

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

**INTERIM REPORT AND UNAUDITED  
CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
31 DECEMBER 2020**

# ALTERNATIVE LIQUIDITY FUND LIMITED

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# ALTERNATIVE LIQUIDITY FUND LIMITED

## Highlights

### For the six months ended 31 December 2020

- US\$1.47 million was distributed to B Shareholders (31 December 2019: US\$2.2 million)

### Financial Highlights at 31 December 2020

	<b>31 December 2020</b>	<b>30 June 2020</b>
Total net asset value ("NAV")	US\$26.7 million	US\$25.5 million
NAV per Ordinary Share	18.21¢	17.36¢
Share price	6.25¢	7.20¢
Discount to NAV	65.7%	58.5%

# ALTERNATIVE LIQUIDITY FUND LIMITED

## COMPANY SUMMARY

### Principal activity

Alternative Liquidity Fund Limited (the “Company” or “ALF”) was incorporated and registered in Guernsey under The Companies (Guernsey) Law, 2008 on 25 June 2015. The Company’s registration number is 60552 and it is regulated by the Guernsey Financial Services Commission as a non-cellular company limited by shares. The Company is listed and began trading on the Main Market of the London Stock Exchange, being admitted to the Premium segment of the Official List of the UK Listing Authority on 17 September 2015. With effect from 26 January 2021, the Company transferred the listing of its Ordinary Shares from the Premium Segment of the Main Market, to the Specialist Funds Segment of the Official List of the UK Listing Authority.

The Company is invested in a portfolio of illiquid interests in funds, securities and other instruments with the objective to manage, monitor and realise these investments over time.

In October 2019, in accordance with a resolution approved by Shareholders at an Extraordinary General Meeting (“EGM”) of the Company on 25 February 2019, and as set out in a circular to Shareholders dated 6 February 2019, the Company published a new prospectus (the “New Prospectus”) relating to a proposed placing programme of up to 100 million new Ordinary Shares, the proceeds to be invested in accordance with the Company’s new investment policy (see below). Under the terms of the Prospectus, the Company’s existing shares will be redesignated as Realisation Shares, and the Company’s existing assets currently held within its existing portfolio will be attributable to the Realisation Portfolio, which will be realised as rapidly as possible and the proceeds returned to the Realisation Shareholders.

At 31 December 2020, the Equity raising period for the placing programme had expired.

### Investment policy

The Company’s new investment policy, which was adopted during the year ended 30 June 2019 (the “new investment policy”) is to invest in a portfolio of illiquid investments, funds and funds of funds such as hedge funds, private equity funds, real estate funds, infrastructure funds, private investment funds, and other alternative investment vehicles sponsored or managed by investment managers across the world. The new investment policy also permits the Company to invest in a segregated portfolio of the Warana SP Master Fund SPC (the “Warana Master Fund”), including new segregated portfolios which are launched in the future, provided that any such portfolio has substantially the same investment policy as the Company.

The Company may utilise derivatives for the purposes of efficient portfolio management and principally for currency hedging. The portfolio will not be constructed to have any particular geographical bias. Accordingly, the Company has the ability to source and buy assets across the world and denominated in any currency. It is expected that the Company will largely be exposed to US Dollars, which is the Company’s reporting currency.

At 31 December 2020, the Company was fully invested, subject to a cash and cash equivalents amount retained for working capital requirements. It is the intention that the Company will aim to be fully invested at all times, although the Company may hold cash or cash equivalent investments from time to time. The Company expects to be very prudent in its use of borrowings due to the illiquid nature of the portfolio; however, the Company will have the ability to borrow up to 25 per cent of its net assets for short-term purposes. It is not intended for the Company to have any long-term or fixed structural gearing. The Company may be indirectly exposed to gearing to the extent that the Company’s investee funds or segregated portfolios are geared by the external managers.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CHAIRMAN'S STATEMENT

### Introduction

I am pleased to present the Interim Financial Statements for the six months ended 31 December 2020. The Company is an investment trust listed on the London Stock Exchange ("LSE") in the Specialist Fund Segment which focuses exclusively on the realisation of hedge fund side pockets and other illiquid funds previously held in open-ended structures. The listing has provided liquidity to those shareholders who required it; monthly portfolio reporting; active portfolio realisation management; and superior corporate governance.

### Portfolio and performance

The Company's investment portfolio ("the Portfolio") comprises illiquid fund positions emanating principally from the 2008 financial crisis, as well as a small number of secondary investments. It is almost entirely exposed to global emerging markets, with most of the underlying funds denominated in local currencies.

At the start of the period the Company had a Net Asset Value of US\$25.5m and a NAV per share of US\$0.1736. At the end of the period the Company's NAV was US\$26.7m (US\$0.1821 NAV per share). The Company announced a distribution of approximately US\$1.47m (US\$0.01 per share) to shareholders in August by way of a B share issuance. The Company has a cash balance of approximately US\$2.55m as at 31 December 2020. Adjusting for the distribution in the period, there was a 10.47% (US\$0.0185 per share) increase in the value of the Fund in the period.

The notable drivers of the increase in NAV were liquidation proceeds received from the Company's holding in Weaving and currency appreciation. The Weaving payment represented the final distribution from the liquidators. The Company had been holding the Weaving position at zero given that the liquidation was in its twelfth year and the recovery potential was negligible. However continued dialogue with the liquidators and a previous decision not to forfeit any future claims proved very beneficial.

The Brazilian Real appreciated against the US\$ by approximately 7%, which had a material effect on 77% of the portfolio holdings (Vision and Autonomy). It is worth noting that at the time of writing the Brazilian currency has given this gain back.

The two Vision Funds now make up 75% of the Company's adjusted NAV. Negotiations continue with the manager of the Vision funds to amend its fee structure to ensure that they are aligned with the shareholders. The global pandemic caused a slowdown in the Brazilian court system with regards to the novation of legal claims. However the courts returned to their normal pace in the fourth quarter of 2020. Therefore, we are hopeful for the Vision ELT fund to resume its cash distributions in the near term.

The Company has continued to try to increase transparency with regard to its holding in Gillett (Ukrainian residential property development), and continues to work with its co-shareholders in the Ukraine to create liquidity from the development. The situation continues to be extremely complicated and frustrating and the Board believes that the current provision of 100% is warranted.

The Company's holding in the Growth funds suffered a 30% negative adjustment to their NAV at year end when the manager decided to write down their holding in a Russian satellite and media company by 50%.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CHAIRMAN'S STATEMENT (continued)

### Portfolio and performance (continued)

During the period the Company received US\$2.04m from underlying manager distributions, this is comprised of:

	US\$
Eden Rock	836
Valens Offshore Fund	1,771
Lomond Capital	5,261
Amida	19,380
Camofi Master LDC	51,297
Volia Limited	76,319
Warana	145,263
Autonomy Rochevera	146,557
Weaving	1,595,253

The Board has discretion with regard to cash distribution to shareholders but must be mindful of the working capital requirements of the Company and the cost of a distribution when determining whether or not to proceed.

### Outlook

On 22 December, 2020 the Company held an EGM requesting Shareholder approval to transfer its listing to the Specialist Fund Segment of the LSE from the Premium Segment of the Official List. Shareholders voted overwhelmingly in favour of the proposals and the transfer occurred on 25 January, 2021.

As detailed in the Circular dated 8 December, 2020, the Board believes that it is in the best interests of its Shareholders to pursue a strategy of reducing costs and positioning the Company with the best opportunity to raise additional capital through the launch of one or more new share classes in accordance with the Company's Investment Policy. The Board believes that the transfer to the Specialist Fund Segment will offer increased flexibility and will therefore support the Company in delivering this strategy.

