



## DESCRIPTION

Alternative Liquidity Fund Limited ("ALF" or the "Company") is a Guernsey-domiciled, London Stock Exchange-traded closed ended investment company. Warana Capital, LLC was appointed as the Investment Manager to continue the mandate to realize ALF's investments in an orderly and timely manner and return cash to investors.

## COMPANY INFORMATION

Investment Manager:	Warana Capital, LLC	Subscriptions & Redemptions:	None, LSE Traded
Dollar Share	ORD	Bloomberg:	ALF.LN
Domicile:	Guernsey	Reuters:	ALF.L
SEDOL:	BYRGP6	ISIN:	GG00BYRGP65

## PORTFOLIO OVERVIEW (as of January 31, 2018):

SIGNIFICANT POSITIONS	Manager NAV (\$M)	Warana Provision	ALF NAV (\$M)	% of Portfolio	ASSET CLASS EXPOSURE	
						% of ALF NAV
Vision FCVS RJ Fund	\$27.5	-40%	\$16.5	26%	Bonds/Credit	52%
Vision Eletrobras Fund	\$22.1	-40%	\$13.3	21%	Real Estate	20%
Ubique Limited	\$19.6	-70%	\$5.9	9%	Equity	7%
Growth Management Limited	\$3.6	-30%	\$2.5	4%	Other	9%
Abax Arhat Fund	\$6.5	-70%	\$1.9	3%	Cash (Includes cash at underlying fund level)	13%
South Asian Real Estate Limited	\$3.5	-50%	\$1.7	3%	<b>GEOGRAPHIC ALLOCATION</b>	
Argo Special Situations Fund	\$3.2	-50%	\$1.6	3%		% of ALF NAV (ex cash)
Autonomy Fund	\$1.1	0%	\$1.1	2%	<b>Europe</b>	<b>19%</b>
GLG Emerging Markets Growth Fund	\$1.0	-10%	\$0.9	2%	Ukraine	14%
Serengeti Opportunities Fund	\$0.9	0%	\$0.9	1%	Russia	4%
Other Investments	\$29.2	-85%	\$4.5	7%	<b>Americas</b>	<b>68%</b>
Net Cash	\$7.8	-	\$7.8	12%	Brazil	63%
Receivables	\$3.8	-	\$3.8	6%	USA	4%
<b>Total</b>	<b>\$130.0</b>	<b>-52%</b>	<b>\$62.5</b>	<b>100%</b>	<b>Asia</b>	<b>11%</b>
					India	5%
					China	4%
					Indonesia	2%
					<b>Other</b>	<b>1%</b>
<b>Net Asset Value Per Share (Jan 31, 2018)</b>	<b>0.8864</b>		<b>0.4262</b>			
<b>Net Asset Value Per Share (Dec 31, 2017)</b>	<b>0.8728</b>		<b>0.4169</b>			
<b>Change (%) in NAV Per Share</b>	<b>1.6%</b>		<b>2.2%</b>			

## FUND UPDATE

During January 2018, ALF's Net Asset Value per share increased by 2.2%. The primary drivers of the positive return were the Vision holdings which increased due to BRL appreciation versus the USD. Partially offsetting the increase was a decline in the Company's holdings in SFL Clover Limited ("SFL"). The decline in SFL was a result of a bad debt write-off from a loan SFL made to a Czech real estate developer.

At the start of the year SFL had two remaining assets: the aforementioned loan to the Czech developer and an SPV that holds real estate in Ukraine. The Czech developer had two completed apartments returned to them in December 2017 due to build quality issues. A significant capital injection was required to remediate the issues and there was also litigation risk for guarantee defects. Given the risk and uncertainty of recovery, ALF decided to sell the balance of its loan for \$300k to a third party and exit the project. Since listing, ALF recovered 63% of the balance due on the loan.

The Company's Net Cash position is at \$7.8mm, an increase from the previous month of approximately \$300k due to cash received from the liquidation of RP Explorer as announced in the December factsheet as well as a distributions from Serengeti and RD Legal.



## ALF VALUATION METHODOLOGY

ALF is invested in approximately 28 illiquid third party funds. The quality of assets and information provided by these funds varies. While many funds provide regular net asset value estimates of their portfolio, it is Warana's experience that these valuations can be optimistic and it is generally expected that these type of funds trade at a discount to these valuations in the secondary market (where observable). Some of the funds in the investment portfolio are also delinquent in providing their valuation estimates and/or have not had their accounts audited in a regular timeframe. As such, Warana believes it is appropriate to review the valuations provided by the underlying funds and apply provisions where appropriate. Unfortunately, the secondary market for fund interests is not deep, is characterized by many small transactions and pricing information is not particularly transparent. Price points can also be skewed adversely through the activity of one off highly motivated sellers. As such, Warana can not readily apply a 'mark to secondary bid' valuation approach due to a lack of quality independent third party information.

Warana has 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. Provisions are applied based on the following criteria:

1. Where a manager, liquidator or other authorized party has advised that they expect a recovery materially less than the stated net asset value, the conservative end of this range is applied as a provision to the fund.

