

ALTERNATIVE LIQUIDITY FUND LIMITED

**INTERIM REPORT AND UNAUDITED
CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED
31 DECEMBER 2017**

ALTERNATIVE LIQUIDITY FUND LIMITED

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ALTERNATIVE LIQUIDITY FUND LIMITED

COMPANY SUMMARY

For the six months ended 31 December 2017

Principal activity

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 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 has 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.

The Company agreed with Signet Multi-Manager SPC Inc ("SMMI") to acquire an initial portfolio of assets for an aggregate consideration of US\$144 million, conditional upon Admission. The consideration for the Initial Portfolio took the form of ordinary shares which were distributed in-specie to the existing investors of SMMI. Following completion of the acquisition of the Initial Portfolio, the Company held approximately 60 investments with an aggregate valuation of US\$138.7 million.

In January 2016, the Company agreed with Trusthouse Holding NV to acquire a portfolio of assets, owned by two funds of which they were the liquidator, for an aggregate consideration of US\$2.2 million, comprising US\$0.4 million in cash and US\$1.8 million in ordinary shares in the Company.

In September 2016, the Company issued 587,752 Ordinary Shares to shareholders of The Green Fund as of 30 June 2016. This issue was in exchange for a small number of positions, in accordance with the Company's investment policy, held by The Green Fund for a total consideration of US\$509,170.

In January 2017, the Company completed the purchase of a small liquidating hedge fund portfolio from a liquidator in Luxembourg. The Company paid US\$1 million for the portfolio.

Investment policy

The investment objective of the Company is to generate total returns for investors through the management and realisation of its portfolio. The investment policy of the Company is to invest globally in a portfolio of illiquid assets, which is expected to comprise predominantly investments in funds. These may include hedge funds and other funds invested in loans, structured products, real estate and life settlement policies. The portfolio may also include directly owned assets which are owned by the above-mentioned types of funds but have been sold on the secondary market or distributed in-specie to investors in such funds, including equity and debt securities, loans and derivatives and contractually based investments. The Company has not set maximum or minimum exposures for asset classes or sectors but expects to maintain a portfolio diversified across different geographies and sectors.

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.

The Company will not invest more than 20 per cent of its gross assets in any one fund investment and nor any more than 40 per cent of its gross assets in fund investments managed by a single fund manager at the time of investment or acquisition. The exact number of funds and strategies used may vary over time but the Directors intend that the Company will be invested directly or indirectly in a minimum of 15 underlying funds.

The Company will not invest more than 10 per cent in aggregate of the total assets of the Company in other listed closed-ended investment funds other than closed-ended investment funds which themselves have published investment policies to invest no more than 15 per cent of their total assets in other listed closed-ended funds.

The Company will not invest more than 20 per cent of its gross assets in directly owned assets.

It is the intention that the Company will 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

For the six months ended 31 December 2017

Introduction

I am pleased to present the Interim Financial Statements for the period from 1 July 2017 to 31 December 2017. The Company focuses exclusively on the realisation of hedge fund side pockets and other illiquid funds previously held in open-ended structures. The Company's listing provides liquidity to those shareholders who require it; a lower cost structure for those choosing to continue to hold an interest in the Company; transparent monthly portfolio reporting; active portfolio realisation management; and enhanced corporate governance.

Portfolio and performance

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

As announced on 6 July 2017, the company appointed a new Investment Manager, Warana Capital, LLC ("Warana") to manage the Portfolio from 1 July 2017. Warana is a specialist investor in and manager of illiquid fund interests. It is also an active buyer of illiquid investment fund interests giving it regular exposure to supply/demand and pricing dynamics in the illiquid fund market. The Warana team has significant experience with many of the funds in the Portfolio.

The quality of assets within and information provided by the underlying funds varies significantly. While many funds provide regular net asset value estimates of their portfolio, the Board believes and Warana's experience confirms that such valuations can be overly optimistic. And it is generally expected that such funds will trade at a discount to the fund administrators' valuations in the secondary market (where observable). In addition, some underlying funds within the Portfolio are delinquent in providing timely valuation estimates and/or have timely audited financial statements.

The Board, on advice from Warana, believe, that it is appropriate to review the valuations provided by the underlying funds and their administrators, and to apply provisions where appropriate. Unfortunately, the secondary market for fund interests is shallow. Pricing information is thus not especially transparent. Price points can also be skewed adversely through the activity of one-off distressed sales. As a consequence, a 'mark to secondary bid' valuation approach may not be readily applicable due to the absence of independent, quality third-party information.

As described and detailed in the Company's monthly fact sheets since September 2017, the Board with Warana has developed a provisioning process to evaluate the portfolio more objectively as possible as explained in the Investment Manager's Report and, where feasible, the resultant analysis is then checked against observable secondary market activity for consistency and applicability.

The Board believes that such a detailed and conservative approach to valuation is prudent, and the Company has been reporting dual NAV's since September 2017: the underlying fund NAV and the provisioned or Warana NAV (which is reported to the London Stock Exchange ("LSE")). It is nonetheless the case that the eventual realisation may achieve a different figure.

At the beginning of the reporting period (1 July 2017), the Company had a Net Asset Value of US\$111.1 million and a NAV per share of US\$0.7574. At the end of the reporting period (31 December 2017), the Company's provision adjusted NAV was US\$61.1 million and the NAV per share was US\$0.4169. The majority of this decline is due to the provisioning methodology described above.

Over the past six months the Company received US\$8.9 million in underlying fund distributions (mainly from the successful sale of a portfolio by the Vision funds and the full redemption of 3DProp Co), and made a distribution of capital in October totalling US\$4.39 million (US\$3c per ordinary share).

The cash balance at the end of the period stood at \$7.7 million (with first quarter 2018 expenses estimated at US\$0.2 million). The Board has communicated previously that it is prudent for the Company to maintain two years of working capital. The Investment manager has recommended and the Board has approved a distribution of capital of US\$4.38 million equivalent to US\$3c per ordinary share. The distribution will be made via a B share issuance and the timetable details will be announced in the first week of April.