The Board also announced that it had reached agreement with Warana Capital, LLC, the Company's former Investment Manager, mutually to terminate the Investment Management Agreement with effect from 31 December, 2020 without additional compensation. The Board is currently being advised by Tim Gardner through the appointment of Hindsight Solutions Ltd.

The Board is pursuing a small number of potential new investment opportunities for the Company and is encouraged by the interest shown as well as the quality of the institutional counterparties. As well as focusing on realising the existing portfolio and maximizing Shareholder returns, the Board will continue to seek to raise additional capital in a new segregated share class in line with the Company's Investment Policy. We look forward to updating you as to our progress in due course.

**Quentin Spicer**  
**Chairman**  
**24 March 2021**

# ALTERNATIVE LIQUIDITY FUND LIMITED

## BOARD OF DIRECTORS

### Directors

The Directors are responsible for the determination of the investment objective and policy of the Company, and have overall responsibility for the Company's investment policy and the overall supervision of the business of the Company.

The Directors of the Company at the date of this report, all of whom served throughout the period and are non-executive and independent, are as follows:

#### ***Quentin Spicer, Chairman, age 76***

Mr Spicer is a resident of Guernsey. He qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970 and head of the Property Department. He moved to Guernsey in 1996 to become senior partner in Wedlake Bell Guernsey, specialising in United Kingdom property transactions and secured lending for UK and non-UK tax resident entities. Mr Spicer retired from practice in 2013. He is former chairman of F&C UK Real Estate Investments Limited, Quintain Guernsey Limited, The Guernsey Housing Association LBG, and is a director of a number of Property Funds including Summit Properties Limited and Phoenix Spree Deutschland Limited. He is a member of the Institute of Directors.

#### ***Anthony Pickford, aged 67***

Mr Pickford is a resident of Guernsey. He qualified as a Chartered Accountant in 1976. He moved to Guernsey in 1978 as an Audit Senior with Carnaby Harrower Barham & Company (now Deloitte). In 1986 he joined Chandlers as a partner with a specialism in insolvency matters and advised a range of financial services companies and trading companies on insolvency matters as well as acting as financial adviser to local entities. He became Managing Director of the firm in 2000 and assumed the role of Chairman in 2004 until his retirement in 2008. He has previously been a non-executive Director of several listed companies and a Director of the Catholic National Mutual Limited, where he chaired the Audit Committee and served on the Investment Committee until he retired on 6 August 2017.

#### ***Dr Richard Berman, age 64***

Dr Berman is a UK resident. He has been involved with the investment management sector since 1989. He was previously a Manager with Orion Bank Limited, Treasurer of Andrea Merzario SpA, Group Treasurer of Heron Corporation plc, joint Managing Director and co-founder of Pine Street Investments Limited, and CEO and co-founder of Sabrecorp Limited and Signet Capital Management Limited. His experience includes advising on the establishment, regulation and management of funds and fund management companies in a range of jurisdictions. He has a PhD in History from the University of Exeter and an MA in Economics from the University of Cambridge. He is a Fellow of the Chartered Securities & Investment Institute, a Fellow of the Association of Corporate Treasurers and a Visiting Research Fellow at Oxford Brookes University.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board confirm that to the best of their knowledge:

- These Unaudited Interim Condensed Financial Statements, which have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") with additional disclosure that the Company consider to be relevant, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Company as a whole as required by Disclosure Guidance & Transparency Rule ("DTR") 4.2.4R of the UK's Financial Conduct Agency ("FCA"); and
- The Interim Report, together with the Unaudited Interim Condensed Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
  - DTR 4.2.7R of the DTR of the UK's FCA, being an indication of important events that have occurred during the period ended 31 December 2020 and their impact on the Unaudited Interim Condensed Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the DTR of the UK's FCA, being related party transactions that have taken place during the period ended 31 December 2020 and have materially affected the financial position or performance of the Company during that period, and any changes since the related party transactions described in the last Annual Report that could do so.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Going Concern

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income to be derived from those investments, the Directors believe that it is appropriate to adopt the going concern basis in preparing these Interim Financial Statements, as the Company has adequate financial resources to meet its liabilities as they fall due for a period of at least twelve months.

Signed on behalf of the Board by:

**Anthony Pickford**  
Director  
24 March 2021



# ALTERNATIVE LIQUIDITY FUND LIMITED

## PRINCIPAL RISKS AND UNCERTAINTIES

In the Board's opinion, the principal risk to the Company arises from the inherent difficulty of fairly valuing the portfolio assets in current market conditions. In order to manage this risk, the Investment Manager and from January 2021 the Investment Adviser liaises with the underlying managers and administrators of the investee funds to obtain valuations that are as up to date as possible, and where applicable will update those valuations for movements in relevant foreign exchange rates. In addition the Board, in conjunction with the Investment Manager and from January 2021 the Investment Adviser, may make provisions to adjust the carrying fair value of investments where they believe that such valuations do not reflect the likely realisation value of those investments.

The Board, with the Investment Manager and from January 2021 the Investment Adviser, developed a provisioning process to evaluate the portfolio as objectively as possible by taking into account the quality of the information received from the underlying funds, their valuation processes, geographical locations and risks associated with the assets. Where possible, this analysis is then checked against observable secondary market activity.

The Board appointed the Investment Manager and from January 2021 the Investment Adviser after a substantial due diligence process, whereby they evaluated the Investment Manager and from January 2021 the Investment Adviser experience and expertise in the management of illiquid assets. The Board and the Investment Manager and from January 2021 the Investment Adviser also hold quarterly board meetings, which involve detailed discussions and presentation on the investment performance of the Company and the underlying investee companies. The Board also formally conducts a review of the performance of the Investment Manager and from January 2021 the Investment Adviser on an annual basis.

Further information on the principal risks and uncertainties to which the Company exposed is included in the 'Risk Factors' section of the Prospectus, which is available on request from the Company's Administrator, Praxis Fund Services Limited.

The principal risks assessed by the Board relating to the Company were disclosed in the Annual Financial Report for the year ended 30 June 2020. The principal risks disclosed include market risk, credit risk, liquidity risk and foreign exchange risk. A detailed explanation of these can be found on page 52 of the Annual Financial Report. The Board and the Investment Manager and from January 2021 the Investment Adviser do not consider these risks to have materially changed during the six months ended 31 December 2020 and they are not expected to change in the remainder of the financial year.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 31 December 2020

	Notes	For the six months ended 31 December 2020 (unaudited) US\$	For the six months ended 31 December 2019 (unaudited) US\$
<b>Income</b>			
Net gains/(losses) on financial assets at fair value through profit or loss	6 (b)	3,271,104	(536,067)
Net foreign exchange gains		72,460	65,854
<b>Total net income/(losses)</b>		<b>3,343,564</b>	<b>(470,213)</b>
<b>Expenses</b>			
Investment Manager's fee	3	324,688	265,102
Other expenses	3	295,306	350,015
<b>Total operating expenses</b>		<b>619,994</b>	<b>615,117</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>2,723,570</b>	<b>(1,085,330)</b>
<b>Earnings/(loss) per Ordinary Share (basic and diluted)*</b>	5	<b>1.86¢</b>	<b>(0.74)¢</b>

*\*Basic earnings per Ordinary Share is calculated by dividing the income for the period by the weighted average number of Ordinary Shares outstanding during the period which was 146,644,387 (31 December 2019: 146,644,387). Diluted earnings per Ordinary Share is the same as basic earnings per Ordinary Share since there are no dilutive potential Ordinary Shares arising from financial instruments.*

The Company does not have any other comprehensive income for the period and therefore the 'total comprehensive income' is also the income for the period.

