

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

**INTERIM REPORT AND UNAUDITED  
CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
31 DECEMBER 2019**

# ALTERNATIVE LIQUIDITY FUND LIMITED

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# ALTERNATIVE LIQUIDITY FUND LIMITED

## Highlights

- US\$2.2 million was distributed to Shareholders

## Financial Highlights at 31 December 2019

	<b>31 December 2019</b>	<b>30 June 2019</b>
Total net asset value ("NAV")	US\$38.4 million	US\$41.6 million
NAV per Ordinary Share	26.16¢	28.40¢
Share price	9.35¢	11.75¢
Discount to NAV	64.3%	58.6%

# 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 and was admitted to the Premium segment of the Official List of the UK Listing Authority on 17 September 2015.

The Company is invested in a diversified 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.

### Investment policy

The Company’s new investment policy (the “new investment policy”) is to invest in a diversified 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 2019, 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 Report and Unaudited Condensed Financial Statements for the period from 1 July 2019 to 31 December 2019. The Company is an investment trust listed on the London Stock Exchange ("LSE") 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 improved 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 made by the Investment Manager, Warana Capital LLC ("Warana"). 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 ("NAV") of US\$41.6 million and a NAV per share of 28.40¢. At the end of the period the Company's NAV was US\$38.4 million (26.16¢ NAV per share). The Company announced a distribution of approximately US\$2.2 million (1.50¢ per share) to shareholders in December 2019 by way of a B share issuance that was paid to Shareholders in January 2020. The Company has a cash balance of approximately US\$2.0 million as at 31 December 2019. Excluding the distribution in the period, there was a 2.6% (0.74¢ per share) decrease in the value of the Company during the period

During the period the Company received approximately US\$2.0 million from underlying manager distributions. On 23 December 2019, the Board approved a B share issue for a cash distribution of US\$2.2 million, equivalent to 1.50¢ per share. The distribution was declared on 23 December 2019 and paid to Shareholders on 7 January 2020. The Company's cash position following the payment of this distribution was US\$2.0 million. The Board has discretion with regard to cash distributions 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

During the period the Company published a placement programme prospectus on 11 October 2019. The Company intends to raise up to US\$100 million during the 12 month period after publication and the new shares will be admitted to trade on the LSE as the new "Ordinary Shares".

Following the raise, the existing share class will be re-classified as "Realisation Shares" and will go into formal run-off. The Board will continue to monitor and work with the Investment Manager to make certain that all opportunities to accelerate such return are considered carefully.

Over the past six months Warana finished deploying capital from the Warana 2018 Fund (the "2018 Fund"), in which ALF is a small investor. This Fund has now entered its "harvest period", ceasing to make new investments and returning distributions from cash received from each underlying position. The 2018 Fund has invested in over 160 distinct funds and 3 direct assets across more than 77 transactions. As at 31 December 2019, the 2018 Fund has already distributed over 40% of committed capital to its investors, and two additional distributions have already been received in 2020.

Warana closed the Warana 2019 Fund (the "2019 Fund") in September 2019 with US\$77.5 million in commitments. Since then it has participated in approximately 140 bid processes representing funds with an underlying net asset value of US\$1.2 billion. As at the end of this period the 2019 Fund had agreed 15 transactions to acquire 158 funds and has invested approximately US\$26 million of the committed capital.

The Board continues to be encouraged by the consistent supply of investment opportunities that the Investment Manager is able to discover in the secondary market. However, operating in a niche strategy with illiquid assets presents challenges to raising capital in the market.

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

## **CHAIRMAN'S STATEMENT (continued)**

### **Outlook (continued)**

Since the start of 2020 we have entered an unprecedented situation caused through COVID-19. The financial markets world-wide have been decimated in a manner never before experienced and which is not the consequence of financial imprudence. The length and legacy of the dislocation is not predictable. There have been no significant IPOs or capital raises by companies to date in 2020. In a market which was already displaying uncertainties and where the appetite for risk is possibly declining, it will no doubt be difficult to raise further capital pursuant to the placement programme, and realisation of value in the existing portfolio will be problematical. However, the Company has displayed that it is able to extract value, but investors will appreciate that patience is required to work through what are inevitably complicated situations in a unique environment.

**Quentin Spicer**  
**Chairman**  
**25 March 2020**

# ALTERNATIVE LIQUIDITY FUND LIMITED

## INVESTMENT MANAGER'S REPORT

### Introduction

Warana Capital, LLC ("Warana") is the Investment Manager to the Company and is a specialist investor in and manager of illiquid fund interests.