The share price has stabilised in the 22c to 24c range and over 77 million shares have traded since listing.

ALTERNATIVE LIQUIDITY FUND LIMITED

CHAIRMAN'S STATEMENT, continued

For the six months ended 31 December 2017

Outlook

The Company's main objective is to realise the Portfolio in an orderly and timely manner and return cash to shareholders. The Board will continue to monitor and work with the Investment Manager to make sure that any opportunity to accelerate such return is carefully considered, whilst having regard to other potential investment opportunities where it is considered that there is meaningful embedded value.

Now that the Company has a proven record in realising underlying fund investments and returning capital to shareholders, the Board is evaluating a growth strategy which may include the creation of new share classes for other similar illiquid assets and investment portfolios. This would serve the purpose of increasing assets under management and thus economies of scale, thereby reducing total operating expenses for all shareholders.

Quentin Spicer, Chairman
29 March 2018

ALTERNATIVE LIQUIDITY FUND LIMITED

INVESTMENT MANAGER'S REPORT

For the six months ended 31 December 2017

Introduction

Warana Capital, LLC ("Warana" or "the Investment Manager") was appointed manager to the Company effective 1 July 2017. Warana is a specialist investor in and manager of illiquid fund interests. It is an active buyer of illiquid investment fund interests giving it regular exposure to supply/demand and pricing dynamics in the illiquid fund market. Mr. Gardner joined Warana in 2017 to lead UK operations and has day to day responsibility and oversight the Company. Previously, Mr. Gardner was a Managing Director and Head of European operation at the previous investment manager - Morgan Creek Capital Management, where he also oversaw the management of the Company.

The quality of assets and information provided by the funds in the portfolio 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 cannot readily apply a 'mark to secondary bid' valuation approach due to a lack of quality independent third party information.

As described in detail in the Company's monthly fact sheets since September 2017, 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. The Board has welcomed this detailed and conservative valuation approach and the Company has been reporting two NAV's since September 2017, the underlying manager NAV and the provisioned or Warana NAV (the latter is reported to the LSE as the primary valuation metric).

Provisioning process

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 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.

ALTERNATIVE LIQUIDITY FUND LIMITED
INVESTMENT MANAGER'S REPORT, continued
For the six months ended 31 December 2017

Provisioning process, continued

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.

At the start of the period (1 July 2017 to 31 December 2017) the Company had a Net Asset Value of US\$111.1 million and a NAV per share of US\$0.7574. At the end of the period the Company's provisioned or Warana NAV was US\$61.1 million and the NAV per share was US\$0.4170. This change was largely due to the application of the provisioning process outlined above.

Portfolio

At the end of the period the Company had exposure to 43 different fund investments managed by 30 different investment managers. The top ten fund investments represent 75% of the NAV and almost the entire portfolio (96%, excluding cash) is made of assets domiciled in emerging markets. Approximately 50% of the portfolio can be deemed credit; almost 20% real estate; with the balance in equity positions and cash.

The Company's largest exposure is to the Vision Brazil funds (47% of NAV), which are made up of two separate pools of legal claims against the State Government of Rio and the public utility firm Eletrobras. 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 has been scarce. However, Warana was encouraged in October as Vision announced the successful sale of a portion of the portfolio - the Paraiba portfolio - whereby the Company received 90% of its holding in a cash payment and the 10% is due to be paid over the next nine months subject to potential adjustments as detailed in the sale agreement.

The second largest exposure is to Ukrainian real estate (10%), being mainly a large residential apartment complex development in Nikolaev. The geopolitical and macro-economic environment severely impact this project, however, it is progressing, albeit slowly, and apartments are being sold and the cash re-invested to complete the project. Warana has been working with the other key stakeholder and the management team to execute a restructuring of this investment, not only at the holding level but also on the ground. The focus is not only on cost control, but project profitability, apartment sales strategy and lastly re-defining the management's compensation scheme in order to align it with cash being returned.

During the period, the Company has received approximately US\$11.9 million in distributions from underlying Fund investments. These flows have come from Vision Paraiba discussed above, US\$5.1 million; 3D Prop Co which liquidated its only asset and the Company received US\$5.1 million, GLG EM Growth made its second out of four expected redemption instalments, US\$1.05 million; Trafalgar US\$350k and Blue Sugars US\$290k. However, as previously communicated to the shareholders, the Company is in a dispute with an intermediary custodian relating to a hold back of approximately US\$3 million from the 3D Prop Co redemption payment, therefore the free cash flow received in the period totalled US\$8.9 million. The Company believes it has a very strong position on this matter and expects to resolve the dispute and receive the full hold back amount in coming months.

The Investment Manager proposed and the board approved a B share issuance in October 2017 for a cash distribution of US\$4.39 million equivalent to US\$3c per ordinary share. As at 31 December 2017 the Company held US\$7.6 million in cash. Fund liabilities and accrued expenses at the year-end totalled US\$0.086 million, leaving the Company with net cash of US\$7.514 million before first quarter 2018 expenses (estimated at US\$0.2 million). The Investment manager has recommended and the Board has approved a distribution of capital of US\$4.38 million equivalent to US\$3c per ordinary share. The distribution will be made via a B share issuance and the timetable details will be announced in the first week of April. The Board has discretion with regard to cash distribution to shareholders but must be mindful of the working capital requirements of the Company and the cost of a distribution when determining whether or not to proceed.

ALTERNATIVE LIQUIDITY FUND LIMITED
INVESTMENT MANAGER'S REPORT, continued
For the six months ended 31 December 2017

Liquidation timeline

Given the composition of the portfolio, projecting future liquidity is extremely difficult and likely to be speculative. Warana seeks to work with the underlying managers to liquidate the positions appropriately. The sale of any positions in the secondary market would achieve an accelerated return of capital but we expect at a significant discount to our expected potential recovery. Such options are therefore considered very carefully.

Growth Plans

The Company is in the unique position of being able to offer the creation of new share classes to other illiquid portfolios. The creation of additional portfolios in separate share classes would bring economies of scale to all shareholders by lowering the fixed costs. The Company and the Investment Manager are in dialogue with a number of potential counter-parties with respect to this strategy.