All items in the above statement derive from continuing operations.

*The accompanying notes on pages 12 to 24 form an integral part of these Unaudited Interim Condensed Financial Statements.*

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION As at 31 December 2020

	Notes	31 December 2020 (unaudited) US\$	30 June 2020 (audited) US\$
<b>Non-current assets</b>			
Investments at fair value through profit or loss	6 (a)	23,832,816	22,985,076
<b>Current assets</b>			
Cash and cash equivalents		2,547,968	2,452,048
Unsettled investment sales		381,425	-
Prepayments		36,439	134,877
		2,965,832	2,586,925
<b>Total assets</b>		26,798,648	25,572,001
<b>Liabilities</b>			
Other payables		90,888	121,367
<b>Total net assets</b>		<b>26,707,760</b>	<b>25,450,634</b>
<b>Equity</b>			
Share capital	7	113,727,229	115,193,673
Retained losses		(87,019,469)	(89,743,039)
<b>Total equity</b>		<b>26,707,760</b>	<b>25,450,634</b>
<b>Number of Ordinary Shares</b>	7	<b>146,644,387</b>	<b>146,644,387</b>
<b>Net asset value per Ordinary Share</b>	8	<b>18.21¢</b>	<b>17.36¢</b>

The Unaudited Interim Condensed Financial Statements on pages 8 to 24 were approved and authorised for issue by the Board of Directors on 24 March 2021 and signed on its behalf by:

**Anthony Pickford**  
Director

*The accompanying notes on pages 12 to 24 form an integral part of these Unaudited Interim Condensed Financial Statements.*

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY For the six months ended 31 December 2020

For the six months ended  
31 December 2020 (unaudited)

	Notes	Ordinary Share capital US\$	B Share capital US\$	Retained losses US\$	Total US\$
<b>As at 1 July 2020</b>		<b>115,193,673</b>	<b>-</b>	<b>(89,743,039)</b>	<b>25,450,634</b>
B shares issued as distributions to shareholders	7	(1,466,444)	1,466,444	-	-
B shares redeemed and cancelled during the period	7	-	(1,466,444)	-	(1,466,444)
Total comprehensive income for the period		-	-	2,723,570	2,723,570
<b>As at 31 December 2020</b>		<b>113,727,229</b>	<b>-</b>	<b>(87,019,469)</b>	<b>26,707,760</b>

For the six months ended  
31 December 2019 (unaudited)

	Notes	Ordinary Share capital US\$	B Share capital US\$	Retained losses US\$	Total US\$
<b>As at 1 July 2019</b>		<b>117,393,338</b>	<b>-</b>	<b>(75,745,410)</b>	<b>41,647,928</b>
B shares issued as distributions to shareholders	7	(2,199,665)	2,199,665	-	-
B shares redeemed and cancelled during the period	7	-	(2,199,665)	-	(2,199,665)
Total comprehensive loss for the period		-	-	(1,085,330)	(1,085,330)
<b>As at 31 December 2019</b>		<b>115,193,673</b>	<b>-</b>	<b>(76,830,740)</b>	<b>38,362,933</b>

The accompanying notes on pages 12 to 24 form an integral part of these Unaudited Interim Condensed Financial Statements.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Note	For the six months ended 31 December 2020 (unaudited) US\$	For the six months ended 31 December 2019 (unaudited) US\$
<b>Cash flows from operating activities</b>			
Total comprehensive income/(loss) for the period		2,723,570	(1,085,330)
Adjustments for:			
Net (gains)/losses on financial assets at fair value through profit or loss	6 (b)	(3,271,104)	536,067
Net foreign exchange gains		(72,460)	(65,854)
Decrease in other receivables and prepayments		98,438	132,054
Decrease in other payables		(30,479)	(57,568)
		<b>(552,035)</b>	<b>(540,631)</b>
Purchases of investments		-	(266,800)
Sales of investments		2,041,939	2,041,826
<b>Net cash from operating activities</b>		<b>1,489,904</b>	<b>1,234,395</b>
<b>Cash flows used in financing activities</b>			
B shares redeemed during the period	7	(1,466,444)	(2,199,665)
<b>Net cash used in financing activities</b>		<b>(1,466,444)</b>	<b>(2,199,665)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the period</b>		<b>23,460</b>	<b>(965,270)</b>
Cash and cash equivalents at the start of the period		2,452,048	2,854,667
Effect of foreign exchange rate changes during the period		72,460	65,854
<b>Cash and cash equivalents at the end of the period</b>		<b>2,547,968</b>	<b>1,955,251</b>

The accompanying notes on pages 12 to 24 form an integral part of these Unaudited Interim Condensed Financial Statements.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

### 1. General information

Alternative Liquidity Fund Limited (the “Company”) was incorporated and registered in Guernsey under The Companies (Guernsey) Law, 2008 on 25 June 2015. The Company’s registration number is 60552 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. On 17 September 2015, the Company began trading on the Main Market of the London Stock Exchange (“LSE”) and was admitted to the premium segment of the Official List of the UK Listing Authority. With effect from 26 January 2021, the Company transferred the listing of its Ordinary Shares from the Premium Segment of the Main Market, to the Specialist Funds Segment of the Official List of the UK Listing Authority.

The Company invests in a diversified portfolio of illiquid interests in funds and other instruments and securities with the objective to manage, monitor and realise these investments over time.

The Annual Audited Financial Statements of the Company, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and are in compliance with the Companies (Guernsey) Law, 2008 and the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Directive (as implemented in the UK through the Financial Services and Markets Authority).

### 2. Principal accounting policies

#### Basis of preparation and Statement of Compliance

These Unaudited Interim Condensed Financial Statements (the “Interim Financial Statements”) have been prepared in accordance with IAS 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”), the Listing Rules of the LSE and applicable legal and regulatory requirements. They do not include all the information and disclosures required in Annual Financial Statements and should be read in conjunction with the Company’s last Annual Audited Financial Statements for the year ended 30 June 2020.

The accounting policies applied in these Interim Financial Statements are consistent with those applied in the last Annual Audited Financial Statements for the year ended 30 June 2020, which were prepared in accordance with IFRS.

These Interim Financial Statements were authorised for issue by the Company’s Board of Directors on 24 March 2021.

#### Going concern

After a review of the Company’s holdings in cash and cash equivalents, investments, the factors that may impact its performance in the forthcoming year and a consideration of the income to be derived from those investments, the Directors believe that it is appropriate to adopt the going concern basis in preparing these Interim Financial Statements, as the Company has adequate financial resources to meet its liabilities as they fall due for a period of at least twelve months.

#### Estimates and judgements

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company’s Audited Annual Financial Statements for the year ended 30 June 2020.

#### Segment reporting

The Board has considered the requirements of IFRS 8 ‘Operating Segments’. The Board is of the view that the Company is engaged in a single segment of business, being investment in a portfolio of hedge funds, funds of hedge funds and other similar assets, with a diverse geographical and asset class exposure, that conducts business in Guernsey. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The Company has a diversified shareholder population. As at 12 March 2021, there were only 3 investors with more than 5% of the issued share capital of the Company.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 2. Principal accounting policies (continued)

#### **New, revised and amended standards applicable to future reporting periods**

At the date of authorisation of these Interim Financial Statements, the following relevant standards and interpretations, which have not been applied in these Interim Financial Statements, were in issue but not yet effective:

- IAS 1 (amended), "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable to annual periods beginning on or after 1 January 2023, not yet endorsed in the EU);
- IAS 37 (amended), "Provisions, Contingent Liabilities and Contingent Assets" (effective for accounting periods commencing on or after 1 January 2022, not yet endorsed in the EU);
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended), "Interest rate benchmark reform" - phase 2 (applicable to annual periods beginning on or after 1 January 2021, endorsed by the EU on 14 January 2021);
- IAS 8 (amended), "Accounting policies, Changes in Accounting Estimates and Errors" : Definition of Accounting Estimates (applicable to annual periods beginning on or after 1 January 2023, not yet endorsed in the EU);

The amendments to IAS 1 were published in January 2020 and relate to the classification of liabilities.