At the start of the period, the Company had a net asset value ("NAV")<sup>1</sup> of US\$41.6 million and a NAV per share of 28.40¢. At the end of the period the Company's NAV was US\$38.4 million (26.16¢ NAV per share). The Company announced a distribution of approximately US\$2.2 million (1.50¢ per share) to shareholders in December 2019 by way of a B share issuance that was paid to Shareholders in January 2020. The Company has a cash balance of approximately US\$2.0 million as at 31 December 2019. Excluding the distribution in the period, there was a 2.6% (0.74¢ per share) decrease in the value of the Company in the period.

### Portfolio

At the end of the period the Company had exposure to 30 different fund investments managed by 25 different investment managers. The top ten fund investments represent 92% of the NAV and almost the entire portfolio (97%, excluding cash) comprises assets domiciled in emerging markets. Approximately 69% of the portfolio can be deemed credit; 18% real estate; with the balance in equity positions and cash.

The Company's largest exposure is to the Vision Brazil funds (66% of NAV), which are predominantly made up of two separate pools of legal claims against the State Government of Rio de Janeiro and Eletrobras, the Brazilian public utility firm. All the claims require novation in the local courts and given the current difficult economic climate in Brazil, along with a very cumbersome judicial process, liquidity from these pools is difficult to project. 2019, however, was a relatively good year for the Eletrobras portfolio with the manager being able to crystallize R\$140 million (approx. US\$35 million) of distributions resulting in US\$651,000 of cash receipts by the Company and the repayment of over US\$550,000 in legacy fees to the manager.

The second largest exposure is to a Ukrainian real estate investment (15% of NAV). The downstream asset held by the Company is a large residential apartment complex development in Nikolayev. The geopolitical and macro-economic environment in the Ukraine has impacted this development; however, it is progressing, albeit slowly, and apartments are being sold with the cash re-invested to complete further stages in the project.

Over the past few years Warana has been a committee member in the Heather liquidation process and helped orchestrate a settlement between creditors and shareholders in 2019, which resulted in the liquidator releasing over £9 million of cash held in the account. The Company received approximately US\$859,000 from its holdings in Aarkad, having purchased these positions from a liquidator for approximately US\$434,000 two years ago.

During the period Warana finished deploying capital from the Warana 2018 Fund, in which ALF is a small investor. This fund has now entered its "harvest period", ceasing to make new investments and returning distributions from cash received from each underlying position. The Warana 2018 Fund has invested in over 160 distinct funds and 3 direct assets across more than 77 transactions, and as at 31 December 2019 has already distributed over 40% of committed capital to its investors, with two further distributions having already been received in 2020.

During the period, the Company received approximately US\$2.0 million in distributions from underlying Fund investments. These flows have come from:

- Aarkad, US\$859,000;
- Vision ELT, US\$651,000;
- Warana 2018 Fund, US\$192,000;
- Autonomy Rochavera, US\$93,000;
- CAM Opportunities, US\$142,000;
- Lomond, US\$52,000;
- Galileo, US\$25,000; and
- The balance from several payments from the smaller positions.

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<sup>1</sup> The Company reports two separate net asset values – the underlying manager net asset value ("Manager NAV") and the ALF net asset value ("ALF NAV" or simply "NAV"), which is inclusive of Warana's provisions. The ALF NAV is reported to the LSE as the primary valuation metric and all references to "NAV" herein are equivalent to "ALF NAV". Further explanation of the valuation methodology is available in the Company's monthly factsheets posted on Warana's website: <https://waranacap.com/listed-investment-products/>.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## INVESTMENT MANAGER'S REPORT (continued)

### Portfolio (continued)

Subsequent to period end, the Company received a further US\$495,000 in February 2020, mainly from the final receipt of holdback payments from the sale of the Vision FCVS PB Fund (US\$442,000) in December 2019. This portfolio was primarily composed of legal claims against the state of Paraiba which were sold in October 2017.

The Company made one B share issuance in December 2019, for a cash distribution of US\$2.2 million, equivalent to 1.50¢ per share. At the end of the period, the Company held US\$2.0 million in cash. Liabilities and accrued expenses at the period end totalled US\$208,000, leaving the Company with net available cash of US\$1.75 million.