Warana Capital, LLC
Investment Manager
29 March 2018

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 supervision of the Company.

The Directors who served during the period and at the date of this report are detailed below. All the Directors are non-executive and independent;

Quentin Spicer, Chairman, age 73

Mr Spicer is a resident of Guernsey. He qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970 and became 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 a non-executive director of a number of companies including Phoenix Spree Deutschland Limited and Summit Germany Limited. He is a former Chairman of F&C UK Real Estate Investments Limited, Quintain Guernsey Limited and The Guernsey Housing Association LBG. He is a member of the Institute of Directors.

Dr Richard Berman, age 61

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, aged 64

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.

ALTERNATIVE LIQUIDITY FUND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- These Unaudited 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 DTR 4.2.4R.
- The Interim Report, together with the Unaudited Condensed Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, being an indication of important events that have occurred during the period ended 31 December 2017 and their impact on the Unaudited Condensed Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, being related party transactions that have taken place during the period ended 31 December 2017 and have materially affected the financial position or performance of the Company during that period.

Signed on behalf of the Board by:

Quentin Spicer
Director
29 March 2018

ALTERNATIVE LIQUIDITY FUND LIMITED

PRINCIPAL RISKS AND UNCERTAINTIES

In the Board's opinion, the principal risks to the Company arise from the following:

Liquidity Risk. The Company invests mainly in securities which lack an established secondary trading market or are otherwise considered illiquid. In the Board's opinion, the risk to the Company is consequently twofold: first, an inability to realise assets readily; and second, a lack of transparency regarding the market value of those assets from time to time versus the realisation value of those assets in due course.

Market Risk. General economic and financial conditions will impact the valuation of portfolio assets both positively and negatively from time to time. Market risk comprises those risks associated with changes in market prices, nominal and real interest rates, economic and/or political uncertainty, changes to legislation, and other similar circumstances. The Company monitors such risks, which are reviewed regularly.

Interest Rate Risk. The Company does not usually hold interest bearing investments directly. Interest rate risk is thus limited to the extent of the bank balances and any indirect interest rate risk at the investee company level. The Directors consider the impact of interest rate risk not to be material to the Company, although the economic and political conditions that give rise to interest rate movements may be material.

Currency Risk. The Company's assets are denominated in a range of currencies and the value of such assets and income derived therefrom, if any, are subject to currency fluctuations and may rise or fall accordingly.

Regulatory Risk. The Company operates in a complex regulatory environment. A breach of relevant regulations, for example, the London Stock Exchange Listing Rules or The Companies (Guernsey) Law, 2008, could have serious and negative consequences and cause reputational damage. The Board monitors compliance with regulations and reviews internal controls on a regular 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.

ALTERNATIVE LIQUIDITY FUND LIMITED
UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	Notes	For the six months ended 31 December 2017 (unaudited) US\$	For the six months ended 31 December 2016 (unaudited) US\$
Income			
Net losses on financial assets at fair value through profit or loss	6 (b)	(44,794,809)	(5,622,781)
Net foreign exchange gain/(loss)		22,960	(83,259)
Total net income		<u>(44,771,849)</u>	<u>(5,706,040)</u>
Expenses			
Investment Manager's fee	3	476,100	466,765
Other expenses	3	263,654	330,734
Total operating expenses		<u>739,754</u>	<u>797,499</u>
Total comprehensive loss for the period		<u>(45,511,603)</u>	<u>(6,503,539)</u>
Loss per ordinary share (basic and diluted)*	5	<u>(31.04)¢</u>	<u>(4.44)¢</u>

**Basic loss per ordinary share is calculated by dividing the total comprehensive 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 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 26 form an integral part of these Unaudited Condensed Financial Statements.

ALTERNATIVE LIQUIDITY FUND LIMITED
UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	31 December 2017 (unaudited) US\$	30 June 2017 (audited) US\$
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	6 (a)	49,693,449	106,988,113
		<u>49,693,449</u>	<u>106,988,113</u>
Current assets			
Unsettled investment sales		404,258	-
Prepayments		148,908	7,676
Other receivables		3,319,433	187,380
Cash and cash equivalents		7,677,241	4,264,030
		<u>11,549,840</u>	<u>4,459,086</u>
Total assets		61,243,289	111,447,199
Liabilities:			
Other payables		86,112	379,087
		<u>86,112</u>	<u>379,087</u>
Total net assets		61,157,177	111,068,112
Equity			
Share capital	7	127,658,445	132,057,777
Retained earnings		(66,501,268)	(20,989,665)
		<u>(66,501,268)</u>	<u>(20,989,665)</u>
Total equity		61,157,177	111,068,112
Number of ordinary shares	7	146,644,387	146,644,387
Net asset value per ordinary share	8	41.70¢	75.74¢

The Unaudited Condensed Financial Statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 29 March 2018 and signed on its behalf by:

Quentin Spicer
Director

The accompanying notes on pages 14 to 26 form an integral part of these Unaudited Condensed Financial Statements.

ALTERNATIVE LIQUIDITY FUND LIMITED
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2017

	Notes	For the six months ended 31 December 2017 (unaudited)			Total US\$
		Ordinary Share capital US\$	B Share capital US\$	Retained earnings US\$	
As at 1 July 2017		132,057,777	-	(20,989,665)	111,068,112
Issue of ordinary shares during the period	7	-	-	-	-
B shares issued as distributions to shareholders	7	(4,399,332)	4,399,332	-	-
B shares redeemed and cancelled during the period	7	-	(4,399,332)	-	(4,399,332)
Total comprehensive loss for the period		-	-	(45,511,603)	(45,511,603)
As at 31 December 2017		127,658,445	-	(66,501,268)	61,157,177

	Notes	For the six months ended 31 December 2016 (unaudited)			Total US\$
		Ordinary Share capital US\$	B Share capital US\$	Retained earnings US\$	
As at 1 July 2016		146,213,045	-	(18,742,101)	127,470,944
Issue of ordinary shares during the period	7	509,171	-	-	509,171
B shares issued as distributions to shareholders	7	(10,998,329)	10,998,329	-	-
B shares redeemed and cancelled during the period	7	-	(10,998,329)	-	(10,998,329)
Total comprehensive loss for the period		-	-	(6,503,539)	(6,503,539)
As at 31 December 2016		135,723,887	-	(25,245,640)	110,478,247

The accompanying notes on pages 14 to 26 form an integral part of these Unaudited Condensed Financial Statements.