The amendments to IAS 37 were published in May 2020 and relate to the costs to include when assessing whether a contract is onerous.

- "Annual Improvements to IFRS Standards 2018-2020", published in May 2020, which has amended certain existing standards, effective for accounting periods commencing on or after 1 January 2022, not yet endorsed in the EU.

The changes arising from the amendments to these standards are either presentational and/or minor in nature. The Directors therefore do not anticipate that the adoption of these amended standards in future periods will have a material impact on the Interim Financial Statements of the Company.

#### **New accounting standards effective and adopted**

The following relevant amended standards have been applied for the first time in these Interim Financial Statements:

- IFRS 3 (amended), "Business Combinations" (amendments to clarify the definition of a business, effective for periods commencing on or after 1 January 2020, endorsed by the EU on 22 April 2020);
- IFRS 9, IAS 39 and IFRS 7 (amended), "Interest rate benchmark reform" (amendments issued on 26 September 2019 and endorsed by the EU on 15 January 2020, effective date 1 January 2020, earlier application permitted).

In addition, the IASB has issued the following publications:

- "Definition of Material (Amendments to IAS 1 and IAS 8)", published in October 2018, which has amended IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards, effective for accounting periods commencing on or after 1 January 2020;
- "Amendments to References to the Conceptual Framework in IFRS standards", published in March 2018, which has updated certain Standards and Interpretations with regard to references to and quotes from the Framework or to indicate where they refer to a different version of the Conceptual Framework, effective for accounting periods commencing on or after 1 January 2020;

In March 2018, the IASB published its revised 'Conceptual Framework for Financial Reporting', which made amendments to IFRS 2, 3, 6, 14, IAS 1, 8, 34, 37, 38, IFRIC 12, 19, 20, 22 and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework. These amendments were effective for annual periods commencing on or after 1 January 2020, endorsed by the EU on 29 November 2019.

The adoption of these amended standards has had no material impact on the financial statements of the Company.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 3. Expenses

	For the six months ended 31 December 2020 (unaudited) US\$	For the six months ended 31 December 2019 (unaudited) US\$
Investment Manager's fee and expenses	251,366	265,102
Realisation fee	73,322	-
	<hr/> 324,688	<hr/> 265,102
<i>Other expenses:</i>		
Directors' remuneration and expenses	63,585	61,541
Accounting, secretarial and administration fees	69,983	102,321
Legal and professional fees	56,437	68,314
Auditor's remuneration	25,783	24,477
Custodian fee	35,000	35,000
Registrar's fee	17,268	12,208
Directors and officers insurance	1,970	1,987
Listing and regulatory fees	20,511	24,459
Sundry expenses	4,769	19,708
	<hr/> 295,306	<hr/> 350,015

The Company has no employees. The Directors, all of whom are or were non-executive, are the only key management personnel of the Company. Their remuneration is paid quarterly in arrears.

#### **Investment management fee**

With effect from 6 July 2017, Warana Capital, LLC ("Warana" or the "Investment Manager") was appointed as Investment Manager to the Company. Pursuant to the terms of the Investment Management Agreement ("IMA"), the Investment Manager was entitled to receive an investment management fee of US\$500,000 per annum payable quarterly in advance. The Investment Manager was also entitled to a realisation fee of 5 per cent of the cash distributed to shareholders (calculated before costs of distribution). Under the terms of the IMA, the IMA may be terminated by either party with 12 months' notice, provided that such notice shall only be able to be provided from 30 September 2020.

Investment management fees for the period totalled US\$324,688 (31 December 2019: US\$265,102). There was no outstanding balance at the period end (30 June 2020: US\$126,366 prepaid).

With effect from 31 December 2020, Warana Capital, LLC resigned as Investment Manager to the Company.

#### **Investment adviser fee**

With effect from 1 January 2021, Hindsight Solutions Limited ("Hindsight" or the "Adviser") was appointed as the Investment Adviser to the Company. Pursuant to the terms of the Advisory Agreement ("AA") dated 4 December 2020, the Investment Adviser is entitled to receive an investment advisory fee of £23,000 per month payable in advance. The Investment Adviser is also entitled to a realisation fee of 5 per cent of the cash distributed to shareholders. The Company shall also reimburse all reasonable international travel and expenses properly and necessarily incurred by Hindsight. Under the terms of the AA, the AA shall continue unless and until terminated as provided by the terms of the AA, or by either party giving to the other not less than three months written notice.

Investment advisory fees for the period totalled US\$Nil (31 December 2019: US\$Nil). There was a prepaid balance at the period end of US\$31,034 (30 June 2020: US\$Nil).



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 3. Expenses (continued)

#### Administration fees

With effect from 14 July 2015, Praxis Fund Services Limited (the "Administrator") was appointed as Administrator of the Company. Pursuant to the terms of the Administration and Secretarial Agreement, the Administrator is entitled to receive an administration fee and company secretarial fee, payable monthly in arrears, at the rate of 0.075 per cent per annum of the net assets of the Company, subject to a minimum fee of £95,000 per annum, plus disbursements. The Administrator also receives project fees as agreed by the Board from time to time.

The Administration Agreement can be terminated by either party in writing giving no less than three months' notice.

Administration fees for the period totalled US\$69,983 (31 December 2019: US\$102,321). There was an outstanding balance at the period end of US\$34,824 (30 June 2020: US\$31,592).

#### Custodian fees

With effect from 24 July 2015, Citibank N.A. (London Branch) (the "Custodian") was appointed as Custodian to the Company. Pursuant to the terms of the Custodian Agreement, the Custodian is entitled to receive a quarterly fee at the rate of 0.035 per cent per annum of the net assets of the Company, subject to a minimum fee of US\$70,000 per annum. Investment transaction fees of US\$150 per trade are also payable.

The Custodian Agreement can be terminated by either party in writing on 60 days' notice. The Custodian does not have any decision-making discretion in relation to the investment of the assets of the Company.

Custodian fees for the period totalled US\$35,000 (31 December 2019: US\$35,000). A balance of US\$17,500 (30 June 2020: US\$17,500) was outstanding at the period end.

### 4. Tax status

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £1,200 is payable to the States of Guernsey in respect of this exemption.

### 5. Earnings per Ordinary Share

Basic earnings per Ordinary Share is calculated by dividing the total comprehensive income for the period by the weighted average number of Ordinary Shares in issue during the period.

