

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CONTENTS

Highlights	1
Company Summary	2
Chairman's Statement	3
Investment Manager's Report	4-5
Board of Directors	6
Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges	7
Directors' Report	8-11
Corporate Governance	12-15
Statement of Directors' Responsibilities	16
Directors' Remuneration Report	17
Report of the Audit and Risk Committee	18-20
Independent Auditor's Report	21-27
Financial Statements	
Statement of Comprehensive Income	28
Statement of Financial Position	29
Statement of Changes in Equity	30
Statement of Cash Flows	31
Notes to the Financial Statements	32-54
Schedule of Investments	55-58
Officers and Advisers	59

# ALTERNATIVE LIQUIDITY FUND LIMITED

## Highlights

For the year ended 30 June 2017

- US\$14.7 million was distributed to B shareholders

## Financial Highlights at 30 June 2017

	30 June 2017	30 June 2016
Total net asset value ("NAV")	US\$111.1 million	US\$127.5 million
NAV per Ordinary Share	75.74¢	87.28¢
Share price	20.50¢	13.75¢
Discount to NAV	72.9%	84.2%

# ALTERNATIVE LIQUIDITY FUND LIMITED

## COMPANY SUMMARY

### 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 is invested in a diversified portfolio of illiquid interests in funds, securities and other instruments with the objective to manage monitor and to 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 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, loan and derivative 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 no 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.

At 30 June 2017, the Company is fully invested subject to a cash and cash equivalents amount retained for working capital requirements. 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

### Introduction

I am pleased to present the Financial Statements for the year ended 30 June 2017. The Company is the first investment trust listed on the London Stock Exchange 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; a lower cost structure for those choosing to continue to hold an interest; transparent monthly portfolio reporting; active portfolio realisation management; and increased corporate governance.

### Portfolio and performance

The portfolio comprises illiquid fund positions emanating principally from the 2008 financial crisis. It is almost entirely exposed to the Global Emerging Markets and most of the Funds are denominated in local currencies. At the start of the year (1 July 2016) the Company had a Net Asset Value ("NAV") of US\$127.5 million and a NAV per share of US\$0.8728. At the end of the year the Company's NAV was US\$111.1 million and the NAV per share was US\$0.7574. This represents a 13.2% drop in value, or US\$0.1154 per share, with US\$0.10 attributable to cash distributions via B share issuances.

Throughout the year the Company received US\$15.4 million, of which realised gains of US\$0.38 million has been recognised in the Statement of Comprehensive income, in underlying manager distributions (the majority of which from the successful monetization of assets by The Growth Funds) and made three separate distributions of capital. The first took place on 15 September 2016, the second on 15 December 2016 and the third on 30 June 2017 when the Company returned US\$0.02 and US\$0.055 and US\$0.025 a share respectively. The NAV was reduced accordingly by US\$0.10. The cash balance at the end of the year stood at US\$4.3 million (with 3rd quarter 2017 expenses estimated at US\$400,000).

As announced on 6 July 2017, the company appointed a new Investment Adviser, Warana Capital LLC ("Warana") to take over the management of the portfolio as of 1 July 2017. The former Investment Adviser Morgan Creek Capital Management LLC had chosen to resign, to focus on its activities in the USA.

Warana is a specialist investor in and manager of illiquid fund interests. It is an active buyer of illiquid investment fund interests giving it daily exposure to supply/demand and pricing dynamics in the illiquid fund market. The Warana team has significant experience with (and ownership of) many of the investment funds in the Company's current portfolio. The Board believes that Warana have the ability, network and capital to grow the Company through either purchasing new illiquid positions for the existing share class, raising new capital for a new share class or restructuring existing illiquid funds and incorporating them into the Company's structure. I am also pleased that Tim Gardner has agreed to work with Warana to give the Company and the shareholders continuity.

The Company also announced a restructuring of the management fee. 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). The Board believes that the proposed fee structure aligns the interests of the Investment Manager with the interests of shareholders.

The Board has communicated previously that it is prudent for the Company to maintain two years of working capital. This working capital requirement has been significantly reduced as a result of the fee restructuring and therefore when the Company next receives a material cash disbursement, the Board expects to be able to announce a corresponding distribution.

During the last quarter of the financial year, the share price has stabilised in the US\$0.18 to US\$0.20 range and over 35 million shares have traded since listing.

