units in Unitclass A. As at 31 December 2021 and 2020, both Unitclass A and Unitclass B units are in issue.

The investment objective of the Fund is to earn a higher return than the average of the world’s developed equity markets, as represented by iShares MSCI World UCITS ETF.

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

The Fund had no employees during the years ended 31 December 2021 and 2020.

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

As per 10 March 2021 the EU Sustainable Finance Disclosure Regulation (SFDR) came into force. In the context of the SFDR, the Fund is classified as an Article 6 fund. Additional SFDR related disclosures can be found in the Supplement to the Prospectus of the Fund.

The financial statements have been authorised for issue by the Fund Manager on 24 June 2022.

### 2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with the reporting principles generally accepted in the Netherlands (“Dutch GAAP”) including the guidelines for annual reporting (RJ) 615 and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code. The financial statements have also been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”).

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

Below and overleaf is a summary of the accounting policies of the Fund.

#### Functional currency

The financial statements are presented in Euro (“EUR”), which is the Fund’s functional currency.

#### Recognition and measurement

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

Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.



## Notes to the financial statements

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

#### **Recognition and measurement** (continued)

Expenses (including value added tax ("VAT"), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

#### **Estimates**

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. If necessary, for the purposes of providing the view required under Section 362, subsection 1, Book 2 of the Dutch Civil Code, the nature of these estimates and judgements, including related assumptions, is disclosed in the notes to the financial statements in question.

#### **Foreign exchange**

Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates are recognised in the income statement. Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they are realised, unless hedge accounting is applied. Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of transactions.

Translation differences in non-monetary assets such as equities, investments in investee funds and debt instruments held at fair value through profit or loss are recognised through profit or loss as part of the fair value gain or loss.

#### **Classification of units**

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

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

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

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

Gains and losses arising from fair value changes are calculated based on historical cost and recognised in the income statement as 'realised gains on investments in equities' and 'unrealised gains/(losses) on investments in equities'.

#### *Receivables and prepayments*

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

#### *Payables and accruals*

Payables and accruals and deferred income are included at fair value.

#### **Cash**

Cash comprises cash on hand and demand deposits.

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

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

## Notes to the financial statements

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

#### Statement of cash flows (continued)

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

#### Unitholders' equity

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

#### Tax position

For Dutch corporate income tax purposes, the Fund, a public company limited by shares (naamloze vennootschap), a legal entity under the laws of the Netherlands, maintains the VBI status pursuant to article 6a of the Dutch Corporate Income Tax Act 1969 (Wet op de vennootschapsbelasting 1969). Distributions of the Fund are not subject to Dutch dividend withholding tax as a result of the VBI status.

#### Principles for determining the result

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in the value of the investments held by the Fund are accounted for in the income statement.

Dividends from equities are included at the date when they are declared. Dividend withholding tax is presented gross on the income statement.

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

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

### NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

#### 3. Investments

##### Movement in schedule of investments

<i>(All amounts in EUR)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Investment in equities</b>		
As at 1 January	20,148,199	20,388,102
Purchases	11,149,012	11,117,783
Sales	(13,758,048)	(10,275,387)
Realised gain	2,319,012	911,156
Realised loss on foreign exchange differences	(93,765)	(73,011)
Unrealised gain/(loss)	929,566	(859,056)
Unrealised gain/(loss) on foreign exchange differences	1,014,154	(1,061,388)
<b>As at 31 December</b>	<b><u>21,708,130</u></b>	<b><u>20,148,199</u></b>

#### 4. Cash

As at 31 December 2021, cash comprises of balances held with ABN AMRO Bank N.V. amounting to EUR 166,130 (2020: EUR 16,262).

Cash also includes amounts due from ABN AMRO Clearing Bank N.V. of EUR 80,170 (2020: EUR 336,378).

As at 31 December 2021, the Fund also had no amount due to ABN AMRO Clearing Bank. As at 31 December 2020, the Fund had an amount due to ABN AMRO Clearing Bank of EUR 185,305 which represented amounts held in brokerage accounts.