#### For the six months ended 31 December 2020 (unaudited)

	Total comprehensive income for the period US\$	Weighted average number of Ordinary Shares in issue No.	Earnings per Ordinary Share
Ordinary Shares	2,723,570	146,644,387	1.86¢

#### For the year ended 30 June 2020 (audited)

	Total comprehensive loss for the year US\$	Weighted average number of Ordinary Shares in issue No.	Loss per Ordinary Share
Ordinary Shares	(13,997,629)	146,644,387	(9.55)¢

#### For the six months ended 31 December 2019 (unaudited)

	Total comprehensive loss for the period US\$	Weighted average number of Ordinary Shares in issue No.	Loss per Ordinary Share
Ordinary Shares	(1,085,330)	146,644,387	(0.74)¢

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 6. Fair value of financial instruments

#### a) Investments at fair value through profit or loss

	For the six months ended 31 December 2020 (unaudited) US\$	For the year ended 30 June 2020 (audited) US\$	For the six months ended 31 December 2019 (unaudited) US\$
Fair value at the start of the period/year	22,985,076	38,888,482	38,888,482
Purchases	-	296,800	296,800
Sales proceeds	(2,423,364)	(3,470,966)	(2,483,942)
Realised gains on sales	328,912	878,694	647,617
Movement in unrealised gains/(losses) on investments	2,942,192	(13,607,934)	(1,183,684)
Fair value at the end of the period/year	<u>23,832,816</u>	<u>22,985,076</u>	<u>36,165,273</u>
Cost at the end of the period/year	99,643,053	101,737,505	102,493,452
Unrealised losses on investments	(75,810,237)	(78,752,429)	(66,328,179)
Fair value at the end of the period/year	<u>23,832,816</u>	<u>22,985,076</u>	<u>36,165,273</u>

Please refer to the Investment Manager's Report and notes to the Financial Statements of the last Annual Report for strategic and geographical exposures within the Company's investment portfolio.

#### b) Net gains/(losses) on financial assets at fair value through profit or loss

	31 December 2020 (unaudited) US\$	30 June 2020 (audited) US\$	31 December 2019 (unaudited) US\$
<b>Net realised gains on financial assets at fair value through profit or loss</b>	<u>328,912</u>	<u>878,694</u>	<u>647,617</u>
<b>Movement in unrealised gains/(losses) on financial assets at fair value through profit and loss</b>	<u>2,942,192</u>	<u>(13,607,934)</u>	<u>(1,183,684)</u>
<b>Net gains/(losses) on financial assets at fair value through profit or loss</b>	<u>3,271,104</u>	<u>(12,729,240)</u>	<u>(536,067)</u>

#### c) Valuation models

None of the Company's financial assets or financial liabilities is traded in active markets and therefore the Company is unable to base the fair value of its financial assets and financial liabilities on quoted market prices or broker price quotations. For all financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes investments in unlisted investment funds that have redemption restrictions in place.

The Company's valuation methodology is to establish a fair value of its investments through the use of valuation techniques and the subsequent application of appropriate discounts. Valuation techniques include underlying manager, third party administrator, net asset value reports, observable market prices where they exist and other valuation models. Assumptions and inputs used in valuation techniques include foreign exchange rates and expected price volatilities and correlations, as well as eventual recovery assumptions and time taken to recover value.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Investments in redemption restricted unlisted open-ended investment funds or unlisted private equity investments are typically valued utilising the net asset valuation provided by the administrator of the underlying fund and/or its investment manager. The Investment Manager considers the Company's ability to redeem its investment in the investee fund/company on the reporting date based on the reported net asset value per share, which will determine whether the investee fund/company will be categorised within Level 2 or Level 3 of the fair value hierarchy.

Where normal policies of the investee fund/company provide for a significant redemption notice period or where other material redemption restrictions such as gates or suspended NAV's exist, the investee fund/company will be categorised at Level 3 in the fair value hierarchy ("redemption restricted funds"). This classification reflects the consideration of whether adjustments to the reported NAV are required to reflect the inherent uncertainty in the timing and the range of possible outcomes of any realisation between the reported NAV and ultimate recoverable amount which may be different and such differences could be material.

The Company's portfolio is made up solely of redemption restricted funds. For the full portfolio, the Investment Manager has considered whether the latest available unaudited net assets of these underlying investments reflect their probable realisation values. Where this is not the case, the Board, in consultation with the Investment Manager, has adjusted the carrying fair value of those assets accordingly. After establishing the current value of the investments, a further analysis of fair value is performed through discounting analysis. Because of the inherent uncertainty of valuing these underlying investments arising from their illiquid nature, the values of these underlying investments may differ significantly from the values that would have been used had a ready market for the investments existed and such differences could be material.

Despite of the change in the Investment Manager during the period, the new Investment Adviser decided to adopt the previous valuation methodology, which involved a discounting process to evaluate the portfolio as objectively as possible by taking into account the quality of information received from the underlying funds, their valuation processes, geographical locations and risks associated with the assets. Where possible, the analysis is then checked against observable secondary market activity. The net discounted values of the investments are then carried as the fair values.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

The table below sets out information about significant unobservable inputs used as at 31 December 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair Value (US\$)	Valuation Technique	Unobservable Inputs	Discount applied	Sensitivity to changes in significant unobservable inputs	Quantitative disclosure of impact on Fair Value of changes in unobservable inputs to reasonable alternatives
Unlisted open-ended investment funds (redemption restricted)	38,697	Adjusted net asset value	Unadjusted NAV and applied discounts based on: - Alternative outcome advised by underlying manager, liquidator or other authorised party	53% - 100%	The fair value would decrease if the underlying input discount were higher.  The estimated fair value would increase if the discount were lower.	A 20% increase/decrease in the input discounts used for the relevant investments in this category would result in a (decrease)/increase respectively in fair value of approximately (US\$18,000)/US\$1,779,000.
	22,335,400	Adjusted net asset value	Unadjusted NAV and applied discounts based on some or all of the following: -Delay in NAV reporting -Liquidator appointed -Unwillingness of manager to provide asset level information -Annual Financial Statements not produced on schedule -No third party administrator -Asset or Manager based in Emerging Markets Country -Exposure to assets which are caught up in legal proceedings, resulting in lack of certainty of full recovery -Asset leverage -Recent secondary market trading activity	10% - 100%	The fair value would decrease if the underlying input discount were higher.  The estimated fair value would increase if the discount were lower.	A 20% increase/decrease in the input discounts used for the relevant investments in this category would result in a (decrease)/increase respectively in fair value of approximately (US\$7,746,000)/US\$14,028,000.
	1,458,719	Unadjusted net asset value	Unadjusted NAV and no discounts applied	N/A	The fair value would increase if the NAV of the investments were higher.  The fair value would decrease if the NAV of the investments were lower.	A 20% increase/decrease in the unadjusted net asset value category of investments would result in an approximate decrease/increase in fair value of US\$292,000.
<b>Total Investments</b>	<b>23,832,816</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2020

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

The table below sets out information about significant unobservable inputs used as at 30 June 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	30 June 2020 Fair Value (US\$)	Valuation Technique	Unobservable Inputs	Discount applied	Sensitivity to changes in significant unobservable inputs	Quantitative disclosure of impact on Fair Value of changes in unobservable inputs to reasonable alternatives
Unlisted open-ended investment funds (redemption restricted)	28,875	Adjusted net asset value	Unadjusted NAV and applied discounts based on: -Alternative outcome advised by underlying manager, liquidator or other authorised party	53% - 100%	The fair value would decrease if the applied discount were higher.  The estimated fair value would increase if the applied discount were lower.	A 20% increase/decrease in the input discounts used for the relevant investments in this category would result in a (decrease)/increase respectively in fair value of approximately (US\$14,400) /US\$2,664,000.
	21,261,703	Adjusted net asset value	Unadjusted NAV and applied discounts based on some or all of the following: -Delay in NAV reporting -Liquidator appointed -Unwillingness of manager to provide asset level information -Annual Financial Statements not produced on schedule -No third party administrator -Asset or Manager based in Emerging Markets Country -Exposure to assets which are caught up in legal proceedings, resulting in lack of certainty of full recovery -Asset leverage -Recent secondary market trading activity	10% - 100%	The fair value would decrease if the applied discount were higher.  The estimated fair value would increase if the applied discount were lower.	A 20% increase/decrease in the input discounts used for the relevant investments in this category would result in a (decrease)/increase respectively in fair value of approximately (US\$7,566,000) /US\$13,781,000.
	1,694,498	Unadjusted net asset value	Unadjusted NAV and no discounts applied	N/A	The fair value would increase if the NAV of the investments were higher.  The fair value would decrease if the NAV of the investments were lower.	A 20% increase/decrease in the unadjusted NAV of investments would result in an approximate decrease/increase in fair value of US\$339,000.
<b>Total investments</b>	<b>22,985,076</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