### Outlook

The Company's main objective is to realise its portfolio of illiquid assets 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. The Company is at the same time exploring a growth strategy of offering to create new share classes for similarly illiquid assets and portfolios. This would serve the purpose of increased assets under management and thus economies of scale, thereby reducing total operating expenses for all shareholders.

**Quentin Spicer**  
Chairman  
27 October 2017

# ALTERNATIVE LIQUIDITY FUND LIMITED

## INVESTMENT MANAGER'S REPORT

### Introduction

At the start of the year (1 July 2016) the Company had a Net Asset Value of \$127.5 million and a NAV per share of US\$0.8728. At the end of the year the Company's NAV was US\$111.1 million and the NAV per share was US\$0.7574. This represents a 13.2% (US\$16.4 million) drop in value over the year, with US\$0.10 (approximately US\$14.7 million) attributable to cash distributions via the B share issuances. The main detractors in the portfolio to the decline in NAV were, in order of magnitude: Abax Arhat, US\$5.9 million; Vision US\$1.8 million (a combination of currency and provision for farm funds); 3DProp Co, US\$0.8 million; and South Asian Real Estate Ltd, US\$0.3 million.

### Portfolio

Twelve funds make up over 91% of the portfolio, however they are managed by only nine separate management companies. Almost the entire portfolio (98%) is made of assets domiciled in emerging markets. Approximately 50% of the portfolio can be deemed credit; almost 40% real estate; with the balance in equity positions and cash.

The Company's largest exposure is to the Vision Brazil funds (49% of NAV), which are made up of three separate pools of legal claims against both State Governments 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, shareholder liquidity from these pools has been scarce. Additionally the Vision funds have exposure to some farmland assets which are caught up in very complicated legal proceedings mainly surrounding their ownership and clean title. Given the state of the law suits and the likelihood of recovery, a reserve equivalent to 45% of NAV was applied to these holdings in September 2016.

The second largest exposure is to Ukrainian real estate (19%), 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. The investment manager has simplified the holding structure for this position over the past twelve months, a process that is almost complete. This will have material cost benefits to the Company's shareholders.

ABAX Arhat is the third largest holding (5%). The portfolio comprises four main positions in debt and private equity of Chinese companies. The two largest positions are companies trying to execute reverse mergers and subsequently re-list on the A-share market. ABAX shareholders were approached in the fourth quarter with a secondary bid, however, this required 75% shareholder approval and the offer/sale was not approved. Subsequently the ABAX NAV was adjusted negatively by approximately 30% by their valuation agent, Houlihan Lokey. Following that the same secondary buyer (with help from the manager) proposed a slightly modified bid and approximately 25% of shareholders sold their position.

During the year, the Company has received approximately \$15.4 million in distributions from underlying Fund investments, of which realised gains of US\$0.38 million has been recognised in the Statement of Comprehensive income. Amongst these distributions were inflows from GML/Growth Premier, which crystalized approximately 70% of their positions at NAV to distribute a total of US\$12.3 million in two separate payments; GLG EM Growth, which paid out US\$0.8 million, US\$0.8 million from Trafalgar, SFL Clover US\$0.4 million, Serengeti US\$0.2 million, Clearwater Capital Partners, US\$0.1 million, Apollo Asia US\$0.1 million and Vision ELT US\$0.1 million.

The investment manager proposed and the board approved three B share issuances, September 2016, December 2016 and June 2017. The total cash distributed to shareholders via these issuances was approximately \$14.7 million equivalent to US\$0.10 a share. At year end the Company held US\$4.3 million in cash. Fund liabilities and accrued expenses at the year end totalled US\$0.4 million, leaving the Company with net cash of US\$3.9 million before 3<sup>rd</sup> quarter expenses. If the Company receives a material distribution from the portfolio in the near future, the investment manager will recommend another B share issue/distribution.

### Change of Investment Manager

As announced on 6 July 2017, the company appointed a new Investment Adviser, Warana Capital LLC to take over the management of the portfolio as of 1 July 2017. Morgan Creek Capital Management LLC had chosen to resign, to focus on its activities in the USA.

Warana is a specialist investor in and manager of illiquid fund interests. It is an active buyer of illiquid investment fund interests giving it daily exposure to supply/demand and pricing dynamics in the illiquid fund market. The Warana team has significant experience with (and ownership of) many of the investment funds in the Company's current portfolio. The Board believes that Warana have the ability, network and capital to grow the Company through either purchasing new illiquid positions for the existing share class, raising new capital for a new share class or restructuring existing illiquid funds and incorporating them into the Company's structure. We are also pleased that Tim Gardner has agreed to work with us to give the Company and the shareholders continuity.