### Current Market Environment

The current market environment is both unprecedented and uncertain, with effects across global markets to which the Company is not immune. The shift to a global risk-off stance will presumably affect the liquidity of the portfolio and may prolong the timing of underlying fund liquidations. Additionally, the severe weakening of the Brazilian Real against the US Dollar (approximately 24% year to date through to 16 March 2020) will have a significant effect on the unrealised movements of the Company's NAV month to month, given the concentrated exposure to the Vision funds in Brazil. However, other dynamics of the portfolio have little to no correlation to public markets, instead depending on resolutions such as court decisions, dispute settlements, or claim novations. Warana monitors the portfolio and communicates with underlying managers as necessary and when possible. These larger shifts in liquidity expectations may lead to changes in the Company's provisions on certain funds, which will be communicated to investors through the Company's monthly fact sheets.

### Growth Plans

The fund-raising environment has been dramatically affected by the current environment which will presumably affect the Company's intended placing programme. However, while fund-raising may currently be under pressure, the dynamic for potentially better deals in the secondary market will presumably improve as investors seek to sell illiquidity. These movements may have lasting effects on the illiquid fund environment, potentially leading to greater supply of transactions, should the placing programme proceed.

**Warana Capital, LLC**  
**Investment Manager**  
**25 March 2020**



# 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 75***

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 66***

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 63***

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

We confirm that to the best of our 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 2019 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 2019 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.

Signed on behalf of the Board by:

**Anthony Pickford**  
**Director**  
**25 March 2020**

# 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 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, 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, 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 after a substantial due diligence process, whereby they evaluated the Investment Manager's experience and expertise in the management of illiquid assets. The Board and the Investment manager 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 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.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 31 December 2019

	Notes	For the six months ended 31 December 2019 (unaudited) US\$	For the six months ended 31 December 2018 (unaudited) US\$
<b>Income</b>			
Net losses on financial assets at fair value through profit or loss	6 (b)	(536,067)	(424,323)
Net foreign exchange gains/(losses)		65,854	(28,689)
<b>Total net losses</b>		<b>(470,213)</b>	<b>(453,012)</b>
<b>Expenses</b>			
Investment Manager's fee	3	265,102	404,300
Other expenses	3	350,015	484,228
<b>Total operating expenses</b>		<b>615,117</b>	<b>888,528</b>
<b>Loss and total comprehensive loss for the period</b>		<b>(1,085,330)</b>	<b>(1,341,540)</b>
<b>Loss per ordinary share (basic and diluted)*</b>	5	<b>(0.74)¢</b>	<b>(0.91)¢</b>

\*Basic loss per ordinary share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period. Diluted loss per ordinary share is the same as basic loss 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 loss' is also the loss for the period.

All items in the above statement derive from continuing operations.

The accompanying notes on pages 14 to 25 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 2019

	Notes	31 December 2019 (unaudited) US\$	30 June 2019 (audited) US\$
<b>Non-current assets</b>			
Investments at fair value through profit or loss	6 (a)	36,165,273	38,888,482
		<u>36,165,273</u>	<u>38,888,482</u>
<b>Current assets</b>			
Unsettled investment sales		443,516	-
Prepayments		6,860	138,914
Other receivables		-	31,400
Cash and cash equivalents		1,955,251	2,854,667
		<u>2,405,627</u>	<u>3,024,981</u>
<b>Total assets</b>		<b>38,570,900</b>	<b>41,913,463</b>
<b>Liabilities</b>			
Other payables		207,967	265,535
		<u>207,967</u>	<u>265,535</u>
<b>Total net assets</b>		<b>38,362,933</b>	<b>41,647,928</b>
<b>Equity</b>			
Share capital	7	115,193,673	117,393,338
Retained earnings		(76,830,740)	(75,745,410)
		<u>38,362,933</u>	<u>41,647,928</u>
<b>Total equity</b>		<b>38,362,933</b>	<b>41,647,928</b>
<b>Number of ordinary shares</b>	7	<b>146,644,387</b>	146,644,387
<b>Net asset value per ordinary share</b>	8	<b>26.16¢</b>	28.40¢

The Unaudited Interim Condensed Financial Statements on pages 10 to 25 were approved and authorised for issue by the Board of Directors on 25 March 2020 and signed on its behalf by:

**Anthony Pickford**  
Director

*The accompanying notes on pages 14 to 25 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 2019

		For the six months ended 31 December 2019 (unaudited)			
	Notes	Ordinary Share capital US\$	B Share capital US\$	Retained earnings US\$	Total US\$
<b>As at 1 July 2019</b>		<b>117,393,338</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>(76,830,740)</b>	<b>38,362,933</b>