## Notes to the financial statements

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

#### 5. Other receivables

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

<i>(All amounts in EUR)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Dividend receivable	35,146	51,378
<b>Total other receivables</b>	<b>35,146</b>	<b>51,378</b>

#### 6. Accrued expenses and other payables

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

<i>(All amounts in EUR)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Audit fee payable	(17,775)	(7,054)
Management fee payable	(15,054)	(15,527)
Licence fee payable	(2,747)	(1,500)
Administration fee payable	(1,817)	(1,696)
Other payables	(1,100)	(482)
Foundation fee payable	(776)	(417)
Custody fee payable	(569)	(473)
Interest fee payable	-	(53)
<b>Total accrued expenses and other payables</b>	<b>(39,838)</b>	<b>(27,202)</b>

#### 7. Subscriptions received in advance

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

As at 31 December 2021, the subscriptions received in advance amount to EUR 162,704 (2020: EUR 7,032). On 3 January 2022, the Fund issued 891.9284 units of Unitclass A and 53.6651 units of Unitclass B to the subscribing unitholders.

#### 8. Share capital

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

The Fund is structured as an open-ended investment fund and was established in Amsterdam in April 2014. The shares of the Fund are divided in two series ("shareclasses"), Shareclass A and Shareclass B. The investment policy and risk profile of the Fund are equal for both shareclasses. Investors can invest in the Fund by obtaining units representing an interest in Shareclass A ("A units") or Shareclass B ("B units"). Units will be issued by the Foundation, who will be the legal owner of the shares represented by the units. The units of the Fund will be issued in two series ("unitclasses"), Unitclass A and Unitclass B. The units in Unitclass B are only available for subscription by persons working for the Fund Manager or related to the Fund and to investors that invest a minimum of EUR 1,000,000 at the ultimate beneficial owner level. All other persons can subscribe for units in Unitclass A. As at 31 December 2021 and 2020, both Unitclass A and Unitclass B units are in issue.

## Notes to the financial statements

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

#### 8. Share capital (continued)

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

The movement of equity in the units during the years is as follows:

<i>(All amounts in EUR)</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<i>Contributions of unitholders</i>		
Balance at the beginning of the year	15,294,582	14,575,294
Issue of units – class A units	682,786	10,300,132
Issues of units – class B units	12,237,166	394,768
Redemption of units – class A units	(16,037,966)	(9,965,612)
Redemption of units – class B units	-	(10,000)
<b>Total contributions at the end of the year</b>	<b><u>12,176,568</u></b>	<b><u>15,294,582</u></b>
<i>Unappropriated gain</i>		
Balance at the beginning of the year	5,038,096	5,909,081
Net profit/(loss) after tax	4,572,370	(870,985)
<b>Total undistributed gain at the end of the year</b>	<b><u>9,610,466</u></b>	<b><u>5,038,096</u></b>
<b>Equity at the end of the year</b>	<b><u>21,787,034</u></b>	<b><u>20,332,678</u></b>

##### Subscriptions and redemptions

The Fund enables the Foundation to issue units on the first business day of each calendar month at the Net Asset Value per unit on the preceding valuation day, plus an anti-dilution levy of maximum 0.15% of the subscription amount. The minimum initial subscription for each unitholder is EUR 20,000 with the minimum subsequent subscription amounts being EUR 1,000. The Unitclass A and Unitclass B units were issued at an initial subscription price of EUR 100 per unit and thereafter at the unitholders' equity per unit. The minimum subscription amount can be lowered at the sole discretion of the Fund Manager.

The Fund enables the Foundation to redeem units of the unitholders' equity on the last day of each calendar month, less a fee (the "anti-dilution levy") of maximum 0.15% of the redemption amount. The minimum value of units which may be subject of one redemption request is EUR 1,000. The Fund Manager may decide to lower this amount in individual cases.

The movement of the units during the year ended 31 December 2021 was as follows:

	<b>Units at the beginning of the year</b>	<b>Units issued</b>	<b>Units redeemed</b>	<b>Units at the end of the year</b>
Unit class A	135,396.9300	4,208.5941	(99,535.0392)	40,070.4849
Unit class B	11,526.5364	68,753.4629	-	80,279.9993
<b>Total</b>	<b><u>146,923.4664</u></b>	<b><u>72,962.0570</u></b>	<b><u>(99,535.0392)</u></b>	<b><u>120,350.4842</u></b>

## Notes to the financial statements

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

#### 8. Share capital (continued)

##### Subscriptions and redemptions (continued)

The movement of the units during the year ended 31 December 2020 was as follows:

	Units at the beginning of the year	Units issued	Units redeemed	Units at the end of the year
Unit class A	133,270.9370	78,412.4212	(76,286.4282)	135,396.9300
Unit class B	8,871.7694	2,730.5586	(75.7916)	11,526.5364
<b>Total</b>	<b>142,142.7064</b>	<b>81,142.9798</b>	<b>(76,362.2198)</b>	<b>146,923.4664</b>

##### Capital management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Fund does not intend to pay dividends. All earnings will normally be retained for investments.

### NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

#### 9. Interest income

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

#### 10. Dividend income

Dividend income relates to dividend from equity instruments.

#### 11. Foreign currency 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 year ended 31 December 2021, this amounted to gains of EUR 297 (2020: losses of EUR 1,615). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one Euro is shown):

	2021		2020	
	Average	Closing	Average	Closing
<i>(Showing the equivalent of 1 Euro)</i>				
Australian Dollar	1.5753	1.5651	1.6555	1.5876
Great Britain Pound	0.8597	0.8407	0.8896	0.8937
Hong Kong Dollar	9.1934	8.8642	8.8571	9.4706
Japanese Yen	129.8700	130.9200	121.84	126.18
Norwegian Krone	10.1644	10.0256	10.735	10.481
Swiss Franc	1.0811	1.0374	1.0704	1.0813
United States Dollar	1.1828	1.1370	1.1420	1.2217
Thai Baht	37.8202	37.7689	35.699	36.686

## Notes to the financial statements

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

#### 12. Investment return

(All amounts in EUR)

	2021		2021	2020
	Profit	Loss	Total	Total
<b>Equities</b>				
Realised result	2,657,140	(431,893)	2,225,247	838,145
Unrealised result	3,330,215	(1,386,495)	1,943,720	(1,920,444)
<b>Total result</b>	<b>5,987,355</b>	<b>(1,818,388)</b>	<b>4,168,967</b>	<b>(1,082,299)</b>

#### 13. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses for the years ended 31 December 2021 and 2020.

(All amounts in EUR)

	2021	2020
<b>Expenses accruing to Fund Manager</b>		
Management fee	(187,666)	(173,682)
<b>Other expenses</b>		
Administration fee	(26,120)	(24,598)
Depositary fee	(21,940)	(20,504)
Other operational costs	(19,992)	(11,006)
Audit fee	(15,556)	(14,201)
Bank charges	(15,159)	(10,306)
FATCA fees	(4,240)	(4,367)
Custody fee	(3,085)	(5,409)
Interest expense	(2,084)	(997)
Legal fees	-	(724)
<b>Total</b>	<b>(295,842)</b>	<b>(265,794)</b>

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the year ended 31 December 2021, all costs actually charged to the Fund were in accordance with the costs disclosed in the Prospectus. During the year, the Fund also incurred costs such as interest expense of EUR 2,084 (2020: EUR 997), FATCA fees of EUR 4,240 (2020: EUR 4,367), bank charges of EUR 15,159 (2020: EUR 10,306), legal fees of EUR Nil (2020: EUR 724), audit tax fees of EUR 4,076 (2020: EUR 3,025) and other general expenses of EUR 1,701 (2020: EUR 1,859) which are not detailed in the Prospectus.

No subscription or redemption fees were charged to the participants of the Fund for 2021 and 2020.

#### Ongoing charges ratio

The ongoing charges ratio is the ratio of the total costs to the average net assets of the Fund. The average net assets are based on the Fund's net assets at each calculation of the unitholders' equity i.e., monthly.

For the year ended 31 December 2021, the ongoing charges ratio for the Fund is as follows:

	Class A	Class B
Ongoing charges ratio including interest	1.48%	1.25%
Ongoing charges ratio excluding interest	1.47%	1.25%

## Notes to the financial statements

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

#### 13. Costs (continued)

##### Ongoing charges ratio (continued)

For the year ended 31 December 2020, the ongoing charges ratio for the Fund is as follows:

	Class A	Class B
Ongoing charges ratio including interest	1.49%	0.49%
Ongoing charges ratio excluding interest	1.49%	0.49%

##### Turnover factor

For the year ended 31 December 2021, the turnover factor for the Fund is 257.38% (2020: 223.71% ). The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the average unitholders' equity.