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

## **INVESTMENT MANAGER'S REPORT, continued**

### **Change of Investment Manager, continued**

The Company also announced a restructuring of the management fee. A fixed Investment Manager fee of US\$500,000 per annum payable quarterly in advance and a realisation fee of 5% of the cash distributed to shareholders (calculated before costs of distribution) has been agreed. The Board believes that the proposed fee structure aligns the interests of the Investment Manager with the interests of shareholders.

### **Liquidation timeline**

Given the composition of the portfolio, projecting future liquidity is extremely difficult and likely to be speculative. Warana will continue to pressurize the underlying managers to liquidate the positions appropriately. It monitors and ensures that the right level of fees are being charged and, as importantly, that the fee structure aligns the interests of unit holders and managers. The sale of any positions in the secondary market would achieve an accelerated return of capital but at a significant discount to current NAV. Such options are therefore considered very carefully.

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. However given the recent fee restructuring the Company's fixed costs have been materially reduced thus lowering the working capital requirements.

### **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 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  
**27 October 2017**

## **ALTERNATIVE LIQUIDITY FUND LIMITED**

### **BOARD OF DIRECTORS**

The Directors are responsible for the development of the Company's investment objective 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 year and are non-executive and independent, are as follows:

#### ***Quentin Spicer, Chairman, age 72***

Mr Spicer is a resident of Guernsey. He qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970 and head of the Property Department. He moved to Guernsey in 1996 to become senior partner in Wedlake Bell Guernsey, specialising in United Kingdom property transactions and secured lending for UK and non-UK tax resident entities. Mr Spicer retired from practice in 2013. He is former chairman of F&C UK Real Estate Investments Limited, Quintain Guernsey Limited, The Guernsey Housing Association LBG, and is a director of a number of Property Funds including Summit Germany Limited and Phoenix Spree Deutschland Limited. He is a member of the Institute of Directors.

#### ***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. During the year he was also a Director of the Catholic National Mutual limited where he chaired the Audit Committee and served on the Investment Committee until he retired on 6 August 2017.

#### ***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 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. Dr Berman was until recently a non-executive Director of SMMI and Sainty, Hird & Partners Limited.

## **ALTERNATIVE LIQUIDITY FUND LIMITED**

### **DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES**

The following summarises the Directors' directorships in other public companies:

#### **Company Name**

#### **Stock Exchange**

#### **Quentin Spicer**

Summit Germany Limited

London Stock Exchange – AIM

Phoenix Spree Deutschland Limited

London Stock Exchange – Main Market

#### **Anthony Pickford**

None

#### **Dr Richard Berman**

None

# ALTERNATIVE LIQUIDITY FUND LIMITED

## DIRECTORS' REPORT

The Directors of Alternative Liquidity Fund Limited (the "Company") are pleased to submit their Annual Report and the Audited Financial Statements (the "Financial Statements") for the year ended 30 June 2017. In the opinion of the Directors, the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

### The Company

The Company was incorporated and registered in Guernsey on 25 June 2015 under the Companies (Guernsey) Law, 2008. The Company's registration number is 60552 and it is regulated by the Guernsey Financial Services Commission ("GFSC") 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.

### Going Concern

The Company has been incorporated with an unlimited life. Under the Articles, the Board is obliged to propose a continuation vote at a general meeting of the Company in 2020. If any such continuation vote is not passed, the Directors shall be obliged to put forward proposals for an orderly winding up or reconstruction of the Company.

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income to be derived from those investments, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements, as the Company has adequate financial resources to meet its liabilities as they fall due for a period of at least twelve months.

### Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code (the "UK Code"), the Directors have assessed the prospects of the Company over a longer period than 12 months required by the going concern assessment. In accordance with the prospectus dated 14 December 2015, the Company is required, by 31 December 2020, to hold a meeting of the Shareholders to establish whether the Company should continue its strategic objectives or be wound up. As a result, the Directors have assessed the viability of the Company over a 3.5 year period to 31 December 2020, taking account of the Company's current position and the potential impact of the principal risks outlined in this statement.

The Directors are very mindful of the risks that affect the viability of the Company and have undertaken a detailed risk analysis. The Directors have identified the risks and how the effects of these risks are mitigated by the Company to minimise any loss. The Directors have concluded that ultimately, due to the nature of the illiquidity of many of the investments, the most significant risk to the Company's viability during this period is the availability of sufficient working capital to meet the Company's ongoing expenses.