		For the six months ended 31 December 2018 (unaudited)			
	Notes	Ordinary Share capital US\$	B Share capital US\$	Retained earnings US\$	Total US\$
<b>As at 1 July 2018</b>		<b>123,259,114</b>	-	<b>(74,035,295)</b>	<b>49,223,819</b>
B shares issued as distributions to shareholders	7	(2,932,888)	2,932,888	-	-
B shares redeemed and cancelled during the period	7	-	(2,932,888)	-	(2,932,888)
Total comprehensive loss for the period		-	-	(1,341,540)	(1,341,540)
<b>As at 31 December 2018</b>		<b>120,326,226</b>	-	<b>(75,376,835)</b>	<b>44,949,391</b>

The accompanying notes on pages 14 to 25 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 2019

	Note	For the six months ended 31 December 2019 (unaudited) US\$	For the six months ended 31 December 2018 (unaudited) US\$
<b>Cash flows from operating activities</b>			
Total comprehensive loss for the period		(1,085,330)	(1,341,540)
Adjustments for:			
Net losses on financial assets at fair value through profit or loss	6 (b)	536,067	424,323
Net foreign exchange (gains)/losses		(65,854)	28,689
Decrease/(increase) in other receivables and prepayments		132,054	(1,013)
(Decrease)/increase in other payables		(57,568)	95,281
		<b>(540,631)</b>	<b>(794,260)</b>
Purchases of investments		(266,800)	(372,169)
Sales of investments		2,041,826	6,085,826
<b>Net cash from operating activities</b>		<b>1,234,395</b>	<b>4,919,397</b>
<b>Cash flows used in financing activities</b>			
B shares redeemed during the period	7	(2,199,665)	(2,932,888)
<b>Net cash used in financing activities</b>		<b>(2,199,665)</b>	<b>(2,932,888)</b>
<b>Net (decrease)/increase in cash and cash equivalents during the period</b>		<b>(965,270)</b>	<b>1,986,509</b>
Cash and cash equivalents at the start of the period		2,854,667	4,423,548
Effect of foreign exchange rate changes during the period		65,854	(28,689)
<b>Cash and cash equivalents at the end of the period</b>		<b>1,955,251</b>	<b>6,381,368</b>

The accompanying notes on pages 14 to 25 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 2019

### 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.

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 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and endorsed by the EU, together with applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the LSE.

### 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 adopted by the EU, 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 2019.

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 2019, which were prepared in accordance with IFRS, as adopted by the EU.

These Interim Financial Statements were authorised for issue by the Company’s Board of Directors on 25 March 2020.

#### Going concern

The Board has assessed the Company’s financial position as at 31 December 2019 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Interim Financial Statements on a going concern basis.

#### 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 2019.

#### 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 17 March 2020, 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 2019

### 2. Principal accounting policies (continued)

#### Amended Accounting Standards effective and adopted

- IFRS 9 (amended), "Financial Instruments" (amendments regarding prepayment features with negative compensation and modification of financial liabilities, effective for periods commencing on or after 1 January 2019, endorsed by the EU on 22 March 2018).

In addition, the IASB completed its Annual Improvements 2015-2017 Cycle project in December 2017. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2019.

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

#### Amended Accounting Standards applicable to future reporting periods

In September 2019, the IASB completed its Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) project, which has amended those standards to require additional disclosures around uncertainty arising from the interest rate benchmark reform, effective for periods commencing on or after 1 January 2020.

The Directors do not anticipate that the adoption of these amended standards in future periods will have a material impact on the financial statements of the Company.

### 3. Expenses

	For the six months ended 31 December 2019 (unaudited) US\$	For the six months ended 31 December 2018 (unaudited) US\$
Investment Manager's fee and expenses	265,102	404,300
	<hr/>	<hr/>
<i>Other expenses:</i>		
Directors' remuneration and expenses	61,541	62,568
Accounting, secretarial and administration fees	102,321	78,789
Legal and professional fees	68,314	248,447
Auditor's remuneration	24,477	16,374
Custodian fee	35,000	35,000
Registrar's fee	12,208	13,072
Directors and officers insurance	1,987	2,041
Listing and regulatory fees	24,459	14,594
Sundry expenses	19,708	13,343
	<hr/>	<hr/>
	350,015	484,228

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 is entitled to receive an investment management fee of US\$500,000 per annum payable quarterly in advance. The Investment Manager is 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\$265,102 (31 December 2018: US\$404,300). There was no outstanding balance at the period end (30 June 2019: US\$127,740 prepaid).