ALTERNATIVE LIQUIDITY FUND LIMITED
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2017

	Note	For the six months ended 31 December 2017 (unaudited) US\$	For the six months ended 31 December 2016 (unaudited) US\$
Cash flows from operating activities			
Total comprehensive loss for the period		(45,511,603)	(6,503,539)
Adjustments for:			
Net losses on financial assets at fair value through profit and loss	6 (b)	44,794,809	5,622,781
Net foreign exchange (gain)/losses		(22,960)	83,259
Increase in other receivables and prepayments		(141,232)	(6,348)
Decrease in other payables		(292,975)	(242,906)
		(1,173,961)	(1,046,753)
Purchases of investments	6 (a)	(158,625)	(870,310)
Sales of investments		9,122,169	12,722,200
		7,789,583	10,805,137
Cash flows from financing activities			
Issue of shares	7	-	490,003
B shares redeemed during the period	7	(4,399,332)	(10,998,329)
		(4,399,332)	(10,508,326)
Net increase in cash and cash equivalents during the period			
		3,390,251	296,811
Cash and cash equivalents, start of the period		4,264,030	6,630,715
Effect of foreign exchange rate changes during the period		22,960	(83,259)
Cash and cash equivalents, end of the period		7,677,241	6,844,267

The accompanying notes on pages 14 to 26 form an integral part of these Unaudited Condensed Financial Statements.

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the six months ended 31 December 2017

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 non-cellular company limited by shares. On 17 September 2015 the Company 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.

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 to be 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 International Accounting Standards ("IAS") that remain in effect, together with applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the London Stock Exchange.

2. Principal accounting policies

Basis of preparation and Statement of Compliance

These Unaudited Condensed Financial Statements ("Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, the Listing Rules of the London Stock Exchange ("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 period ended 30 June 2017.

The accounting policies applied in these Financial Statements are consistent with those applied in the last Annual Audited Financial Statements for the period ended 30 June 2017, which were prepared in accordance with IFRS, as adopted by the European Union, as issued by the IASB.

These Financial Statements were authorised for issue by the Company's Board of Directors on _ March 2018.

Redeemable shares

B shares are classified as equity as they are redeemable at the Director's option. Redeemable shares are issued and redeemed at prices determined by the Director's based on distributions received from investments.

The Company does not operate in an industry where significant or cyclical variations, as a result of seasonal activity, are experienced during the financial period.

Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was changed if the change affects only that period or in the period of the change and future periods if the change affects both current and future periods.

During the period the changes have been made to the discounts applied details of which can be found in the Investment Manager's Report on pages 4 and 5 as well as in note 6(c).

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

2. Principal accounting policies, continued

Going concern

The Board has assessed the Company's financial position as at 31 December 2017 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Financial Statements on a going concern basis.

New Accounting Standards, interpretations and amendments adopted

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

- IFRS 9. Effective for periods commencing 1 January 2018;

The Board expects that the adoption of this standard in a future period will not have a material impact on the Financial Statements of the Company as the majority of the Company's financial assets are designated at fair value through profit or loss.

The following relevant amended standard has been applied for the first time in these Financial Statements:

- IAS 7 (amended) "Statement of Cash Flows" (amendments arising as a result of the disclosure initiative, effective for periods commencing on or after 1 January 2017);

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.

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. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The Board is charged with setting the Company's strategy. It has delegated the day to day implementation of this strategy to the Investment Manager but retains responsibility to ensure that adequate resources of the Company are directed in accordance with its decisions. The divestment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager has been given full authority to act on behalf of the Company, including the authority to sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto. Whilst the Investment Manager may make the divestment decisions on a day to day basis, any changes to the divestment strategy have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board therefore retains full responsibility as to the major strategic decisions made on an on-going basis. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the Board and the shareholders.

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the Company's net asset value per ordinary share ("NAV per share") (see note 8), as calculated under IFRS. A reconciliation between the measure of NAV per share used by the Board and that contained in these Financial Statements is disclosed in note 8.

The Company has a diversified shareholder population. As at 8 March 2018, 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 CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

3. Expenses

	For the six months ended 31 December 2017 (unaudited) US\$	For the six months ended 31 December 2016 (unaudited) US\$
<i>Investment Manager's fee:</i>		
Investment Manager's fee for the period	476,100	466,765
	<hr/> 476,100	<hr/> 466,765
<i>Other expenses:</i>		
Directors' remuneration and expenses	63,631	54,457
Accounting, secretarial and administration fees	63,722	80,215
Legal and professional fees	21,918	36,109
Auditor's remuneration	16,407	66,517
Custodian fee	35,000	37,500
Registrar's fee	30,994	23,211
Directors and officers insurance	2,646	2,941
Listing fees	11,998	9,519
Sundry expenses	17,338	20,265
	<hr/> 263,654	<hr/> 330,734

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

During the period, the Company was responsible for the fees of the Investment Manager in accordance with the Investment Management Agreement (the "IMA") between the Company and Investment Manager dated 28 August 2015.

For the services performed under this IMA, the Company paid the Investment Manager an investment management fee of 0.75 per cent per annum of the net asset value of the ordinary shares at the relevant valuation dates in each year. Under the terms of the IMA, the IMA may be terminated by either party with 12 months notice, provided that such notice shall expire no earlier than the fifth anniversary of Admission to the LSE.

Investment management fees for the period totalled US\$476,100 (31 December 2016: US\$466,765). An amount of US\$125,685 was prepaid at the period end (30 June 2017: outstanding at the period end US\$210,894).