Significant unobservable inputs are developed as follows:

- *Discount for anticipated difficulty in recovering NAV:* The Investment Manager has observed that for a number of reasons, it may not be possible for an underlying fund to recover the full value of its assets. These reasons include, without limitation, the possibility that those assets will not be recognised by a governmental authority and insolvency proceedings affecting the underlying assets. The Investment Manager has also observed that these risks have not been taken into account when the net asset value of the underlying fund has been calculated. The Board, acting with the advice of the Investment Manager, has formed the view based on its judgement that a discount should be applied to reflect the fact that there is a material possibility that less than the current stated net asset value of the underlying fund will be recoverable.
- *Discount for lack of certainty over time frame to realisation:* The Investment Manager has observed that for a number of reasons, it may not be possible for the Company to recover the full value of these assets within a specified time frame. These reasons include, without limitation the fact that the underlying positions are extremely illiquid and dependent upon external factors outside of the underlying Investment Manager's control.
- *Discount for no efficient or fair secondary market for liquidation:* The Investment Manager has observed that although a reasonably developed secondary market exists for most illiquid hedge fund portfolios there are some assets and portfolios that the secondary market has not been able to effectively research. This results in an extremely depressed secondary price and liquidity, mainly due to the poor information available.
- *Discount for assets which are caught up in legal proceedings:* The Investment Manager has observed that it may not be possible for the Company to recover the full value of these assets due to very complicated legal proceedings mainly surrounding their ownership and clean title.
- *Discount for advice of alternative outcome:* The Investment Manager has observed advice from underlying managers, liquidators or authorised parties that they expect recovery to be materially less than the stated NAV.
- *Discount for lack of/delayed information:* If the NAVs of the underlying assets are delinquent and/or not provided on time the Investment Manager will apply a discount.
- *Discount for geographic, political or currency related risks:* The Investment Manager will apply an additional discount if there is a perceived geographic, political or currency related risk.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to holders of Ordinary Shares.

	<b>31 December 2020 (unaudited)</b>	
	<b>Favourable</b>	<b>Unfavourable</b>
Change in fair value of investments	US\$16,099,000	US\$(8,056,000)

  

	<b>30 June 2020 (audited)</b>	
	<b>Favourable</b>	<b>Unfavourable</b>
Change in fair value of investments	US\$16,784,000	US\$(7,919,400)

The table above shows the estimated maximum positive and negative effects of using reasonably possible favourable and unfavourable alternative assumptions for the valuation of the Company's investments. These have been calculated by flexing the unobservable inputs used in the valuations described in the tables on pages 20 and 21. The most significant unobservable inputs are discounts for delay in cash realisation compared to a model, failure to recover certain assets, potential lack of available financing and potential lack of market exit and a reduction in value to reflect discounts needed to achieve exit. The above figures also include a 20% sensitivity analysis on the fair values of the remaining investments in the Company's portfolio for which no unobservable inputs are applied.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

See below for a reconciliation between reported net asset value and fair value of investee funds/companies recognised in the Interim Financial Statements where the Directors have estimated the fair value of certain investments as at 31 December 2020.

As at 31 December 2020, and as described in the table on page 20, the Directors, in consultation with the Investment Manager, have applied adjustments against net asset values to a number of investment funds in the portfolio due to illiquidity and/or restrictions on redemptions, among other factors. The following table summarises the write downs in terms of percentages applied to the relevant Level 3 investments:

<b>31 December 2020 (unaudited)</b>	<b>Investments valued at NAV US\$</b>	<b>Fair value adjustment US\$</b>	<b>Fair value US\$</b>
Level 3 investments with fair value adjustments of:			
10%	67,504	(6,750)	60,754
27%	1,132,005	(301,886)	830,119
30%	987,975	(296,393)	691,582
40%	33,607,797	(13,443,118)	20,164,679
53%	77,006	(40,929)	36,077
70%	8,784	(6,149)	2,635
80%	196,168	(156,934)	39,234
90%	5,483,994	(4,936,009)	547,985
99%	121,413	(120,381)	1,032
100%	37,386,555	(37,386,555)	-
	<u>79,069,201</u>	<u>(56,695,104)</u>	<u>22,374,097</u>
Level 3 investments without fair value adjustments			1,458,719
Total fair value of investments			<u>23,832,816</u>
<b>30 June 2020 (audited)</b>	<b>Investments valued at NAV US\$</b>	<b>Fair value adjustment US\$</b>	<b>Fair value US\$</b>
Level 3 investments with fair value adjustments of:			
10%	62,752	(6,275)	56,477
30%	1,554,653	(466,396)	1,088,257
32%	1,309,745	(414,267)	895,478
40%	30,600,274	(12,240,110)	18,360,164
53%	54,060	(28,733)	25,327
70%	6,806	(4,764)	2,042
80%	1,574,135	(1,259,308)	314,827
90%	5,422,264	(4,875,298)	546,966
99%	122,375	(121,335)	1,040
100%	41,549,708	(41,549,708)	-
	<u>82,256,772</u>	<u>(60,966,194)</u>	<u>21,290,578</u>
Level 3 investments without fair value adjustments			1,694,498
Total fair value of investments			<u>22,985,076</u>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 6. Fair value of financial instruments (continued)

#### d) Fair value hierarchy

The following table presents the Company's financial assets at fair value through profit or loss by level within the valuation hierarchy:

	<b>31 December 2020</b> <b>(unaudited)</b>	<b>% of net assets</b>
<b>Fair value assets</b>	<b>US\$</b>	<b>%</b>
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	23,832,816	89.2
	<hr/>	<hr/>
	<b>30 June 2020</b> <b>(audited)</b>	<b>% of net assets</b>
<b>Fair value assets</b>	<b>US\$</b>	<b>%</b>
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	22,985,076	90.3
	<hr/>	<hr/>

The table in Note 6 (a) provides a reconciliation from opening balance to closing balance for assets measured at fair value on a recurring basis using Level 3 inputs.

The Company recognises transfers between levels of fair value hierarchy as of the end of each reporting period in which the transfer has occurred.

There were no transfers between any fair value hierarchy levels during the current period.

### 7. Share capital

#### Authorised capital

The Company has the power to issue an unlimited number of Ordinary Shares of no par value. The Ordinary Shares were issued at the issue price of US\$1.00.

By written resolution of the Company passed on 15 December 2016, the Directors were authorised to issue shares up to a maximum aggregate nominal amount of US\$146,644.

The Company is authorised to make market purchases of up to 14.99 per cent of the Ordinary Shares in issue immediately following Admission, such authority to expire at the conclusion of the next annual general meeting of the Company or, if earlier, 18 months after the resolution was passed.