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS continued For the six months ended 31 December 2019

### 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\$102,321 (31 December 2018: US\$78,789). There was no outstanding balance at the period end (30 June 2019: US\$32,024).

#### 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 2018: US\$35,000). A balance of US\$17,500 (30 June 2019: US\$35,000) was outstanding at the period end.

#### Legal and professional fees

Legal and professional fees includes costs incurred in connection with the planned forthcoming share issue. Should the share issue be successful, part of these costs will be recovered from the new share class.

### 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. Loss per ordinary share

Basic loss per ordinary share is calculated by dividing the total comprehensive loss for the period by the weighted average number of ordinary shares in issue during the period.

	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)¢
	For the year ended 30 June 2019 (audited)		
	Total comprehensive loss for the year US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(1,710,115)	146,644,387	(1.17)¢
	For the six months ended 31 December 2018 (unaudited)		
	Total comprehensive loss for the period US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(1,341,540)	146,644,387	(0.91)¢

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2019

### 6. Fair value of financial instruments

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

	For the six months ended 31 December 2019 (unaudited) US\$	For the year ended 30 June 2019 (audited) US\$	For the six months ended 31 December 2018 (unaudited) US\$
Fair value at the start of the period/year	38,888,482	41,599,859	41,599,859
Purchases	296,800	504,438	372,169
Sales proceeds	(2,483,942)	(3,246,899)	(2,819,472)
Realised gains/(losses) on sales	647,617	(5,368,717)	(4,983,039)
Movement in unrealised losses on investments	(1,183,684)	5,399,801	4,558,716
Fair value at the end of the period/year	<u>36,165,273</u>	<u>38,888,482</u>	<u>38,728,233</u>
Cost at the end of the period/year	102,493,452	104,032,977	104,713,813
Unrealised losses on investments	(66,328,179)	(65,144,495)	(65,985,580)
Fair value at the end of the period/year	<u>36,165,273</u>	<u>38,888,482</u>	<u>38,728,233</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 losses on financial assets at fair value through profit or loss

	31 December 2019 (unaudited) US\$	30 June 2019 (audited) US\$	31 December 2018 (unaudited) US\$
<b>Net realised gains/(losses) on financial assets at fair value through profit or loss</b>	<u>647,617</u>	<u>(5,368,717)</u>	<u>(4,983,039)</u>
<b>Movement in unrealised losses on financial assets at fair value through profit and loss</b>	<u>(1,183,684)</u>	<u>5,399,801</u>	<u>4,558,716</u>
<b>Net (losses)/gains on financial assets at fair value through profit or loss</b>	<u>(536,067)</u>	<u>31,084</u>	<u>(424,323)</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 2019

### 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.

The Investment Manager has developed 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 2019

### 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 2019 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)	53,023	Adjusted net asset value	Unadjusted NAV and applied discounts based on: - Alternative outcome advised by underlying manager, liquidator or other authorised party	50% - 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 10% 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\$14,000)/US\$1,337,000.
	33,902,704	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 10% 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\$7,125,000)/US\$8,324,000.
	2,209,546	Unadjusted net asset value	Unadjusted NAV and no discounts applied	N/A	N/A	A 10% increase/decrease in the unadjusted net asset value category of investments would result in an approximate decrease/increase in fair value of US\$221,000.
<b>Total Investments</b>	<b>36,165,273</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

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

For the six months ended 31 December 2019

### 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 2019 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)	497,187	Adjusted net asset value	Unadjusted NAV and applied discounts based on: -Alternative outcome advised by underlying manager, liquidator or other authorised party	95% - 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 10% 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\$497,000) /US\$1,394,000.
	34,358,079	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	30% - 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 10% 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\$7,370,000) /US\$8,408,000.
	4,033,216	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 10% increase/decrease in the unadjusted NAV of investments would result in an approximate decrease/increase in fair value of US\$403,000.
<b>Total Investments</b>	<b>38,888,482</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2019

### 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.

	31 December 2019 (unaudited)	
	Favourable	Unfavourable
Change in fair value of investments	US\$9,882,000	US\$(7,360,000)
	<hr/>	
	30 June 2019 (audited)	
	Favourable	Unfavourable
Change in fair value of investments	US\$10,205,000	US\$(8,270,000)

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 19 and 20. 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 10% 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 2019

### 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 2019.

As at 31 December 2019, and as described in the table on page 19, 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:

31 December 2019 (unaudited)	Investments valued at NAV US\$	Fair value adjustment US\$	Fair value US\$
Level 3 investments with fair value adjustments of:			
10%	104,243	(10,424)	93,819
30%	1,789,950	(536,985)	1,252,965
31%	1,485,362	(461,162)	1,024,200
40%	41,368,879	(16,547,552)	24,821,327
50%	48,296	(24,148)	24,148
53%	54,059	(28,732)	25,327
70%	18,720,978	(13,104,685)	5,616,293
80%	1,574,135	(1,259,308)	314,827
90%	6,771,189	(6,094,109)	677,080
93%	1,517,031	(1,412,330)	104,701
99%	122,375	(121,335)	1,040
100%	23,048,212	(23,048,212)	-
	96,604,709	(62,648,982)	33,955,727
Level 3 investments without fair value adjustments			2,209,546
Total fair value of investments			36,165,273
30 June 2019 (audited)	Investments valued at NAV US\$	Fair value adjustment US\$	Fair value US\$
Level 3 investments with fair value adjustments of:			
30%	2,513,021	(753,906)	1,759,115
40%	43,159,958	(17,263,983)	25,895,975
70%	18,719,242	(13,103,469)	5,615,773
80%	1,562,596	(1,250,077)	312,519
90%	6,699,969	(6,029,973)	669,996
93.6%	1,625,905	(1,521,204)	104,701
95%	9,046,451	(8,594,128)	452,323
99%	4,486,410	(4,441,546)	44,864
100%	10,198,158	(10,198,158)	-
	98,011,710	(63,156,444)	34,855,266
Level 3 investments without fair value adjustments			4,033,216
Total fair value of investments			38,888,482



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2019

### 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:

	31 December 2019 (unaudited) US\$	% of net assets %
<b>Fair value assets</b>		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	36,165,273	94.1
	<hr/>	
	30 June 2019 (audited) US\$	% of net assets %
<b>Fair value assets</b>		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	38,888,482	93.4
	<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

##### Ordinary shares:

	31 December 2019 (unaudited)	
	No.	US\$
Share capital at the start of the period	146,644,387	117,393,338
Distributions	-	(2,199,665)
Share capital at the end of the period	<hr/> 146,644,387	<hr/> 115,193,673

##### Ordinary shares:

	30 June 2019 (audited)	
	No.	US\$
Share capital at the start of the year	146,644,387	123,259,114
Distributions	-	(5,865,776)
Share capital at the end of the year	<hr/> 146,644,387	<hr/> 117,393,338

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 2019

### 7. Share capital (continued)

#### Issued share capital (continued)

<b>B shares:</b>	<b>31 December 2019 (unaudited)</b>	
	<b>No.</b>	<b>US\$</b>
Share capital at the start of the period	-	-
Issue of B shares during the period*	146,644,387	2,199,665
Redeemed and cancelled during the period	(146,644,387)	(2,199,665)
Share capital at the end of the period	-	-

  

<b>B shares:</b>	<b>30 June 2019 (audited)</b>	
	<b>No.</b>	<b>US\$</b>
Share capital at the start of the year	-	-
Issue of B shares during the year*	293,288,774	5,865,776
Redeemed and cancelled during the year	(293,288,774)	(5,865,776)
Share capital at the end of the year	-	-

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

On 5 December 2019, the Company announced that it had resolved to return an amount of US\$0.015 per ordinary share to shareholders, being US\$2,199,665 in total, to be effected by way of an issue of redeemable B shares and the subsequent redemption of those B shares. The Company transferred the cash in respect of the redemption of the B shares to the Registrar on 31 December 2019; payment was made to Shareholders on 7 January 2020.

At an Extraordinary General Meeting held on 25 February 2019, shareholders approved a proposal to introduce a new class of ordinary shares (the "Ordinary Shares") pursuant to an Initial Placing, Offer for Subscription and subsequent Placing Programme. As part of these proposals it is intended that the Company's existing ordinary shares will be re-designated as realisation shares (the "Realisation Shares").

### 8. Net asset value per ordinary share

The net asset value is shown in the table below:

<b>Ordinary share class:</b>	<b>Net asset value</b>	<b>Number of ordinary shares in issue</b>	<b>Net asset value per ordinary share</b>
<b>As at 31 December 2019 (unaudited):</b>	<b>US\$</b>	<b>No.</b>	
Published net asset value	38,415,961	146,644,387	26.20¢
Expense adjustment	(53,028)	146,644,387	(0.04)¢
Net asset value per Interim Financial Statements	38,362,933	146,644,387	26.16¢

  

<b>Ordinary share class:</b>	<b>Net asset value</b>	<b>Number of ordinary shares in issue</b>	<b>Net asset value per ordinary share</b>
<b>As at 30 June 2019 (audited):</b>	<b>US\$</b>	<b>No.</b>	
Published net asset value	41,696,173	146,644,387	28.43¢
Fair value adjustments	(48,245)	146,644,387	(0.03)¢
Net asset value per Annual Financial Statements	41,647,928	146,644,387	28.40¢

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2019

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

The Investment Manager 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 are detailed in note 3. Investment management fees for the period totalled US\$265,102 (31 December 2018: US\$404,300). There was no outstanding balance at the period end (30 June 2019: US\$127,740 prepaid).