On 6 July 2017, the Company announced that Morgan Creek Capital Management, LLC, had resigned as Investment Manager and Warana Capital, LLC ("Warana") was appointed as the new Investment Manager to the Company. In accordance with the new Investment Management Agreement between the Company and Warana dated 6 July 2017, Warana will receive a fixed fee of US\$500,000 per annum payable quarterly in advance. Warana shall also be entitled to a realisation fee of 5 per cent. of the cash distributed to shareholders (calculated before costs of distribution).

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 between the Company and the Administrator, 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 received an establishment fee of £15,000 for services rendered in connection with the initial set up of the Company, preparation of pre-launch documentation and any other services rendered in connection with the launch of the Company and the issue of the ordinary shares. 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\$63,722 (31 December 2016: US\$80,215) of which US\$nil (31 December 2016: US\$32,393) was outstanding at the period end.

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

3. Expenses, continued

Custodian fees

With effect from 24 July 2015, Citibank N.A. (London Branch) (the "Custodian") was appointed as Custodian to the Company. In respect of services provided under the Custodian Agreement, the Company pays the Custodian 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 relating to the investment of the assets of the Company.

Custodian fees for the period totalled US\$35,000 (31 December 2016: US\$37,500) of which US\$62,673 (31 December 2016: US\$83,538) was outstanding at the period end.

4. Tax status

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

5. 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 2017 (unaudited)		
	Total comprehensive loss for the period	Weighted average number of ordinary shares in issue	Loss per ordinary share
	US\$	No.	
Ordinary shares	(45,511,603)	146,644,387	(31.04)¢

	For the year ended 30 June 2017 (audited)		
	Total comprehensive loss for the period	Weighted average number of ordinary shares in issue	Loss per ordinary share
	US\$	No.	
Ordinary shares	(2,247,564)	146,544,550	(1.53)¢

	For the six months ended 31 December 2016 (unaudited)		
	Total comprehensive loss for the period	Weighted average number of ordinary shares in issue	Loss per ordinary share
	US\$	No.	
Ordinary shares	(6,503,539)	146,446,340	(4.44)¢

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

6. Fair value of financial instruments

a) Investments at fair value through profit or loss

	For the six months ended 31 December 2017 (unaudited) US\$	For the year ended 30 June 2017 (audited) US\$	For the six months ended 31 December 2016 (unaudited) US\$
Fair value at the start of the period	106,988,113	121,176,353	121,176,353
Purchases	158,625	2,031,519	870,310
Sales – proceeds	(12,658,480)	(15,430,585)	(12,794,771)
Realised (losses)/gains on sales	(533,926)	382,523	(334,900)
Movement in unrealised losses on investments	(44,260,883)	(1,171,697)	(5,287,881)
Fair value at the end of the period	<u>49,693,449</u>	<u>106,988,113</u>	<u>103,629,111</u>
Cost at the end of the period	112,748,635	125,782,416	126,539,598
Unrealised losses on investments	(63,055,186)	(18,794,303)	(22,910,487)
Fair value at the end of the period	<u>49,693,449</u>	<u>106,988,113</u>	<u>103,629,111</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)/gains on financial assets at fair value through profit or loss

	31 December 2017 (unaudited) US\$	30 June 2017 (audited) US\$	31 December 2016 (unaudited) US\$
Net realised (losses)/gains on financial assets at fair value through profit or loss			
- Designated as at fair value through profit or loss	(533,926)	382,523	(334,900)
Movement in unrealised losses on financial assets at fair value through profit and loss			
- Designated as at fair value through profit or loss	(44,260,883)	(1,171,697)	(5,287,881)
Net losses on financial assets at fair value through profit or loss	<u>(44,794,809)</u>	<u>(789,174)</u>	<u>(5,622,781)</u>

c) Valuation models

None of the Company's financial assets and financial liabilities are 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 CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

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.

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. 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.

During September 2017, the Investment Manager 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 increase in input discounts as at 31 December 2017 has resulted in a decrease in the fair value of the portfolio of approximately £65,677,000 when compared to the discounts applied as at 30 June 2017.

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

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 2017 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)	1,702,629	Adjusted net asset value	Discounts based on: -Alternative outcome advised by underlying manager, liquidator or other authorised party	30% - 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\$720,000) /US\$1,662,000.
	41,058,874	Adjusted net asset value	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	10% - 50%	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\$8,177,000) /US\$8,445,000.
	3,706,957	Adjusted net asset value	Discounts based on: In addition to the above criteria -Recent secondary market trading activity	60% - 100%	The fair value would decrease if the underlying input discount were higher. The fair value would increase if the underlying input 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\$1,120,000) /US\$1,225,000.
	3,224,989	Unadjusted net asset value	No unobservable inputs are disclosed as these are not generated internally	N/A	N/A	A 10% increase in the input discounts used for the relevant investments in this category would result in a decrease respectively in fair value of approximately US\$ 322,000.
Total Investments	49,693,449					

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

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 2017 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)	-	Adjusted net asset value	Discounts for: Full provision against NAV statement for potential failure to recover value	100%	The estimated fair value would increase should an unanticipated recovery be realised.	As the maximum discount of 100% is already applied, there is no potential for a further decrease in fair value in this category. If a decrease of 10% in the discount for potential failure to recover value were applied, this would result in an increase in fair value of approximately US\$135,000.
	4,801,698	Adjusted net asset value	Discounts for: - Anticipated difficulty in recovering NAV - Lack of certainty over timeframe to realisation - No efficient or fair secondary market for liquidation	50%	The fair value would decrease if the underlying input discount were higher. The fair value would increase if the underlying input 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\$480,000.
	1,104,515	Adjusted net asset value	Discounts for: - Exposure to assets which are caught up in legal proceedings, resulting in lack of certainty of full recovery	45%	The fair value would decrease if the underlying input discount were higher. The fair value would increase if the underlying input 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\$110,000.
	101,081,900	Unadjusted net asset value	No unobservable inputs are disclosed as these are not generated internally	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\$10,108,000.
Total Investments	106,988,113					

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

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 is applied 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 2017 (unaudited)	
	Favourable	(Unfavourable)
Change in fair value of investments	US\$11,332,000	US\$(10,339,000)
	<hr/>	
	30 June 2017 (audited)	
	Favourable	(Unfavourable)
Change in fair value of investments	US\$10,833,000	US\$(10,698,000)
	<hr/>	

The table above shows the estimated maximum positive and negative effects of using reasonably possible favourable and unfavourable alternative assumptions for the valuation of the Company's investments. These have been calculated by flexing the unobservable inputs used in the valuations described in the tables on pages 20 and 21. The most significant unobservable inputs are discounts for delay in cash realisation compared to a model, failure to recover certain assets, potential lack of available financing and potential lack of market exit and a reduction in value to reflect discounts needed to achieve exit. The above figures also include a 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 CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

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 Financial Statements where the Directors have estimated the fair value of certain investments as at 31 December 2017.