In order to support the Company's working capital requirement, the Directors currently maintain a policy of retaining 24 months' cash resources to meet ongoing liabilities. The Directors have based this policy, on the advice of the Investment Manager and having regard to the profile of the investments, on the assumption that during the period these resources will be replenished by realisation of investments.

The Investment Manager, under the supervision of the Board, actively manages the underlying managers of the portfolio investments such that the objective of realising the portfolio can be achieved, notwithstanding its illiquidity.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2020.

### Risks and uncertainties

In respect of the Company's system of internal controls and its effectiveness, the Directors:

- are satisfied that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and
- have reviewed the effectiveness of the risk management and internal control systems including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## DIRECTORS' REPORT, continued

### Risks and uncertainties, continued

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.

### Other risk and uncertainties

Market price risk is a second key risk associated with the Company. The Company monitors these risks, which are reviewed regularly.

Liquidity risk is a third risk associated with the Company. The Company is mainly invested 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 its inability to realise assets at a price which reflects the valuation of those assets to date, or indeed at all, due inter alia to illiquidity in the market for such assets and general economic and financial conditions.

Other risks identified by the Board that could affect the Company's performance are as follows:

**Regulatory risk:** the Company operates in a complicated regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as the London Stock Exchange Listing Rules and The Companies (Guernsey) Law, 2008, could lead to a number of serious outcomes and reputational damage. The Board monitors compliance with regulations by regular review of internal control reports.

**Interest rate risk:** The Company does not hold any interest bearing investments directly at the year end. Therefore interest rate risk is 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.

Note 7 of the Financial Statements contains further details of the 'Risks associated with financial instruments'. Further information on the principal long-term risks and uncertainties of the Company is included in 'Risk Factors' of the prospectus which is available on request from the Company's Administrator.

### Results and Dividends

The results for the period are shown in the Statement of Comprehensive Income on page 28. The Board will consider the appropriateness of paying dividends on the Ordinary Shares from time to time.

### Independent Auditor

Grant Thornton Limited were appointed on 14 July 2015 and served as Auditor during the financial year. A resolution to re-appoint Grant Thornton Limited as Auditor will be put to the forthcoming Annual General Meeting ("AGM").

### Investment Manager

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company had, however, entered into an Investment Management Agreement with Morgan Creek Capital Management LLC (the "Investment Manager") under which the Investment Manager was appointed to provide investment management services, which include realising the Company's assets in an orderly and timely manner and return cash to Shareholders, subject to the overriding supervision of the Directors.

On 6 July 2017, Warana Capital, LLC ("Warana") was appointed as a new Investment Manager to the Company. As detailed further in the Chairman's statement, the Board believes that Warana have the ability, network and capital to grow the Company through either purchasing new illiquid positions for the existing share class, raising new capital for a new share class or restructuring existing illiquid funds and incorporating them into the Company's structure. The Directors consider the interests of Shareholders, as a whole, have been best served by the appointment of the new Investment Manager to achieve the Company's investment objectives.

The management fee payable to the new Investment Manager has also been restructured, the terms of which are set out in note 3 to the Financial Statements, the Board believes that the new proposed fee structure aligns the interests of the Warana with the interests of shareholders.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## DIRECTORS' REPORT, continued

### Custody Arrangements

The Company's assets are held in custody by Citibank N.A. (London Branch) (the "Custodian") pursuant to a Custody Agreement dated 24 July 2015. A summary of the terms, including fees and notice of termination period, is set out in note 3 to the Financial Statements.

The Company's assets are registered in the name of the Custodian in each case within a separate account designation and may not be appropriated by the Custodian for its own account.

The Board conducts an annual review of the custody arrangements as part of its general internal control review. The Board also monitors the credit rating of the Custodian, to ensure the financial stability of the Custodian is being maintained to acceptable levels. As at 30 June 2017, the credit rating of the Custodian as reported by Moody's and Standard & Poor's is A1 and A respectively, which is deemed to be an acceptable level.

### Directors and Directors' Interests

The Directors, all of whom are independent and non-executive, are listed on page 6.

None of the Directors has a service contract with the Company and no such contracts are proposed. Quentin Spicer is entitled to a fee of £35,000 per annum for his services as Chairman of the Board of Directors and Chairman of the Management Engagement Committee. Anthony Pickford is entitled to a fee of £30,000 per annum for his services as Chairman of the Audit and Risk Committee. With effect from 1 April 2016, Dr Richard Berman is entitled to a fee of £30,000 per annum (previously £25,000 per annum) for his services as Director.