As at the last reported share register dated 17 March 2020, the Investment Manager did not hold any shares in the Company.

As at 31 December 2019, the interests of the Directors and their families who held office during the period are set out below:

	<b>31 December 2019 (unaudited) Number of ordinary shares</b>	<b>30 June 2019 (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\$61,541 (31 December 2018: US\$62,568). There was no outstanding balance at the period end (30 June 2019: US\$Nil).

### 10. Subsequent events

On 8 January 2020, the Company appointed Liberum Capital Limited as its sole corporate broker.

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 2019

Number of Shares	Description	Fair Value	% of net assets
<b>GBP</b> (30 June 2019: 0.00%)			
594,053.6700	South Asian Real Estate Limited	-	-
<b>USD</b> (30 June 2019: 93.37%)			
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	639,480	1.67
159,377.9300	Abax Upland Fund LLC Redeeming CL	10,949	0.03
36,983.1831	Aramid Distribution Trust	-	-
5,704.9617	Autonomy Rochevera	713,577	1.86
405.5800	Bennelong Asia Pacific	2,613	0.01
9,590,340.6400	Blue Sugars Corporation Common Stock USD	-	-
591,993.8796	Cam Opportunity Fund I Premium Euro Fund	8,814	0.02
1,155,812.9343	Cam Opportunity Fund I Premium Sterling Fund	15,172	0.04
653.9343	Cam Opportunity Fund I Class A-1004	1,341	0.00
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	-	-
326.2711	Eden Rock Asset Based Lending Fund	22	0.00
284.0000	FIT Timber Premium Euro Fund	-	-
2,137.0000	FIT Timber Premium Sterling Fund	-	-
1.0000	Galileo Capital Partners LLC	212,584	0.55
2,589.0000	Gillett Holdings	5,613,680	14.63
9,025.0050	Growth Management Ltd	902,161	2.35
16,458.4300	Growth Premier Fund IC Class A	350,803	0.91
4,223,308.2300	Lomond Capital LLC	-	-
1,523.1388	Longview Fund Intl Ltd Class B USD(1.5/25) 02/2007	34,233	0.09
1,522.1877	Longview Fund Intl Ltd Class B USD (2/25) 05/2007	32,086	0.08
9,098.2223	Longview Fund Intl Ltd Class B USD Initial Series	239,695	0.62
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	14,273	0.04
118.2400	RD Legal Funding Offshore Ltd Class A USD S D2	9,871	0.03
3.0880	Ritchie Multi-Strategy Global CL-S	-	-
804.6100	SA Capital Partners	-	-
804.6100	South Asian Management Ltd	-	-
	Sub-total carried forward	8,810,167	22.95

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (continued) (unaudited)