As at 31 December 2017 and as described in the table on page 20, the Directors, in consultation with the Investment Manager, have applied adjustments against net asset values to 27 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 2017 (unaudited)	Investments valued at NAV US\$	Fair value adjustment US\$	Fair value US\$
Level 3 investments with fair value adjustments of:			
10%	1,049,887	(104,990)	944,897
30%	3,757,772	(1,127,333)	2,630,439
40%	47,896,053	(19,158,422)	28,737,631
50%	6,525,838	(3,262,921)	3,262,917
63%	2,572,303	(1,620,553)	951,750
70%	26,421,685	(18,495,181)	7,926,504
80%	5,966,060	(4,772,850)	1,193,210
90%	416,701	(375,034)	41,667
95%	15,533,863	(14,754,947)	778,942
99%	50,617	(50,114)	503
100%	3,132,384	(3,132,384)	-
	113,323,163	(66,854,729)	46,468,460
Level 3 investments without fair value adjustments			3,224,989
Total fair value of investments			49,693,449
30 June 2017 (audited)	Investments valued at NAV US\$	Fair value adjustment US\$	Fair value US\$
Level 3 investments with fair value adjustments of:			
45%	2,008,209	(903,694)	1,104,515
50%	9,603,396	(4,801,698)	4,801,698
100%	1,348,878	(1,348,878)	-
	12,960,483	(7,054,270)	5,906,213
Level 3 investments without fair value adjustments			101,081,900
Total fair value of investments			106,988,113

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 2017 (unaudited) US\$	% of net assets %
Fair value assets		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	49,693,449	81.26
	30 June 2017 (audited) US\$	% of net assets %
Fair value assets		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	106,988,113	96.30

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

6. Fair value of financial instruments, continued
d) Fair value hierarchy, continued

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 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 nil 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 2017 (unaudited)	
	No.	US\$
Share capital at the start of the period	146,644,387	132,057,777
Issue of ordinary shares during the period	-	-
Distributions	-	(4,399,332)
Share capital at the end of the period	146,644,387	127,658,445

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. The table below provides further details on the amounts returned as a result of B share redemptions.

Announcement date	Amount per ordinary share	Payment date	31 December 2017 (unaudited) Total amount US\$
30 October 2017	US\$0.03	10 November 2017	4,399,332
Total B share redemptions paid			4,399,332

Announcement date	Amount per ordinary share	Payment date	30 June 2017 (audited) Total amount US\$
31 August 2016	US\$0.02	15 September 2016	2,932,888
28 November 2016	US\$0.055	15 December 2016	8,065,440
20 June 2017	US\$0.025	30 June 2017	3,666,110
Total B share redemptions paid			14,664,438

B shares:

	31 December 2017 (unaudited)	
	No.	US\$
Share capital at the start of the period	-	-
Issue of B shares during the period*	146,644,400	4,399,332
Redeemed and cancelled during the period	(146,644,400)	(4,399,332)
Share capital at the end of the period	-	-

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

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

7. Share capital, continued

Issued share capital, continued

Ordinary shares:

	30 June 2017 (audited)	
	No.	US\$
Share capital at the start of the period	146,056,635	146,213,045
Issue of ordinary shares during the period	587,752	509,170
Distributions	-	(14,664,438)
Share capital at the end of the period	<u>146,644,387</u>	<u>132,057,777</u>

8. Net asset value per ordinary share

The net asset value is shown in the table below:

Ordinary share class:

	Net asset value	Number of ordinary shares in issue	Net asset value per ordinary share
	US\$	No.	US\$
As at 31 December 2017 (unaudited):			
Published net asset value	61,130,824	146,644,387	41.69¢
Payable adjustment	26,352	-	0.01¢
Net asset value per Financial Statements	<u>61,157,177</u>	<u>146,644,387</u>	<u>41.70¢</u>

Ordinary share class:

	Net asset value	Number of ordinary shares in issue	Net asset value per ordinary share
	US\$	No.	US\$
As at 30 June 2017 (audited):			
Published net asset value	112,891,146	146,664,387	76.98¢
Fair value adjustments*	(1,823,034)	-	(1.24)¢
Net asset value per Financial Statements	<u>111,068,112</u>	<u>146,644,387</u>	<u>75.74¢</u>

* The fair value adjustment related to a revaluation of 6 investments due to the subsequent publication of updated prices for the investments.

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 explained in note 3. Investment management fees for the period totalled US\$476,100 (31 December 2016: US\$466,765). An amount of US\$125,685 was prepaid at the period end (30 June 2017: outstanding at the period end US\$210,894).

As at the last reported share register dated 8 March 2018, the Investment Manager did not hold any shares in the Company.

ALTERNATIVE LIQUIDITY FUND LIMITED
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS, continued
For the six months ended 31 December 2017

9. Related party transactions and Directors' interests, continued

As at 31 December 2017, the interests of the Directors and their families who held office during the period are set out below:

	31 December 2017 (unaudited) Number of ordinary shares	31 December 2016 (unaudited) Number of ordinary shares
Quentin Spicer (Chairman)	-	-
Dr Richard Berman	-	-
Anthony Pickford	50,000	50,000

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

Fees and expenses paid to the Directors of the Company during the period were US\$63,631 (31 December 2016: US\$54,457). An amount of US\$11,384 (30 June 2017: prepaid amount of US\$254) was outstanding at the period end in respect of fees and expenses.