#### 14. RELEVANT CONTRACTS

##### **Fund Manager**

##### *Management fee*

Privium Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management Fee (the "Fee") on Shareclass A of 1.5% per annum when the performance of the Fund is equal to the return of the benchmark over the five years ending on the date of the calculation. A maximum fee of 2% is payable if the return of Shareclass A is superior to that of the benchmark by 20% over the five years ending on the date of the calculation. A minimum fee of 1% is payable if the return of Shareclass A is below that of the benchmark by 20% over the five years ending on the date of the calculation. Please also see the Prospectus of the Fund for an additional explanation. The Shareclass B management fee is calculated monthly and payable monthly in arrears.

Pursuant to Supplement III, to the prospectus, dated 30 April 2021, the Fund Manager is entitled to an annual management fee on Shareclass B of 1% per annum when the performance of the Fund is equal to the return of the benchmark over the five years ending on the date of the calculation. A maximum fee of 1.25% is payable if the return of Shareclass B is superior to that of the benchmark by 20% over the five years ending on the date of the calculation. A minimum fee of 0.75% is payable if the return of Shareclass B is below that of the benchmark by 20% over the five years ending on the date of the calculation. Please also see Supplement III of the Fund for an additional explanation. The Shareclass B management fee is calculated monthly and payable monthly in arrears.

The Fund Manager will not earn a management fee over the investment of another fund it manages or otherwise controls into a shareclass of the Fund that charges management fee. Any investment into the Fund by another fund managed by the Fund Manager or Affiliates of the Fund Manager shall not be subject to management fee either though investment into a zero management fee shareclass or via a rebate of the management fee charged by the Fund.

Prior to 30 April 2021, no management fee was charged to Unitclass B.

Details of management fees charged for the years 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, to be calculated and paid monthly in arrears on the basis of the unitholders' equity of the Fund before deduction of the management fee, and with a minimum of EUR 15,000 per annum. This annual fee is based on the following sliding scale:

- Part up to EUR 30 million 10 basis points
- Part between EUR 30 million and EUR 50 million 8 basis points
- Part above EUR 50 million 6 basis points

The Administrator charges a fixed fee of EUR 6,000 per annum for the preparation of the annual report. No VAT has to be paid on these amounts.

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

## Notes to the financial statements

### 14. RELEVANT CONTRACTS (CONTINUED)

#### Payment Bank/Custodian

ABN AMRO Clearing Bank N.V. acts as Custodian to the Fund and ABN AMRO Bank N.V. acts as Payment Bank to the fund. The Custodian is entitled to receive fees from the Fund in accordance with its customary charges.

#### Independent Auditor

The Fund appointed Ernst & Young Accountants LLP as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 15,556 (2020: EUR 14,201) audit fee (including VAT) for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

#### Depository

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

### 15. RELATED PARTY TRANSACTIONS

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

The Fund Manager is considered a related party.

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

*Transactions from 1 January 2021 - 31 December 2021 and balances as at 31 December 2021*

	<b>Paid EUR</b>	<b>Balance EUR</b>
Management fee	(188,139)	(15,054)

*Transactions from 1 January 2020 - 31 December 2020 and balances as at 31 December 2020*

	<b>Paid EUR</b>	<b>Balance EUR</b>
Management fee	(174,486)	(15,527)

The units in Unitclass B have been issued to persons working for the Fund Manager or related to the Fund and investors that invest a minimum of EUR 1,000,000 at the beneficial owner level. Mr. Ryan Nicholas Dally, the portfolio manager, holds 1,715.599 units (2020: 1,179.209 units) of Unitclass B.

### 16. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund's investment objective is to earn a higher return than the average of the world's developed equity markets, as represented by iShares MSCI World UCITS ETF.

The Fund attempts to achieve its objective by investing predominantly in global listed equities and is therefore exposed to all the risks and rewards associated with the equities selected. The Fund is actively managed and will likely differ materially from the benchmark in order to achieve its objective.

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



## Notes to the financial statements

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

#### Market risk

Market risk is the risk that the fair value of 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 31 December 2021 and 2020, price risk arises on the Fund's investment in equities.