As at 31 December 2019

Number of shares	Description	Fair Value	% of net assets
<b>USD (continued)</b>	Sub-total brought forward	8,810,167	22.95
3,529.8830	Sector Spesit I Fund Class A	-	-
22.4430	Serengeti Opportunities - CLO - A210/0907slvl	11,090	0.03
3.5900	Serengeti Opportunities - CLO - A210/0907slvl 2	1,774	0.00
65.2250	Serengeti Opportunities - Mgt Fee A 210/0907	13,696	0.04
102.8780	Serengeti Opportunities - Station-A 210/0907 June11	441,673	1.15
21.1770	Serengeti Opportunities - Station-A 210/0907 2 June 11	90,909	0.24
1.0000	Serengeti Opportunities - Patton 0907	-	-
1.0000	Serengeti Opportunities - Patton 1007	-	-
1.0000	Serengeti Opportunities - CLO - 243/0108	49	0.00
1.0000	Serengeti Opportunities - CLO - 243/0907	99	0.00
1.0000	Serengeti Opportunities - CLO - 243/1007	291	0.00
1.0000	Serengeti Opportunities - CLO - 243/1107	94	0.00
1.0000	Serengeti Opportunities - Mgt Fee A 243/1210	6,561	0.02
1.0000	Serengeti Opportunities - Station-A 243/0108 June 11	3,842	0.01
1.0000	Serengeti Opportunities - Station-A 243/0311 June 11	8,269	0.02
1.0000	Serengeti Opportunities - Station-A 243/0907 June 11	7,682	0.02
1.0000	Serengeti Opportunities - Station-A 243/1007 June 11	22,641	0.06
1.0000	Serengeti Opportunities - Station-A 243/1210 June 11	11,096	0.03
1.0000	Serengeti Opportunities - Station-A 243-1107 June 11	7,367	0.02
88.0200	Sowood Alpha Fund Ltd Class A2 USD Series 1	16,714	0.04
367.5600	Sowood Alpha Fund Ltd Class 2 USD Series 2	7,434	0.02
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	-	-
43.0940	Valens Offshore Fund	2,508	0.01
2,090.2300	V Invest FCVS RJ (Cayman) Ltd	617,906	1.61
117,302.1019	Vision Chapadao Fund Series 1	19,073	0.05
38,872.2780	Vision Chapadao Fund Series 2	5,986	0.02
445,492.5360	Vision Chapadao Fund Series 3	14,701	0.04
1,590.3700	Vision Chapadao Fund Series 5	259	0.00
23,321.7093	Vision Piaui Fund Series 1	59,806	0.16
7,784.9820	Vision Piaui Fund Series 2	15,884	0.04
90,625.7960	Vision Piaui Fund Series 3	187,169	0.49
316.5600	Vision Piaui Fund Series 6	812	0.00
120,057.1990	Vision Tercado Fund Series 1	262,433	0.68
40,402.1530	Vision Tercado Fund Series 2	70,086	0.18
478,380.7240	Vision Tercado Fund Series 3	877,255	2.29
1,631.7100	Vision Tercado Fund Series 5	3,567	0.01
(1.0000)	Vision – Farm Funds provision based on tender offer	(1,412,330)	(3.68)
	Sub-total carried forward	10,186,563	26.55

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (continued) (unaudited) As at 31 December 2019

Number of shares	Description	Fair Value	% of net assets
<b>USD (continued)</b>	Sub-total brought forward	10,186,563	26.55
864.6693	Vision FCVS PB Fund Series 1	8,570	0.02
6,575.2398	Vision FCVS PB Fund Series 2	65,166	0.17
1,191.3056	Vision FCVS PB Fund Series 5	11,807	0.03
745.7676	Vision FCVS PB Fund Series 8	7,391	0.02
89.2955	Vision FCVS PB Fund Series 9	885	0.00
310,819.8510	Vision FCVS RJ Fund Series 1	3,582,416	9.34
297,520.8363	Vision FCVS RJ Fund Series 2	3,617,610	9.43
308,044.4190	Vision FCVS RJ Fund Series 4	3,647,166	9.51
192,714.3010	Vision FCVS RJ Fund Series 6	2,343,248	6.11
4,040.3600	Vision FCVS RJ Fund Series 7	49,127	0.13
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	871	0.00
40,368.7211	Vision Special Credit Opportunities Elt Fund Series 1	2,101,819	5.48
49,283.5157	Vision Special Credit Opportunities Elt Fund Series 2	2,565,973	6.69
55,337.3054	Vision Special Credit Opportunities Elt Fund Series 3	2,709,809	7.06
75,994.7337	Vision Special Credit Opportunities Elt Fund Series 5	3,956,707	10.32
669.7027	Vision Special Credit Opportunities Elt Fund Series 7	34,868	0.09
4,874.0000	Volia Ltd	249,997	0.65
1,230.0000	Warana SP Offshore Fund – 2018 Segregated Portfolio	1,024,200	2.67
127,145.2050	Weaving FI Fund Ltd (In Liquidation)	-	-
132.4171	White Oak Strategic Fund	1,019	0.00
		<b>36,165,273</b>	<b>94.27</b>
<b>Portfolio of investments</b>		<b>36,165,273</b>	<b>94.27</b>
<b>Other net assets</b>		2,197,660	5.73
<b>Total net assets attributable to shareholders</b>		<b>38,362,933</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:</b>	Warana Capital, LLC 154 Grand Street Level 3 New York NY USA 10013
<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> (with effect from 8 January 2020)	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 &amp; Sponsor:</b>	Dickson Minto W.S Broadgate Tower 20 Primrose Street London, EC2A 2EW
<b>Company Number:</b>	60552 (Registered in Guernsey)