#### Issued share capital

	<b>31 December 2020</b> <b>(unaudited)</b>	
<b>Ordinary Shares:</b>	<b>No.</b>	<b>US\$</b>
Share capital at the start of the period	146,644,387	115,193,673
Distributions	-	(1,466,444)
Share capital at the end of the period	<hr/>	<hr/>
	146,644,387	113,727,229
	<hr/>	<hr/>
	<b>30 June 2020</b> <b>(audited)</b>	
<b>Ordinary Shares:</b>	<b>No.</b>	<b>US\$</b>
Share capital at the start of the year	146,644,387	117,393,338
Distributions	-	(2,199,665)
Share capital at the end of the year	<hr/>	<hr/>
	146,644,387	115,193,673
	<hr/>	<hr/>

At an Extraordinary General Meeting held on 14 July 2016, shareholders approved an amendment to the Company's Articles to allow for the return of capital to shareholders. Under the terms of the return of capital to shareholders, shareholders will receive B shares pro rata to their holding of Ordinary Shares at the time of the issue of the B shares. Each B share will be redeemed by the Company on the redemption date (without any further action from shareholders) for the redemption price. Following redemption each B share will be cancelled.



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 7. Share capital (continued)

#### Issued share capital (continued)

B shares:	31 December 2020 (unaudited)	
	No.	US\$
Share capital at the start of the period	-	-
Issue of B shares during the period*	146,644,400	1,466,444
Redeemed and cancelled during the period	(146,644,400)	(1,466,444)
Share capital at the end of the period	-	-

  

B shares:	30 June 2020 (audited)	
	No.	US\$
Share capital at the start of the year	-	-
Issue of B shares during the year*	146,644,333	2,199,665
Redeemed and cancelled during the year	(146,644,333)	(2,199,665)
Share capital at the end of the year	-	-

\* non-cash issuance of B shares in order to return capital to shareholders upon redemption.

On 24 July 2020, the Board announced that it had resolved to return an amount of US\$0.01 per Ordinary Share to Shareholders, being US\$1,466,444 in total, to be effected by way of an issue of redeemable B shares and the subsequent redemption of those B shares. All such redemption payments were made on 18 August 2020.

At an Extraordinary General Meeting held on 22 December 2020, the Board formally proposed as a special resolution of the Company, that the listing of the Company's Ordinary Shares of US\$0.01 each in the capital of the Company on the premium segment of the official list of the UK Financial Conduct Authority be cancelled and application be made for admission of such Ordinary Shares to the Specialist Fund Segment of the main market for listed securities of the London Stock Exchange.

### 8. Net asset value per Ordinary Share

The net asset value is shown in the table below:

Ordinary Share class:	Net asset value	Number of Ordinary Shares in issue	Net asset value per Ordinary Share
<b>As at 31 December 2020 (unaudited):</b>	<b>US\$</b>	<b>No.</b>	
Published net asset value	26,676,726	146,644,387	18.19¢
Prepayment adjustment	31,034	146,644,387	0.02¢
Net asset value per Interim Financial Statements	26,707,760	146,644,387	18.21¢

  

Ordinary Share class:	Net asset value	Number of Ordinary Shares in issue	Net asset value per Ordinary Share
<b>As at 30 June 2020 (audited):</b>	<b>US\$</b>	<b>No.</b>	
Published net asset value	25,690,403	146,644,387	17.52¢
Fair value adjustments	(239,769)	146,644,387	(0.16)¢
Net asset value per Annual Financial Statements	25,450,634	146,644,387	17.36¢

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2020

### 9. Related party transactions and Directors' interests

The Investment Manager, Investment Adviser and the Directors were regarded as related parties during the period.

The only related party transactions during the period are described below:

The fees and expenses paid to the Investment Manager and the Investment Adviser are detailed in Note 3.

Investment management fees for the period totalled US\$324,688 (31 December 2019: US\$265,102), there were no outstanding balances at the period end (30 June 2020: US\$126,366 prepaid).

With effect from 31 December 2020, Warana Capital, LLC resigned as Investment Manager to the Company.

With effect from 1 January 2021, Hindsight Solutions Limited ("Hindsight" or the "Adviser") was appointed as the Investment Adviser to the Company. Pursuant to the terms of the Advisory Agreement ("AA") dated 4 December 2020, the Investment Adviser is entitled to receive an investment advisory fee of £23,000 per month payable in advance. The Investment Adviser is also entitled to a realisation fee of 5 per cent of the cash distributed to shareholders. The Company shall also reimburse all reasonable international travel and expenses properly and necessarily incurred by Hindsight. Under the terms of the AA, the AA shall continue unless and until terminated as provided by the terms of the AA, or by either party giving to the other not less than three months written notice.

Investment advisory fees for the period totalled US\$Nil (31 December 2019: US\$Nil), there was a prepaid balance at the period end of US\$31,034 (30 June 2020: US\$Nil).

As at the period end and also at the last reported share register dated 12 March 2021, the Investment Manager did not hold any shares in the Company, however Tim Gardner who is currently advising the Board through the appointment of Hindsight Solutions Limited holds 189,000 shares in the Company.

As at 31 December 2020, the interests of the Directors and their families who held office during the period are set out below:

	<b>31 December 2020 (unaudited) Number of Ordinary Shares</b>	<b>30 June 2020 (audited) Number of Ordinary Shares</b>
Quentin Spicer (Chairman)	-	-
Dr Richard Berman	-	-
Anthony Pickford	100,000	100,000

No Director, other than those listed above, and no connected person of any Director, has any interest, the existence of which is known to, or could with reasonable diligence be ascertained by that Director, whether or not held through another party, in the share capital of the Company.

Fees and expenses paid to the Directors of the Company during the period were US\$63,585 (31 December 2019: US\$61,541). There was no outstanding balance at the period end (30 June 2020: US\$29,452).

### 10. Subsequent events

With effect from 1 January 2021, Hindsight Solutions Limited ("Hindsight" or the "Adviser") was appointed as the Investment Adviser to the Company. Pursuant to the terms of the AA dated 4 December 2020.

With effect from 26 January 2021, the Company transferred the listing of its Ordinary Shares from the Premium Segment, to the Specialist Funds Segment of the Official List of the UK Listing Authority of the Main Market of the London Stock Exchange.

On 29 January 2021, a cash amount of US\$381,425 was received from the sale of part of the Serengeti holding.

There are no significant post period end events, other than those already disclosed, that require disclosure in these Unaudited Interim Condensed Financial Statements.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (unaudited)