Where no third-party guidance is received, Warana applies provisions of 10% – 50% across each of the following criteria cumulatively:

2. If the net asset value is delinquent and/or not provided within the time frame previously advised to investors, a provision is applied.
3. If a third-party liquidator (or similar) has been appointed, an incremental discount is applied and if this party has not made progress on the fund in a reasonable time frame, this discount may be increased.
4. Warana seeks to receive bottom up information on the remaining assets in each of the funds. Because these funds are run by third parties, it is not always simple to get the full amount of information desired. An incremental discount is applied if the additional asset level information desired has not been received.
5. If fund audited financial statements are late or qualified, a discount is applied, which increases if an audit has not been completed for several years.
6. It is expected that funds have third party administrators/valuation agents. Should Warana not be able to determine whether such a group is still involved, an incremental discount is applied.
7. An additional discount is applied relating to the perceived incremental geographic, political or currency related risk of the asset or manager.
8. It is common for legacy illiquid funds to be involved in some type of litigation or have issues with key regulators. An incremental discount is applied depending on the severity of the litigation or investigation.
9. Should the fund or assets still have significant leverage an incremental discount is applied.

Warana then gathers the cumulative discounts applied in steps 1 through 9 and seeks to compare the proposed provision against what is observable in the secondary market. The following incremental test is applied.

10. If Warana is aware of a reliable third party, completed secondary market price that is:
  - a. Within the last 6 months: AND
  - b. At a discount to the manager provided net asset value of greater than 50% discount; AND
  - c. The price is more than 25% different to Warana's price calculated by applying 1 through 9, then an extra provision is applied to equate the provision levels to the secondary market value.

**ALF VALUATION METHODOLOGY**

The following table summarizes how each of the top 15 funds in ALF (by ALF NAV) measure against the valuation approach and the cumulative provision applied against each:

Fund Holdings	Valuation Guidelines										Total Warana Provision
	1. Alternative Outcome Advised	2. Not Reporting NAV on Schedule	3. Liquidator Appointed	4. Unwillingness of Manager to Provide Asset Level Info	5. AFS not Produced on Schedule	6. No Third Party Administrator	7. Asset or Manager Based in EM Country	8. Significant SEC Inquiry or Litigation	9. Asset Levered	10. Recent Secondary Market Trading Activity	
	✓/-	*/-	*/-	*/-	*/-	*/-	*/-	*/-	*/-	✓/-	%
Vision Brazil FCVS RJ Fund	-	x	-	-	x	-	x	x	-	-	-40%
Vision Brazil Special Opp Eletrobras Fund	-	x	-	-	x	-	x	x	-	-	-40%
Ubique Limited	-	-	-	-	x	-	x	-	x	-	-70%
Growth Management Ltd	-	-	-	-	-	-	x	-	-	-	-30%
Abax Arhat Fund	-	x	-	-	x	-	x	-	-	✓	-70%
South Asian Real Estate Limited	-	-	-	-	x	-	x	x	x	-	-50%
Argo Special Situations Fund LP	-	-	-	-	-	-	x	-	x	✓	-50%
Autonomy Fund II Ltd	✓	-	-	-	-	-	x	-	-	-	0%
GLG Emerging Markets Fund	-	-	-	-	-	-	x	-	-	-	-10%
Serengeti Opportunities Fund	-	-	-	-	-	-	-	-	-	-	0%
SFL Clover Limited	✓	x	-	-	x	-	x	-	-	-	-63%
Vision Brazil FCVS PB Fund	✓	x	-	-	x	-	x	x	-	-	0%
Duet India Hotels Limited	-	x	-	x	x	-	x	x	x	-	-80%
Longview Fund Intl Ltd	-	x	-	x	x	-	-	-	-	-	-80%
Galileo Capital Partners LLC	-	-	-	x	x	-	-	x	-	-	-40%
Other Investments											-93%
<b>Total</b>											<b>-57%</b>
Net Cash											0%
Receivables/Other Assets											0%
<b>Total</b>											<b>-52%</b>



### BOARD OF DIRECTORS

The Board comprises three Directors, all of whom are non-executive and independent of the Investment Manager. The Directors are responsible for the determination of the Company's investment policy and overall supervision. The Directors are as follows:

**Quentin Spicer (Chairman):** 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 Germany Limited and Phoenix Spree Deutschland Limited. He is a member of the Institute of Directors.

**Dr. Richard Berman:** 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, respectively. 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.

**Anthony Pickford:** 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 Barnham & 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. During the year he was also 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.

### SERVICE PROVIDERS

Custodian:	Citibank, N.A.	Guernsey Legal:	Carey Olsen
Auditor:	Grant Thornton LLP	UK Legal:	Dickson Minto W.S.
Administrator:	Praxis Fund Services Ltd.	Registrar:	Link Asset Services

### RECENT DISTRIBUTIONS

Announcement Date	Ex Date	Record Date	Payment Date	Amount (per share)
August 31, 2016	September 5, 2016	September 6, 2016	September 15, 2016	\$0.020
November 28, 2016	November 30, 2016	December 1, 2016	December 15, 2016	\$0.055
June 8, 2017	June 20, 2017	June 21, 2017	June 30, 2017	\$0.025
October 30, 2017	October 31, 2017	November 1, 2017	November 10, 2017	\$0.030
<b>Total</b>				<b>\$0.130</b>

### DISCLOSURES/ FOOTNOTES

There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. Due to rounding, totals in tables may not add up to 100%. Fund holdings are subject to change and should not be considered investment advice.

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