The Directors had the following interests in the Company at 30 June 2017, held either directly or beneficially:

Name	30 June 2017		30 June 2016	
	No. of ordinary shares	Percentage %	No. of ordinary shares	Percentage %
Quentin Spicer (Chairman)	-	-	-	-
Anthony Pickford	50,000	0.03	50,000	0.03
Dr Richard Berman	-	-	-	-

### Substantial Shareholdings

As at 2 October 2017, the Company had the following shareholdings in excess of 5% of the issued share capital:

Name	No. of ordinary shares	Percentage
Deutsche Bank AG DBISFFT Acct	24,219,117	16.52
JP Morgan Securities LLC Clients a/c	19,722,865	13.45
Bank of New York (Nominees)	17,143,047	11.69
Lynchwood Nominees Ltd 2006420 a/c	12,157,642	8.29
Bath and North East Somerset Council	8,802,970	6.00

### Related Parties

Details of transactions with related parties are disclosed in note 10 to the Financial Statements.

### Ongoing charges ratio

The ongoing charges ratio, in accordance with the AIC guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted net asset value in the period. The Company's ongoing charges ratio for the year ended 30 June 2017 is 1.19% (30 June 2016: 1.34%).

### Listing Requirements

Since its listing on the Main Market of the London Stock Exchange and admission to the premium segment of the Official List of the UK Listing Authority, the Company has complied with the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

## **DIRECTORS' REPORT, continued**

### **Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements of FATCA. The Company registered with the Internal Revenue Service ("IRS") on 27 July 2015 as a Foreign Financial Institution ("FFI") and a Sponsoring Entity.

### **Reporting under the Foreign Multilateral Competent Authority Agreement For Automatic Exchange Of Taxpayer Information**

On 13 February 2014, the Organization for Economic Co-operation and Development released a "Common Reporting Standard" ("CRS") designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, fifty-one jurisdictions signed a multilateral competent authority agreement ("Multilateral Agreement") that activates this automatic exchange of FATCA-like information in line with the CRS. Pursuant to the Multilateral Agreement, certain disclosure requirements will be imposed in respect of certain investors in the Company who are, or are entities that are controlled by one or more, residents of any of the signatory jurisdictions. Guernsey committed to the adoption of the global CRS on Automatic Exchange of Information with effect from 1 January 2016, with first reporting taking place in 2017. The adoption of CRS by the States of Guernsey replaces any reporting obligations under The EU Savings Directive and the UK IGA with Guernsey.

### **Alternative Investment Fund Managers Directive**

The Company is categorised as a non-EU Alternative Investment Fund ("AIF"). The Alternative Investment Fund Managers Directive ("AIFMD") seeks to regulate managers of alternative investment funds, such as the Company. It imposes obligations on managers ("AIFMs") who manage AIFs in a member state of the European Economic Area ("EEA state"), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an Alternative Investment Fund Manager ("AIFM") must be appointed and must comply with various organisational, operational and transparency requirements.

The Company appointed the Investment Manager to act as AIFM on behalf of the Company. The Investment Manager is responsible for fulfilling the role of the AIFM and ensuring the Company complies with the AIFMD requirements. Details of the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, are made available to Shareholders on request to the Investment Manager.

By order of the Board

**Anthony Pickford**  
Director  
27 October 2017

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CORPORATE GOVERNANCE

### Compliance

The Board is mindful of the Finance Sector Code of Corporate Governance (the "Guernsey Code") issued by the Guernsey Financial Services Commission (the "GFSC"). The Guernsey Code provides a governance framework for GFSC licensed entities and authorised and registered collective investment schemes. Companies reporting against the UK Corporate Governance Code (the "UK Code") or the Association of Investment Companies (the "AIC") Code of Corporate Governance ("AIC Code"), are deemed to satisfy the provisions of the Guernsey Code.

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained. As a member of the AIC the Board had adopted the AIC Code which has been endorsed by the GFSC and by the UK's Financial Conduct Authority. The Board has considered the principles and recommendations of the AIC Code and the guidance set out in the AIC Corporate Governance Guide for investment companies ("AIC Guide" which together address all the principles set out in the Guernsey Code and the UK Code. The Board considers that reporting against the principles and recommendations of the AIC Code will provide Shareholders with clarity on governance matters. The AIC code is available on the AIC website, [www.theaic.co.uk](http://www.theaic.co.uk).