The Fund's diversification of financial assets at fair value through profit or loss represented per significant industry sector as at 31 December 2021 and 2020 is as follows:

	2021 EUR	% of unitholders' equity	2020 EUR	% of unitholders' equity
<b>Sector</b>				
Pharmaceuticals	3,403,562	15.6	3,057,689	15.0
Mining	2,710,634	12.4	-	-
Banks	2,198,014	10.1	2,165,164	10.7
Telecommunications	1,579,005	7.2	-	-
Agriculture	1,455,784	6.7	1,572,547	7.7
Oil & Gas Services	1,332,165	6.1	1,102,713	5.4
Auto Manufacturers	1,174,959	5.4	827,811	4.1
Insurance	1,134,227	5.2	-	-
Other Sectors	6,719,780	30.8	7,530,773	37.0
Software	-	-	2,135,643	10.5
Internet	-	-	1,755,859	8.7
	<b>21,708,130</b>	<b>99.5</b>	<b>20,148,199</b>	<b>99.1</b>

The table below details the sensitivity of the Fund's investments to a reasonable possible increase of 5% as at 31 December 2021 and 2020:

	2021		2020	
	Amount in EUR	% of unitholders' equity	Amount in EUR	% of unitholders' equity
<b>Sector</b>				
Pharmaceuticals	170,178	0.78	152,884	0.8
Mining	135,532	0.62	-	-
Banks	109,901	0.50	108,258	0.5
Telecommunications	78,950	0.36	-	-
Agriculture	72,789	0.33	78,627	0.4
Oil & Gas Services	66,608	0.31	55,136	0.3
Auto Manufacturers	58,748	0.27	41,391	0.2
Insurance	56,711	0.26	-	-
Software	-	-	106,782	0.5
Internet	-	-	87,793	0.4

## Notes to the financial statements

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

#### Market risk (continued)

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at banks and amounts due from custodian which are subject to normal market related short-term interest rates. Therefore, the Fund is not exposed to significant interest rate risks.

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. The Fund's exposure to foreign exchange movements as at 31 December 2021 and 2020 is as follows:

	2021		2020	
	Fair value EUR	% of unitholders' equity	Fair value EUR	% of unitholders' equity
<b>Currency</b>				
United States Dollar	6,910,507	31.7	8,330,516	41.0
Great Britain Pound	4,726,192	21.7	4,366,897	21.5
Japanese Yen	2,294,938	10.5	1,314,663	6.5
Hong Kong Dollar	2,038,765	9.4	1,190,088	5.9
Swiss Franc	1,959,694	9.0	1,897,868	9.3
Norwegian Krone	442,303	2.0	283,391	1.4
Australian Dollar	429,330	2.0	297,394	1.5
Thai Baht	745	-	(335)	-

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from cash and other receivables. The carrying values of financial assets (excluding any investment in equity instruments) best represent the maximum credit risk exposure at the reporting dates and amount to EUR 281,446 (2020: EUR 404,018).

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

As at 31 December 2021, the credit rating of ABN AMRO Clearing Bank N.V. is A (2020: 'A'), as determined by Standard and Poor's. If the credit quality or the financial position of this entity deteriorates significantly the Fund Manager will deal with another provider.

#### Liquidity risk

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

The Fund's Prospectus provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholders redemptions. The Fund's policy only allows for redemptions on the last day of each calendar month and notice of 10 business days must be provided.

The Fund's listed securities are considered to be readily realisable as they are listed on recognised exchanges.

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

## Notes to the financial statements

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

#### **Sustainability risk**

Sustainability risk in the context of the Fund is defined as the risk of a decrease in the value of an investment of the Fund due to an environmental, social or governance (ESG) related event. Such an event may have a direct negative impact on the financials of a portfolio company or a longer-term impact on the operations or earnings capacity of the portfolio company.

### 17. SOFT DOLLAR ARRANGEMENTS

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

The Fund Manager had no soft dollar arrangement as at 31 December 2021 and 2020.

### 18. EVENTS AFTER THE BALANCE SHEET DATE

The Russian invasion in Ukraine has caused clear market volatility. The Fund has limited exposure to Russia. On the sign-off date of this Annual Report the direct exposure is less than 0.15% of the Net Asset Value of the Fund. The Fund has no direct exposure to Ukraine or Belarus.