10. Subsequent events

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

ALTERNATIVE LIQUIDITY FUND LIMITED**SCHEDULE OF INVESTMENTS (unaudited)****As at 31 December 2017****Number of Shares**

	Description	Fair Value	% of net assets
BRL (30 June 2017: 0.26%)			
2,583.0000	Autonomy Fund II D Ltd BRL	282,168	0.46
		<u>282,168</u>	<u>0.46</u>
GBP (30 June 2017: 2.88%)			
594,053.6700	South Asian Real Estate Limited	1,661,682	2.72
		<u>1,661,682</u>	<u>2.72</u>
USD (30 June 2017: 93.19%)			
1.0000	AARKAD PLC	163,751	0.27
34,851,756.1400	AARKAD-USD	288,574	0.47
10,537.3400	Abax Arhat Fund Class Unrest Red Series 1 Jul 07	1,854,089	3.03
159,377.9300	Abax Upland Fund LLC Redeeming CL	91,930	0.15
29,185.3700	AG MFund LP ABSPVINT SDL ACGFILP	65,875	0.11
36,983.1831	Aramid Distribution Trust	-	-
11,499.1570	Argo Special Situations Fund LP	1,601,238	2.62
956.7213	Autonomy Fund II C Ltd Class II LTV S1	131,217	0.21
3,189.7600	Autonomy Cap Gbl Macro FD Designated Inv SH CL	634,890	1.04
105.0513	Autonomy Fund II C Ltd Class II C LTV S2	14,408	0.02
0.0463	Autonomy Fund II C Ltd Class II C LTV S3	6	0.00
0.6043	Autonomy Fund II C Ltd Class II C LTV S4	83	0.00
2.3370	Autonomy Fund II C Ltd Class II C LTV S5	321	0.00
0.1817	Autonomy Fund II C Ltd Class II C LTV S6	25	0.00
231.4794	Autonomy Fund II C Ltd Class II C LTV S7	31,748	0.05
120.9328	Autonomy Fund II C Ltd Class II C LTV S8	16,586	0.03
1.6573	Autonomy Fund II C Ltd Class II C LTV S9	227	0.00
9.2554	Autonomy Fund II C Ltd Class II C LTV S10	1,269	0.00
563.4800	Bennelong Asia Pacific	13,330	0.02
9,590,340.6400	Blue Sugars Corporation Common Stock USD	-	-
1.0000	Clearwater Capital Ptnrs Opportunities Fund LP	18,461	0.03
1.0000	Clearwater Capital Ptnrs Long Term Value Fund-SP	8,493	0.01
1.0000	Clearwater Capital Ptnrs Opp Fund LP-SP (Green)	7,389	0.01
1.0000	Clearwater Capital Ptnrs Opp Fund LP-SP (Signet)	41,810	0.07
195,475.2620	Denholm HAL AR-B Red	-	-
600,000.0000	Duet India Hotels Limited	791,998	1.30
1.0000	Galileo Capital Partners LLC	343,407	0.56
28,870.8650	GLG Emerg Markets Growth Fund - CLA	944,900	1.55
11,308.6850	Growth Management Ltd	1,835,782	3.00
20,665.3600	Growth Premier Fund IC Class A	718,507	1.17
4,223,308.2300	Lomond Capital LLC	221,892	0.36
1,936.0577	Longview Fund Intl Ltd Class B USD (2/25) 05/2007	43,514	0.07
11,561.5423	Longview Fund Intl Ltd Class B USD Initial Series	40,810	0.07
1,936.0588	Longview Fund Intl Ltd Class B USD(1.5/25) 02/2007	304,591	0.51
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	-	-
	Sub-total carried forward	<u>10,231,121</u>	<u>16.73</u>

ALTERNATIVE LIQUIDITY FUND LIMITED
SCHEDULE OF INVESTMENTS, continued (unaudited)
As at 31 December 2017