For the year ended 30 June 2017, the Company has complied with the applicable provisions of the AIC Code, excepting the matters set out below which the Board has determined do not impact effective corporate practices. It is the intention of the Board that the Company will continue to comply with the applicable provisions of the AIC Code throughout the year to 30 June 2018.

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not practical to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Internal audit function:* The Board has reviewed the need for an internal audit function and due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.
- *The appointment of a Nomination Committee:* Given the size and composition of the Board it is considered unduly burdensome to establish a separate Nomination Committee. All the Directors are deemed to be independent and qualified to vote on candidates for the appointment of new independent directors.
- *The appointment of a Remuneration Committee:* Given the size of the Board it was considered unnecessarily costly to establish a separate Remuneration Committee. There are no executive directors and although consideration of directors remuneration remains a function of the Board as a whole, no individual Director is entitled to vote in relation to his own remuneration.

The Board considers that these provisions are not relevant to the structure of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties and as a result, the Company has no executive directors, employees or internal operations. The Board has therefore not reported further in respect of these provisions.

### Composition and Independence of Directors

As at 30 June 2017, the Board of Directors comprised three non-executive and independent Directors as set out below. The Company has no executive Directors or any employees. The biographies of the Board members can be found on page 6.

Quentin Spicer is Chairman of the Board and Chairman of the Management Engagement Committee.

Anthony Pickford is Chairman of the Audit and Risk Committee.

In considering the independence of the Chairman, the Board is mindful of the provisions of the AIC Code relating to independence and has determined that Mr Spicer is an Independent Director.

Under the terms of appointment, all non-executive Directors are subject to re-election at the first Annual General Meeting ("AGM") and every third year thereafter.

The Company provides comprehensive induction package to any newly appointed director immediately on appointment.

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

## **CORPORATE GOVERNANCE, continued**

### **Composition and Independence of Directors, continued**

The Directors are regularly updated on various matters such as corporate governance, listing rules and legal and regulatory requirements through bulletins and training programs and materials provided from time to time by the Company Secretary, the AIC and other industry bodies.

The Board receives quarterly management and service reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who ensures that the Company complies with applicable statutory and stock exchange requirements.

The Board monitors the level of the share price premium or discount to determine what action, if any, is required.

### **Directors' Performance Evaluation**

The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

The Directors undertake, on an annual basis, an assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager and other key service providers. The evaluations consider the balance of skills, experience, independence and knowledge of the Company. The Board also evaluates the effectiveness of each of the Directors.

### **Directors' Remuneration**

It is the responsibility of the Board as a whole to determine and approve the Directors' remuneration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. No individual Director is entitled to vote in relation to his own remuneration

No Director has a service contract with the Company. Details of the Directors' remuneration can be found in the Directors Remuneration Report on page 17.

### **Directors' and Officers' Liability Insurance**

The Company maintains sufficient insurance in respect of directors' and officers' liability in relation to the Directors' actions on behalf of the Company.

### **Relations with Shareholders**

The Company is committed to upholding the highest standards of corporate governance practices and maintaining effective communication with shareholders and the financial community.

The Company reports to Shareholders twice a year by way of the Interim and Annual Reports. In addition, net asset values and monthly reports are published on the London Stock Exchange (Ticker: ALF) and are available to Shareholders on the Investment Manager's website <https://waranacap.com/>.

The Chairman and individual Directors are willing to meet major Shareholders to discuss any particular items of concern regarding the performance of the Company. The annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company, when the Chairman, the Audit and Risk Committee Chairman and the Investment Manager are available to answer any questions raised by Shareholders. Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary at the Company's registered office address.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CORPORATE GOVERNANCE, continued

### Directors' Meetings and Attendance

The table below shows the attendance at Board, Audit and Risk Committee and Management Engagement Committee meetings during the year. There were four formal quarterly Board meetings, three additional Board meetings, two Audit and Risk Committee meetings and one Management Engagement Committee meeting held during the year ended 30 June 2017.

Name	Board – formal quarterly meetings	Board – additional meetings	Audit & Risk Committee	Management Engagement Committee
Number of meetings held	4	3	2	1
Quentin Spicer	4	3	2	1
Anthony Pickford	4	3	2	1
Dr Richard Berman	4	2	2	1

### Board Committees

#### ***Audit and Risk Committee***

The Audit and Risk Committee comprising all Board members, meets at least twice a year and is chaired by Anthony Pickford. As all Directors are non-executive and taking into account the size of the Board, it was considered reasonable that all Directors are also members of the Audit and Risk Committee.