On behalf of the Fund Manager, the administrator of the Fund carries out ongoing sanctions screening on the investors of the Fund. Here, no hits have been identified.

Further escalation of the conflict is expected to dampen global growth, especially in Europe. This might have an impact on the performance of the Fund.

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

## Investment portfolio as at 31 December 2021

Assets	Currency	Fair value EUR	% of unitholders' equity
<b>Equities</b>			
Adecco Group AG	CHF	247,509	1.1%
Alibaba Group Holding Ltd	HKD	88,529	0.4%
Alibaba Group Holding Ltd	USD	236,953	1.1%
American International Group Inc.	USD	915,911	4.2%
Astellas Pharma Inc.	JPY	544,348	2.5%
AtoS	EUR	324,732	1.5%
B2Gold Corp	USD	88,364	0.4%
BAE Systems Plc	GBP	718,333	3.3%
Baidu Inc.	HKD	306,681	1.4%
Bayer AG	EUR	155,382	0.7%
Bayerische Motoren Werke AG	EUR	242,374	1.1%
Brighthouse Financial Inc.	USD	218,316	1.0%
British American Tobacco Plc	GBP	1,147,421	5.3%
Cameco Corp.	USD	186,891	0.9%
China Mobile Ltd	HKD	1,021,615	4.7%
China Unicom Hong Kong Ltd	HKD	176,869	0.8%
Citigroup Inc.	USD	568,633	2.6%
Credit Suisse Group AG	CHF	581,546	2.7%
Discovery Communications Inc.	USD	148,859	0.7%
Fomento Economico Mexicano SAB de CV	USD	143,528	0.7%
Fresnillo Plc	GBP	126,801	0.6%
Gilead Sciences Inc.	USD	182,579	0.8%
GlaxoSmithKline Plc	GBP	848,449	3.9%
Glencore Plc	GBP	418,797	1.9%
Honda Motor Co Ltd	JPY	932,585	4.3%
Imperial Brands Plc	GBP	308,364	1.4%
Japan Petroleum Exploration Co.	JPY	264,152	1.2%
Kaken Pharmaceutical Co Ltd	JPY	257,256	1.2%
KT Corp.	USD	185,631	0.9%
Lloyds Banking Group Plc	GBP	170,631	0.8%
Luk Fook Holdings International Ltd	HKD	364,128	1.7%
M&G Plc	GBP	136,213	0.6%
NAC Kazatomprom JSC GDR	USD	190,732	0.9%
Naspers Ltd	USD	302,639	1.4%
Newcrest Mining Ltd	AUD	428,727	2.0%
Newmont Corp	USD	427,376	2.0%
Nippon Kayaku Co Ltd	JPY	94,959	0.4%
Nippon Telegraph & Telephone Corp	JPY	194,890	0.9%
NOV Inc.	USD	523,588	2.4%
Novartis AG	CHF	520,729	2.4%
Nutrien Ltd	USD	91,206	0.4%
Petroleo Brasileiro SA	USD	88,844	0.4%
Royal Dutch Shell Plc	EUR	462,088	2.1%
Samsung Electronics Co Ltd	USD	697,598	3.2%
Sanofi	EUR	1,077,398	4.9%
Sberbank of Russia	USD	269,787	1.2%

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**Investment portfolio as at 31 December 2021 (continued)**

<b>Assets</b>	<b>Currency</b>	<b>Fair value EUR</b>	<b>% of unitholders' equity</b>
<b>Equities</b>			
Schlumberger Ltd	USD	371,622	1.7%
Societe BIC SA	EUR	744,202	3.4%
SPDR Gold Shares	USD	201,784	0.9%
Teck Resources Ltd	USD	566,261	2.6%
Television Broadcasts Ltd	HKD	69,965	0.3%
Tesco Plc	GBP	804,299	3.6%
TGS Nopec Geophysical Co ASA	NOK	436,955	2.0%
UBS Group AG	CHF	607,416	2.8%
Wheaton Precious Metals Corp.	USD	276,685	1.3%
		<b><u>21,708,130</u></b>	<b><u>99.6%</u></b>