Number of shares	Description	Fair Value	% of net assets
USD, continued			
	Sub-total brought forward	10,231,121	16.73
1.0000	Professional Offshore Fair Fund Claim	186,000	0.30
655.3420	Quantek Master Fund SPC Ltd Feeder LP	12,298	0.02
211.1400	RD Legal Funding Offshore Ltd Class A USD S D1	22,580	0.04
198.2700	RD Legal Funding Offshore Ltd Class A USD S D2	19,090	0.03
3.0880	Ritchie Multi-Strategy Global CL-S	-	-
8,727.3990	RP Explorer-SP2 0107	-	-
122.3860	RP Explorer-SP2 0208	-	-
450.2820	RP Explorer-SP2 0209	-	-
4,381.7480	RP Explorer-SP3 0508	-	-
2,633.3560	RP Explorer-SP3 0707	-	-
6,227.6200	RP Explorer-SP5 0209	-	-
439.4818	RP Explorer-SP7 04131	-	-
3,529.8830	Sector Spesit I Fund Class A	-	-
22.4430	Serengeti Opp Ltd- Clo - A210/0907slvl	32,171	0.05
3.5900	Serengeti Opp Ltd- Clo - A210/0907slvl 2	5,146	0.01
65.2250	Serengeti Opp Ltd- Mgt Fee A 210/0907	19,106	0.03
2.0180	Serengeti Opp Ltd- Sc- A 210/0907 Feb 11 2	-	-
126.0400	Serengeti Opp Ltd- Station- A 210/0907 June11	614,828	1.01
25.9430	Serengeti Opp Ltd- Station -A 210/0907 2 June 11	126,550	0.21
358.3100	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/0108 Dec 11	-	-
718.2500	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/0311 Dec 11	-	-
6,796.2300	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/0611 Dec 11	-	-
717.0500	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/0907 Dec 11	-	-
2,112.5100	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/1007 Dec 11	-	-
687.5200	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/1107 Dec 11	-	-
963.6100	Serengeti Opp Ptr - Alpha Cat/Sc-A 243/1210 Dec 11	-	-
354.5200	Serengeti Opp Ptr - Clo - 243/0108	161	0.00
705.6500	Serengeti Opp Ptr - Clo - 243/0907	323	0.00
2,085.2200	Serengeti Opp Ptr - Clo - 243/1007	951	0.00
677.9400	Serengeti Opp Ptr - Clo - 243/1107	309	0.00
12,046.2700	Serengeti Opp Ptr- Mgt Fee A 243/1210	6,745	0.01
508.7300	Serengeti Opp Ptr - Sc-A 243/0108 June 10	-	-
1,016.4900	Serengeti Opp Ptr - Sc-A 243/0907 June 10	-	-
2,997.1900	Serengeti Opp Ptr - Sc-A 243/1007 June 10	-	-
975.6900	Serengeti Opp Ptr - Sc-A 243/1107 June 10	-	-
1,329.0400	Serengeti Opp Ptr - Station-A 243/0108 June 11	5,410	0.01
2,860.5200	Serengeti Opp Ptr - Station-A 243/0311 June 11	11,644	0.02
2,658.0300	Serengeti Opp Ptr - Station-A 243/0907 June 11	10,819	0.02
7,833.7800	Serengeti Opp Ptr - Station-A 243/1007 June 11	31,885	0.05
3,839.6800	Serengeti Opp Ptr - Station-A 243/1210 June 11	15,626	0.03
2,548.7800	Serengeti Opp Ptr - Station-A 243-1107 June 11	10,375	0.02
1.0000	SFL Clover Limited	951,754	1.56
88.0200	Sowood Alpha Fund Ltd Class A2 USD Series 1	358	0.00
367.5600	Sowood Alpha Fund Ltd Class 2 USD Series 2	149	0.00
925,277.1000	Stillwater Asset Backed Fund II Onshore SPV/Gerova	-	-
68,130.6200	Ubique Limited	5,967,159	9.76
2,090.2300	V Invest FCVS RJ (Cayman) Ltd	209,023	0.33
117,302.1019	Vision Chapadao Fund Series 1	1,489	0.00
38,872.2780	Vision Chapadao Fund Series 2	476	0.00
445,492.5360	Vision Chapadao Fund Series 3	2,704	0.00
1,590.3700	Vision Chapadao Fund Series 5	20	0.00
	Sub-total carried forward	<u>18,496,270</u>	<u>30.24</u>

ALTERNATIVE LIQUIDITY FUND LIMITED
SCHEDULE OF INVESTMENTS, continued (unaudited)
As at 31 December 2017

Number of shares	Description	Fair Value	% of net assets
USD, continued			
	Sub-total brought forward	18,496,270	30.24
30,999.1690	Vision FCVS PB Fund Series 1	72,298	0.12
235,728.3153	Vision FCVS PB Fund Series 2	521,390	0.85
42,709.3850	Vision FCVS PB Fund Series 5	96,986	0.16
26,736.4200	Vision FCVS PB Fund Series 8	59,136	0.10
3,201.3200	Vision FCVS PB Fund Series 9	7,080	0.01
310,819.8510	Vision FCVS RJ Fund Series 1	4,285,304	7.01
297,520.8363	Vision FCVS RJ Fund Series 2	4,288,209	7.01
308,044.4190	Vision FCVS RJ Fund Series 4	4,342,632	7.10
192,714.3010	Vision FCVS RJ Fund Series 6	2,777,618	4.54
4,040.3600	Vision FCVS RJ Fund Series 7	58,234	0.10
100,142.7360	Vision I-NX	120	0.00
252,112.7475	Vision I-NX (D)	50	0.00
23,321.7093	Vision Piaui Fund Series 1	3,804	0.01
7,784.9820	Vision Piaui Fund Series 2	1,061	0.00
90,625.7960	Vision Piaui Fund Series 3	12,470	0.02
316.5600	Vision Piaui Fund Series 6	52	0.00
854.7660	Vision Sco Fund	2,033	0.00
45,819.9400	Vision SP Cr Opp Elt Fund Series 1	2,373,307	3.88
55,125.5010	Vision SP Cr Opp Elt Fund Series 2	2,999,159	4.90
62,809.8220	Vision SP Cr Opp Elt Fund Series 3	2,976,692	4.87
86,256.7500	Vision SP Cr Opp Elt Fund Series 5	4,252,154	6.95
752.0400	Vision SP Cr Opp Elt Fund Series 7	40,915	0.07
120,057.1990	Vision Tercado Fund Series 1	17,276	0.03
40,402.1530	Vision Tercado Fund Series 2	4,882	0.01
478,380.7240	Vision Tercado Fund Series 3	60,232	0.10
1,631.7100	Vision Tercado Fund Series 5	235	0.00
127,145.2050	Weaverng FI Fund Ltd(In Liquidtn)	-	-
		<hr/>	
		47,749,599	78.08
		<hr/>	
	Portfolio of investments	49,693,449	81.26
	Other net assets	11,463,728	18.74
		<hr/>	
	Total net assets attributable to shareholders	61,157,177	100.00
		<hr/>	

ALTERNATIVE LIQUIDITY FUND LIMITED

COMPANY INFORMATION

Directors:	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>)
Registered Office:	Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
Administrator & Secretary:	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
Registrar:	Link Market Services (Guernsey) Limited (formerly Capita Registrars (Guernsey) Limited) Mont Crevelt House Bulwer Avenue St Sampson Guernsey, GY2 4LH
Investment Manager:	Morgan Creek Capital Management, LLC (<i>resigned 1 July 2017</i>) 301 West Barbee Chapel Road Suite 200 Chapel Hill NC 57517 Warana Capital, LLC (<i>appointed 1 July 2017</i>) Level 3 154 Grand Street New York NY USA 10013
Auditor:	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey, GY1 3TF
Custodian & Principal Banker:	Citibank, N.A. (London Branch) Canada Square London, E14 5LB
Guernsey Legal Adviser:	Carey Olsen Carey House Les Banques St Peter Port Guernsey, GY1 4BZ
UK Legal Adviser & Sponsor:	Dickson Minto W.S Broadgate Tower 20 Primrose Street London, EC2A 2EW
Company Number:	60552 (Registered in Guernsey)