The key objectives of the Audit and Risk Committee include a review of the Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the external auditor. With respect to the external auditor, the Audit Committee considers the auditors' independence, the auditor's terms of engagement and remuneration and any non-audit services provided by the auditor. The Committee is also responsible for the review of the system of internal controls and the identification and management of risks, and the Company's process for monitoring compliance with laws, regulations and ethical codes of practice. For the principal duties and report of the Audit and Risk Committee please refer to the Report of the Audit and Risk Committee on pages 18 to 20.

#### ***Management Engagement Committee***

The Management Engagement Committee meets at least once a year. It comprises the entire Board and is chaired by Quentin Spicer. The Management Engagement Committee is responsible for the regular review of the terms of the Investment Management Agreement and the performance of the Administrator and the Investment Manager and also the Company's other service providers.

#### **Internal Control Review and Risk Management System**

The Board of Directors is responsible for establishing the system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on-going process for identifying and evaluating the risks faced by the Company, designed to effectively manage rather than eliminate business risks to ensure the Board's ability to achieve the Company's business objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These controls are operated by the Company's main service providers: the Investment Manager, the Administrator, the Custodian and the Registrar. The Board receives regular updates from each service provider and undertakes an annual review of the effectiveness of each service providers' controls environment.

The Board of Directors considers the arrangements for the provision of Investment Management, Administration, Custody and Registrar services to the Company and as part of the annual review the Board considered the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and therefore the Board is satisfied with the internal controls of the Company.

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

## **CORPORATE GOVERNANCE, continued**

### **Anti-bribery and Corruption**

The Board acknowledges that the Company's international operations may potentially give rise to claims of bribery and corruption. In consideration of The Bribery Act 2010, enacted in the UK, at the date of this report the Board has conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

### **Fraud and Tax-Evasion**

The Board recognises that, however limited, there is a potential for its service providers to facilitate third party tax evasion or fraud and the Board will ensure that that reasonable procedures are in place to try to stop any misconduct. The Board has adopted a zero tolerance policy towards fraud and the criminal facilitation of third party tax evasion and has reiterated its commitment to carry out business fairly, honestly and openly.

### **Diversity Policy**

The Board is mindful and supportive of the principle of widening the diversity of its composition. It is also committed to appointing the most appropriate available candidate taking into account the skills and attributes of both existing members and potential new recruits and thereby the balance of skills, experience and approach of the Board as a whole which will lead to optimal Board effectiveness.

### **Tenure Policy**

The Chairman and the Directors have decided to stand for re-election on an annual basis and any Director who has held office with the Company, other than employment or executive office, for a continuous period of nine years is required to stand for re-election on an annual basis.

## **ALTERNATIVE LIQUIDITY FUND LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU"), and the Companies (Guernsey) Law, 2008, which give a true and fair view of the state of affairs of the Company and its profit or loss for that period.

International Accounting Standard ("IAS") 1 requires that Financial Statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable IFRS.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the Main Market of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

#### **Responsibility Statement**

Each of the Directors, whose names and functions are listed on page 59, confirms to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with IFRS as issued by the IASB and adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company, as required by Disclosure and Transparency Rule ("DTR") 4.1.12R; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face, as required by DTR 4.1.8R and DTR 4.1.11R.

Signed on behalf of the Board by:

**Anthony Pickford**  
**Director**  
**27 October 2017**

## ALTERNATIVE LIQUIDITY FUND LIMITED DIRECTORS REMUNERATION REPORT

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The Directors received the following remuneration in the form of Directors' fees:

	For the year from 1 July 2016 to 30 June 2017		For the period from 25 June 2015 (date of incorporation) to 30 June 2016	
	Per annum £	Actual £	Per annum £	Actual £
Quentin Spicer (Chairman of the Board and of the Management Engagement Committee)	35,000	35,000	35,000	35,647
Anthony Pickford (Chairman of the Audit and Risk Committee)	30,000	30,000	30,000	28,993
Dr Richard Berman	30,000	30,000	30,000*	25,411
<b>Total</b>	<b>95,000</b>	<b>95,000</b>	<b>95,000</b>	<b>90,051</b>

\* With effect from 1 April 2016. Prior to 1 April 2016 Dr Berman's Director's fee was £25,000 per annum. The increase reflected the amount of additional work Dr Berman undertakes in relation to the Company's investments.