## Investment portfolio as at 31 December 2020

Assets	Currency	Fair value EUR	% of unitholders' equity
<b>Equities</b>			
American International Group Inc.	USD	739,102	3.6%
Astellas Pharma Inc.	JPY	378,982	1.9%
Bae Systems Plc	GBP	598,168	2.9%
Baidu Inc.	USD	210,806	1.0%
Bangkok Bank Public Co.	THB	71,062	0.4%
Bayerische Motoren Werke AG	EUR	589,758	2.9%
Berkshire Hathaway Inc.	USD	1,242,195	6.1%
Brighthouse Financial Inc.	USD	231,064	1.1%
British American Tobacco Plc	GBP	868,129	4.3%
China Mobile Ltd	HKD	837,740	4.1%
Cisco Systems Inc.	USD	73,991	0.4%
Citigroup Inc.	USD	526,510	2.6%
Credit Suisse Group AG	CHF	759,575	3.7%
Derwent London Plc	GBP	283,081	1.4%
Discovery Communications	USD	283,167	1.4%
Gilead Sciences Inc.	USD	289,702	1.4%
Glaxosmithkline Plc	GBP	609,021	3.0%
Glencore Plc	GBP	258,027	1.3%
Honda Motor Co Ltd	JPY	827,811	4.1%
Imperial Brands Plc	GBP	325,436	1.6%
Korea Elec Power Corp.	USD	403,101	2.0%
Luk Fook Holdings International	HKD	335,078	1.6%
Mckesson Corp.	USD	301,089	1.5%
Naspers Ltd.	USD	355,937	1.8%
National Oilwell Varco Inc.	USD	429,140	2.1%
Newcrest Mining Ltd	AUD	289,371	1.4%
Newmont Corp.	USD	71,572	0.4%
O-I Glass Inc.	USD	78,762	0.4%
Oracle Corp.	USD	682,643	3.4%
Roche Holding Ag-Genusschein	CHF	494,359	2.4%
Royal Dutch Shell Plc	EUR	394,578	1.9%
Samsung Electronics	USD	666,244	3.3%
Sanofi	EUR	1,055,052	5.2%
Sberbank-Sponsored Adr	USD	166,867	0.8%
Schlumberger Ltd	USD	391,500	1.9%
Societe Bic SA	EUR	628,442	3.1%
Softbank Group Corp.	JPY	102,178	0.5%
SPDR Gold Shares	USD	275,197	1.4%
Subsea 7 SA	NOK	190,912	0.9%
Teck Resources Ltd	USD	531,040	2.6%
Television Broadcasts Ltd	HKD	119,524	0.6%

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**Investment portfolio as at 31 December 2020 (continued)**

Assets	Currency	Fair value EUR	% of unitholders' equity
<b>Equities</b>			
Tesco Plc	GBP	411,039	2.0%
TGS-NOPEC Geophysical Co	NOK	91,161	0.5%
UBS Group	CHF	635,297	3.1%
United Overseas Bank	USD	76,915	0.4%
Wm Morrison Supermarkets	GBP	675,516	3.3%
WPP Plc	GBP	292,358	1.4%
		<b><u>20,148,199</u></b>	<b><u>99.1%</u></b>

## Other information

### Provisions of the Prospectus on distribution policy

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

### Interests held by the Directors

As at 31 December 2021, the Board of Directors did not hold any shares in the Fund or in any of the underlying investment equities that the Fund holds.

### Provision of information

This annual report and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: [www.priviumfund.com](http://www.priviumfund.com).

### Date of authorisation

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 24 June 2022.



## Independent auditor's report

To: the shareholders and the directors of Privium Fund Management B.V. as investment manager of Principia Fund N.V.

## Report on the audit of the financial statements 2021 included in the annual report

### Our opinion

We have audited the financial statements 2021 of Principia Fund N.V, based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Principia Fund N.V as at 31 December 2021, and of its result and its cash flows for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet as at 31 December 2021
- ▶ The following statements for 2021: Profit and loss statement and cash flow statement
- ▶ The notes comprising a summary of the accounting policies and other explanatory information

### Basis for our opinion

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

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

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

## Report on other information included in the annual report

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

- ▶ The management report
- ▶ Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- ▶ General information

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

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

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

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities for the financial statements

### Responsibilities of management for the financial statements

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company'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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- ▶ 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 company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management'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 company'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 a company 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 management board 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.

Amsterdam, 24 June 2022

Ernst & Young Accountants LLP

signed by R.A.J.H. Vossen