



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: | BYRGPD6 | ISIN: | GG00BYRGPD65 |

PORTFOLIO OVERVIEW (as at September 30, 2019):

| SIGNIFICANT POSITIONS | Manager NAV (\$M) | Warana Provision | ALF NAV (\$M) | % of Portfolio | ASSET CLASS EXPOSURE | % of ALF NAV |
|--|-------------------|------------------|---------------|----------------|---|-------------------------------|
| Vision Brazil FCVS RJ Fund | \$21.1 | -40% | \$12.7 | 31.9% | Bonds/Credit | 65% |
| Vision Brazil Special Credit Opp Eletrobras Fund | \$18.2 | -40% | \$10.9 | 27.6% | Real Estate | 17% |
| Gillett Holdings Limited | \$18.7 | -70% | \$5.6 | 14.1% | Equity | 7% |
| Growth Management Limited | \$2.5 | -30% | \$1.8 | 4.4% | Other | 2% |
| Warana 2018 Fund ⁽¹⁾ | \$1.6 | -22% | \$1.2 | 3.1% | Cash (Includes cash at underlying fund level) | 8% |
| Abax Arhat Funds | \$6.5 | -90% | \$0.7 | 1.6% | | |
| Vision FCVS PB Fund | \$0.6 | 0% | \$0.6 | 1.6% | | |
| Autonomy Rochevera Fund | \$0.6 | 0% | \$0.6 | 1.6% | | |
| Vision Invest RJ | \$0.6 | 0% | \$0.6 | 1.5% | | |
| Other Investments | \$28.4 | -93% | \$2.0 | 4.9% | | |
| Net Cash | \$3.0 | - | \$3.0 | 7.5% | | |
| Receivables | \$0.1 | - | \$0.1 | 0.2% | | |
| Total | \$102.0 | -61% | \$39.7 | 100% | | |
| | | | | | GEOGRAPHIC ALLOCATION | % of ALF NAV (ex cash) |
| | | | | | Europe | 20% |
| | | | | | Ukraine | 17% |
| | | | | | Russia | 2% |
| | | | | | United Kingdom | 1% |
| | | | | | Americas | 77% |
| | | | | | Brazil | 70% |
| | | | | | USA | 6% |
| | | | | | Latin America/Caribbean | 1% |
| | | | | | Asia | 2% |
| | | | | | China | 2% |
| | | | | | Other | 1% |
| Net Asset Value Per Share (September 30, 2019) | 0.6953 | | 0.2707 | | | |
| Net Asset Value Per Share (August 31, 2019) | 0.6953 | | 0.2706 | | | |
| Change (%) in NAV Per Share | -0.01% | | 0.04% | | | |

FUND UPDATE

(Please note totals may not sum due to rounding)

ALF's Net Asset Value ("NAV") increased by 0.04% in the month of September.

The primary driver of returns was a step-up in the Warana 2018 Fund due to trades that settled in Q3 2019. This was partially offset by a continued weakening of the BRL against the USD (approximately 0.3%), impacting the Vision funds and a slight decline in the Autonomy Rochevera Fund (3.3%).

During September, ALF received a total of approximately \$770k in distributions from Vision Brazil Special Credit Opportunities Eletrobras Fund, Autonomy Rochevera Fund and Galileo Partners.

At a recent visit to the Riviera City development in Nikolaev, Ukraine (Gillett Holdings Limited) we observed the completion of the first building of the second (of three) "loops". That loop is now 49% complete overall with Loop 1 100% complete. Construction and sales of apartments and parking continues at a pedestrian pace. Loop 1 is now 97% sold and Loop 2 has sold over 100 apartments, or approximately 13%. Sales have been inhibited by a general lack of available financing in Ukraine, although the vendor continues to attempt to provide attractive vendor lending terms to maintain sales momentum. On a positive note, prices per square meter have moved up slightly recently. As a reminder, net project cashflows will continue to finance construction.

At the December 5th Board Meeting, ALF approved a \$2.2mm B share distribution (\$0.015 per share) with record date as at December 20th. Payments will be sent to shareholders on January 7, 2020. Please see the 2019 Announcements section of our website for more detailed information.

(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 25 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.

(Continued on the next page)



ALF VALUATION METHODOLOGY (Continued)

The following table summarizes how each of the top 13 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 | - | ✗ | - | - | ✗ | - | ✗ | ✗ | - | - | -40% |
| Vision Brazil Special Credit Opp Eletrobras Fund | - | ✗ | - | - | ✗ | - | ✗ | ✗ | - | - | -40% |
| Gillett Holdings Limited | - | - | - | - | ✗ | - | ✗ | - | ✗ | - | -70% |
| Growth Management Limited | - | - | - | - | - | - | ✗ | - | - | - | -30% |
| Warana 2018 Fund ⁽¹⁾ | ✓ | - | - | - | - | - | - | - | - | - | -22% |
| Abax Arhat Funds | - | ✗ | - | ✗ | ✗ | ✗ | ✗ | ✗ | - | ✓ | -90% |
| Vision Brazil FCVS PB Fund | ✓ | - | - | - | - | - | ✗ | - | - | - | 0% |
| Autonomy Rocha Vera Fund | ✓ | - | - | - | ✗ | - | ✗ | ✗ | - | - | 0% |
| Vision RJ Cayman | - | - | - | - | - | - | - | - | - | - | 0% |
| Serengeti Opportunities Funds | - | - | - | - | - | - | - | - | - | - | 0% |
| Longview Fund Intl Ltd | - | ✗ | - | ✗ | ✗ | - | - | - | - | - | -80% |
| Aarkad PLC (Equity) | ✓ | ✗ | ✗ | - | ✗ | - | - | ✗ | ✗ | - | -95% |
| Volla Limited | - | - | - | - | - | - | - | - | - | - | 0% |
| Other Investments | | | | | | | | | | | -97% |
| Receivables/Other Assets | | | | | | | | | | | 0% |
| Total | | | | | | | | | | | -61% |

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 |
| 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 |
| Total | | | | \$0.215 |

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.

Alternative Liquidity Fund Limited Disclaimer: Alternative Liquidity Fund Limited believes that the information displayed on this document is accurate as at the date of publication, but we do not guarantee the accuracy or currentness of any information and we disclaim all representations and warranties, whether express or implied, to the extent permitted by applicable law and regulation. Further, the information displayed may be amended by us at any time and without notice. By continuing to use this document, you agree to the exclusion by us, to the extent permitted by applicable law and regulation, of any and all liability for any direct, indirect, punitive, consequential, incidental, special or other damages, including, without limitation, loss of profits, revenue or data arising out of or relating to your use of and our provision of this document and its content. By proceeding, you are representing that you have understood and accepted the terms, conditions and restrictions noted herein. **An investor should consider investment objectives, risks, charges and expenses of the Fund(s) carefully before investing. Please read the prospectus for complete information before investing.** All trademarks, service marks, and logos appearing on this Site are the exclusive property of their respective owners. The information on this Website is not an offer to sell or solicitation of an offer to buy an interest in any investment fund or for the provision of any investment management or advisory services. Warana Capital, LLC and its affiliates do not offer legal, accounting or tax advice.

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

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.