As at 31 December 2020

Number of Shares	Description	Fair Value	% of net assets
<b>GBP (30 June 2020: 0.00%)</b>			
594,053.6700	South Asian Real Estate Limited	-	-
<b>USD (30 June 2020: 90.31%)</b>			
2,000,000.0000	Aarkad plc	-	-
34,851,756.1400	Aarkad - USD	-	-
10,537.3400	Abax Arhat Fund Class Unrest Red Series 1 Jul 07	399,712	1.50
159,377.9300	Abax Upland Fund LLC Redeeming CL	10,949	0.04
36,983.1831	Aramid Distribution Trust	-	-
3,930.9976	Autonomy Rochevera	410,514	1.54
405.5800	Bennelong Asia Pacific	2,635	0.01
9,590,340.6400	Blue Sugars Corporation Common Stock USD	-	-
783.3437	Cam OFI Master LDC – Class A	32,883	0.12
44.1294	Cam OFI Master LDC – Class B	1,852	0.01
653.9343	Cam Opportunity Fund I Class A-1004	1,341	0.01
23,045.4500	Denholm Hall Russia Arbitrage Fund Class A EUR	-	-
137,409.7800	Denholm Hall Russia Arbitrage Fund Class A GBP	-	-
4,144.7900	Denholm Hall Russia Arbitrage Fund Class B EUR	-	-
210,672.8320	Denholm Hall Russia Arbitrage Fund Class B GBP	-	-
14,814.8150	Denholm Hall Russia Arbitrage Fund Class C EUR	-	-
600,000.0000	Duet India Hotels Limited	-	-
108.8100	Eden Rock Asset Based Lending Fund	14	0.00
284.0000	FIT Timber Premium Euro Fund	-	-
2,137.0000	FIT Timber Premium Sterling Fund	-	-
1.0000	Galileo Capital Partners LLC	184,003	0.69
2,589.0000	Gillett Holdings	-	-
9,025.0020	Growth Management Ltd	498,781	1.87
16,458.4300	Growth Premier Fund IC Class A	192,801	0.72
1,541.6892	Longview Fund Intl Ltd Class B USD(1.5/25) 02/2007	3,415	0.01
1,541.6693	Longview Fund Intl Ltd Class B USD (2/25) 05/2007	3,129	0.01
9,197.1952	Longview Fund Intl Ltd Class B USD Initial Series	23,878	0.09
2,000.0000	NUR Energie Limited 'A' Preference Shares	-	-
1,200.0000	NUR Energie Limited Class B Preference Shares	-	-
7,177.0000	NUR Energie Limited Ordinary Shares EUR 1	-	-
346.6420	Quantek Master Fund SPC Ltd Feeder LP	6,505	0.02
29.7620	Quantek Opportunity Fund Class A-1 Premium EUR Fund	719	0.00
56.6800	Quantek Opportunity Fund Class A-1 Premium GBP Fund	733	0.00
81.6210	Quantek Opportunity Fund Class G-1 Premium GBP Fund	856	0.00
172.8000	RD Legal Funding Offshore Ltd Class A USD S D1	17,539	0.07
118.2400	RD Legal Funding Offshore Ltd Class A USD S D2	13,496	0.05
3.0880	Ritchie Multi-Strategy Global CL-S	-	-
804.6100	SA Capital Partners	-	-
3,529.8830	Sector Spesit I Fund Class A	-	-
	Sub-total carried forward	1,805,755	6.76

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (unaudited) (continued) As at 31 December 2020

Number of shares	Description	Fair Value	% of net assets
<b>USD (continued)</b>	Sub-total brought forward	1,805,755	6.76
22.4430	Serengeti Opportunities - CLO - A210/0907slvl	12,762	0.05
3.5900	Serengeti Opportunities - CLO - A210/0907slvl 2	2,042	0.01
65.2250	Serengeti Opportunities - Mgt Fee A 210/0907	12,047	0.05
1.0000	Serengeti Opportunities - CLO - 243/0108	57	0.00
1.0000	Serengeti Opportunities - CLO - 243/0907	115	0.00
1.0000	Serengeti Opportunities - CLO - 243/1007	339	0.00
1.0000	Serengeti Opportunities - CLO - 243/1107	110	0.00
1.0000	Serengeti Opportunities - Mgt Fee A 243/1210	6,511	0.02
804.6100	South Asian Management Limited	-	-
925,277.1000	Stillwater Asset Backed Fund II Onshore SPV/Gerova	-	-
10.7320	TCF SPV USD G/Series 1-U	-	-
414.6466	Trafalgar Catalyst Fund USD G/Series 1-U	-	-
40.1740	Valens Offshore Fund	1,587	0.01
2,090.2300	V Invest FCVS RJ (Cayman) Ltd	763,023	2.86
117,302.1019	Vision Chapadao Fund Series 1	15,605	0.06
38,872.2780	Vision Chapadao Fund Series 2	4,980	0.02
445,492.5360	Vision Chapadao Fund Series 3	25	0.00
1,590.3700	Vision Chapadao Fund Series 5	212	0.00
23,321.7093	Vision Piaui Fund Series 1	21,465	0.08
7,784.9820	Vision Piaui Fund Series 2	4,855	0.02
90,625.7960	Vision Piaui Fund Series 3	57,793	0.22
316.5600	Vision Piaui Fund Series 6	291	0.00
120,057.1990	Vision Tercado Fund Series 1	111,661	0.42
40,402.1530	Vision Tercado Fund Series 2	27,252	0.10
478,380.7240	Vision Tercado Fund Series 3	349,530	1.31
1,631.7100	Vision Tercado Fund Series 5	1,518	0.01
	Sub-total carried forward	<u>3,199,535</u>	<u>12.00</u>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (unaudited) (continued) As at 31 December 2020

Number of shares	Description	Fair Value	% of net assets
<b>USD (continued)</b>	Sub-total brought forward	3,199,535	12.00
864.6693	Vision FCVS PB Fund Series 1	5,549	0.02
6,575.2398	Vision FCVS PB Fund Series 2	42,199	0.16
1,191.3056	Vision FCVS PB Fund Series 5	7,646	0.03
745.7676	Vision FCVS PB Fund Series 8	4,786	0.02
89.2955	Vision FCVS PB Fund Series 9	573	0.00
310,819.8510	Vision FCVS RJ Fund Series 1	3,022,474	11.32
297,520.8363	Vision FCVS RJ Fund Series 2	3,081,626	11.53
308,044.4190	Vision FCVS RJ Fund Series 4	3,092,226	11.57
192,714.3010	Vision FCVS RJ Fund Series 6	1,996,073	7.47
4,040.3600	Vision FCVS RJ Fund Series 7	41,849	0.16
100,142.7360	Vision I-NX	10	0.00
255,542.4647	Vision I-NX (D)	51	0.00
389.2725	Vision Special Credit Opportunities Fund	1,141	0.00
38,697.8438	Vision Special Credit Opportunities Elt Fund Series 1	1,516,272	5.68
47,243.6476	Vision Special Credit Opportunities Elt Fund Series 2	1,851,116	6.93
53,046.8728	Vision Special Credit Opportunities Elt Fund Series 3	2,008,995	7.52
72,849.2809	Vision Special Credit Opportunities Elt Fund Series 5	2,854,405	10.69
641.9866	Vision Special Credit Opportunities Elt Fund Series 7	25,155	0.09
4,874.0000	Volia Ltd	249,997	0.94
1,230.0000	Warana SP Offshore Fund – 2018 Segregated Portfolio	830,119	3.11
132.4171	White Oak Strategic Fund	1,019	0.00
		<b>23,832,816</b>	<b>89.24</b>
<b>Portfolio of investments</b>		<b>23,832,816</b>	<b>89.24</b>
<b>Other net assets</b>		2,874,944	10.76
<b>Total net assets attributable to shareholders</b>		<b>26,707,760</b>	<b>100.00</b>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## COMPANY INFORMATION

<b>Directors:</b>	Quentin Spicer ( <i>Non-executive Independent Chairman</i> ) Dr Richard Berman ( <i>Non-executive Independent Director</i> ) Anthony Pickford ( <i>Non-executive Independent Director</i> )
<b>Registered Office:</b>	Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
<b>Administrator &amp; Secretary:</b>	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
<b>Registrar:</b>	Link Market Services (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson Guernsey, GY2 4LH
<b>Investment Manager or Adviser:</b>	Warana Capital, LLC (resigned, 31 December 2020) Level 3 154 Grand Street New York NY USA 10013  Hindsight Solutions Limited (appointed, 1 January 2021) 112 Jermyn Street London SW1Y 6LS
<b>Auditor:</b>	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey, GY1 3TF
<b>Custodian &amp; Principal Banker:</b>	Citibank, N.A. (London Branch) Canada Square London, E14 5LB
<b>Corporate Broker:</b>	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
<b>Guernsey Legal Adviser:</b>	Carey Olsen (Guernsey) LLP Carey House Les Banques St Peter Port Guernsey, GY1 4BZ
<b>UK Legal Adviser:</b>	Stephenson Harwood LLP 1 Finsbury Circus Finsbury London, EC2M 7SH
<b>Company Number:</b>	60552 (Registered in Guernsey)