



### 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

<b>Investment Manager:</b>	Warana Capital, LLC	<b>Subscriptions &amp; Redemptions:</b>	None, LSE Traded
<b>Dollar Share</b>	ORD	<b>Bloomberg:</b>	ALF.LN
<b>Domicile:</b>	Guernsey	<b>Reuters:</b>	ALF.L
<b>SEDOL:</b>	BYRGPD6	<b>ISIN:</b>	GG00BYRGPD65

### PORTFOLIO OVERVIEW (as at June 30, 2020):

SIGNIFICANT POSITIONS	Manager NAV (\$M)	Warana Provision	ALF NAV (\$M)	% of Portfolio	ASSET CLASS EXPOSURE	% of ALF NAV
Vision Brazil FCVS RJ Fund	\$16.3	-40%	\$9.8	38.1%	Bonds/Credit	77%
Vision Brazil Special Credit Opp Eletrobras Fund	\$14.0	-40%	\$8.4	32.7%	Real Estate	5%
Growth Management Limited	\$1.6	-30%	\$1.1	4.2%	Equity	7%
Warana 2018 Fund <sup>(1)</sup>	\$1.3	-32%	\$0.9	3.5%	Other	1%
Vision Invest RJ	\$0.7	0%	\$0.7	2.7%	Cash (Includes cash at underlying fund level)	9%
Abax Arhat Funds	\$6.5	-90%	\$0.7	2.5%		
Autonomy Rochevera Fund	\$0.5	0%	\$0.5	2.1%		
Longview Fund	\$1.5	-80%	\$0.3	1.2%		
Volia Limited	\$0.2	0%	\$0.2	1.0%		
Other Investments	\$43.7	-99%	\$0.6	2.5%		
Net Cash	\$2.3	-	\$2.3	8.9%		
Receivables	\$0.2	-	\$0.2	0.7%		
<b>Total</b>	<b>\$88.8</b>	<b>-71%</b>	<b>\$25.7</b>	<b>100%</b>		
<b>Net Asset Value Per Share (June 30, 2020)</b>	<b>0.6056</b>		<b>0.1752</b>			
<b>Net Asset Value Per Share (May 31, 2020)</b>	<b>0.6046</b>		<b>0.1933</b>			
<b>Change (%) in NAV Per Share</b>	<b>0.17%</b>		<b>-9.36%</b>			

  

GEOGRAPHIC ALLOCATION	% of ALF NAV (ex cash)
<b>Americas</b>	<b>91%</b>
Brazil	84%
North America	6%
Other Latin America & Caribbean	1%
<b>Europe</b>	<b>6%</b>
Ukraine	3%
European Union & United Kingdom	1%
Other Europe	2%
<b>Asia</b>	<b>3%</b>
China	3%
<b>Rest of World</b>	<b>0%</b>

(Please note totals may not sum due to rounding)

### FUND UPDATE

ALF's Net Asset Value ("NAV") declined 9.36% in the month of June. Like last month, the primary detractor from performance was an increase in the provision against Gillett, the Ukrainian real estate investment, from 85% to 100%. As noted in last month's fact sheet and the detailed shareholder update published on August 13, we have had concerns regarding transparency at the underlying project level in Ukraine. To address these concerns, we agreed with the local project manager to have a third-party specialist auditing firm review the assets and their financial arrangements. That discovery process seems to have stalled before it began in earnest and concerns raised by stakeholders to the local project manager have been left unanswered. Though we have increased the provision to 100%, we will continue to push for transparency and will evaluate all recovery options available to us.

Total cash received during the month was \$328k from Vision ELT Fund as well as \$37k from Sowood Alpha Fund ("Sowood"). For Sowood, this represents the final distribution from this fund.

Since June 30, ALF has received \$76k from Volia, \$51k from the CAM Opportunity Funds, \$14k from the Warana 2018 Fund and \$836 from Eden Rock ABL Fund.

(1) All references to "Warana 2018 Fund" in this document mean "Warana SP Master Fund SPC - 2018 Segregated Portfolio".



### ALF VALUATION METHODOLOGY

ALF is invested in approximately 24 illiquid third-party funds and companies\*. The quality of assets and information provided by the managers of these funds varies greatly. While many funds provide regular net asset value estimates of their portfolio, it is Warana's experience that these valuations can be optimistic in their inputs or assumptions 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 ALF 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 transparent. Price points can also be skewed adversely through the activity of one-off, highly motivated sellers. As such, Warana cannot readily apply a 'mark to secondary bid' valuation approach.

As previously mentioned, Warana's provisioning process takes into account the quality of the information received from the underlying funds, their valuation processes, geographical locations and risks associated with an underlying fund's 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 the recovery range is used.

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 timeframe 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 underlying funds. Because these funds are run by third parties, it is not always possible 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 invested 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 fund or manager.
8. It is not uncommon 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. Warana will keep that provision in place until new and/or significant information emerges.

\*Includes portfolio holdings with a positive net asset value after provisions.



### ALF VALUATION METHODOLOGY (Continued)

The following table summarizes how each of the top 10 investments in ALF (by ALF NAV) measure against the valuation approach and the cumulative provision applied against each:

Valuation Guidelines											
Fund Holdings	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	Total Warana Provision
	✓/-	*/-	*/-	*/-	*/-	*/-	*/-	*/-	*/-	✓/-	%
Vision Brazil FCVS RJ Fund	-	x	-	-	x	-	x	x	-	-	-40%
Vision Brazil Special Credit Opp Eletrobras Fund	-	x	-	-	x	-	x	x	-	-	-40%
Growth Management Limited	-	-	-	-	-	-	x	-	-	-	-30%
Warana 2018 Fund <sup>(1)</sup>	✓	-	-	-	-	-	-	-	-	-	-32%
Vision RJ Cayman	-	-	-	-	-	-	-	-	-	-	0%
Abax Arhat Funds	-	x	-	x	x	x	x	x	-	✓	-90%
Autonomy Rochavera Fund	✓	-	-	-	x	-	x	x	-	-	0%
Longview Fund Intl Ltd	-	x	-	x	x	-	-	-	-	-	-80%
Serengeti Opportunities Funds	-	-	-	-	-	-	-	-	-	-	0%
Valia Limited	-	-	-	-	-	-	-	-	-	-	0%
Other Investments											-99%
Net Cash											0%
Receivables/Other Assets											0%
<b>Total</b>											<b>-71%</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 Properties 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)
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
April 6, 2018	April 9, 2018	April 10, 2018	April 19, 2018	\$0.030
November 22, 2018	November 22, 2018	November 23, 2018	December 13, 2018	\$0.020
January 24, 2019	January 25, 2019	January 28, 2019	February 15, 2019	\$0.020
December 5, 2019	December 19, 2019	December 20, 2019	January 7, 2020	\$0.015
July 24, 2020	July 28, 2020	July 29, 2020	August 18, 2020	\$0.010
			<b>Total</b>	<b>\$0.205</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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Link Asset Services, ALF's Registrar, is available to answer any queries in relation to your shareholding. In particular, please contact Link Customer Support to claim any distributions that may have been unpaid due to outdated shareholder information.

**Phone:** (UK) 0871 664 0300; (Overseas) +44 (0) 371 664 0300 calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Offices are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

**Email:** [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

**Post:** Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Shareholders are reminded that distributions are dependent upon the liquidity of the portfolio, which is highly illiquid and the timing of underlying distributions is difficult to predict.