The remuneration policy set out above is the one applied for the year ended 30 June 2017 and is not expected to change in the immediate future.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Mr Spicer was appointed as a Director with effect from incorporation on 25 June 2015. Mr Pickford and Dr Berman were appointed as Directors by letters issued on 14 July 2015. Each Director's appointment letter provides that, upon the termination of their appointment, they must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The notice period for the removal of Directors is three months as specified in the Director's appointment letter. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for twelve months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director is subject to re-election at the first Annual General Meeting ("AGM") and at least every three years thereafter. However, the Directors have agreed to stand for re-election on an annual basis. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors for the year ended 30 June 2017 are shown in note 10 and relate to services provided as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

**Anthony Pickford**  
Director  
27 October 2017

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

## **REPORT OF THE AUDIT AND RISK COMMITTEE**

The Company has established an Audit and Risk Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary).

### **Chairman and Membership**

The Audit and Risk Committee is chaired by Anthony Pickford, a Chartered Accountant. He and its other members, Quentin Spicer and Dr Richard Berman, are all independent directors. Only independent directors serve on the Audit and Risk Committee; and members of the Audit and Risk Committee have no links with the Company's external auditor and are independent of the Investment Manager. The membership of the Audit and Risk Committee and its terms of reference are kept under review. The relevant qualifications and experience of each member of the Audit and Risk Committee is detailed on page 6 of these Financial Statements.

### **Duties**

The Audit and Risk Committee's main role and responsibilities is to provide advice to the Board on whether the Annual Report and Audited Financial Statements and Interim Report and Unaudited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Audit and Risk Committee gives full consideration and recommendation to the Board for the approval of the contents of the Interim and Annual Financial Statements of the Company, which includes reviewing the Auditor's report.

The other principal duties of the Committee are to consider the appointment of the Auditor; to discuss and agree with the Auditor the nature and scope of the audit; to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the Auditor; and to review the Auditor's letter of engagement, planning report for the financial period and management letter, as applicable.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit and Risk Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial control is maintained.

The Audit and Risk Committee also reviews, considers and, if appropriate, recommends for the purposes of the Company's Financial Statements, the valuations prepared by the Investment Manager. These valuations are the most critical element in the Company's Financial Statements and the Audit and Risk Committee considers them carefully.

### **Financial Reporting and Audit**

The Audit and Risk Committee reviews, considers and, if thought appropriate, recommends to the Board, the approval of the contents of the Interim report and Unaudited Financial Statements and Annual Report and Audited Financial Statements together with the external auditor's report thereon. The Audit and Risk Committee focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the Interim report and Unaudited Financial Statements and Annual Report and Audited Financial Statements remains with the Board.

The Audit and Risk Committee provides a formal forum through which the external auditor reports to the Board and the external auditor is invited to attend Audit and Risk Committee meetings at which Annual Financial Statements are considered.

The Audit and Risk Committee has determined that the key risk of misstatement of the Company's financial statements relates to the valuation of investments at fair value through profit or loss, in the context of judgements used to estimate current fair value.

As stated in note 6 to the Financial Statements, the total carrying amount of the Company's financial assets at fair value through profit or loss at 30 June 2017 was US\$106,988,113. Freely tradeable market prices are not available for these financial assets and the Company's financial assets are valued based on the accounting policies described in detail in Note 2(b) to the Financial Statements. The valuation process and methodology have been discussed with the Investment Manager and external auditor. The Audit and Risk Committee reviews the valuation report on a six-monthly basis and the Investment Manager has confirmed to the Audit and Risk Committee that the valuation methodology has been applied consistently during the period and that the external auditor's work had not identified any errors or inconsistencies that were material in the context of the Financial Statements as a whole.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## REPORT OF THE AUDIT AND RISK COMMITTEE, continued

### Financial Reporting and Audit, continued

After due consideration the Audit and Risk Committee recommended to the Board that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

### External auditor

The Audit and Risk Committee has responsibility for making a recommendation on the appointment, re-appointment or removal of the Auditor. Grant Thornton Limited was appointed as the first Auditor of the Company. During the year, the Audit and Risk Committee received and reviewed the audit plan and report from the Auditor. Periodically the Audit and Risk Committee may meet privately with the Auditor without the Investment Manager being present.

To assess the effectiveness of the Auditor, the Audit and Risk Committee reviewed:

- The Auditor's fulfilment of the agreed audit plan and variations from it;
- The Auditor's report to the Audit and Risk Committee highlighting the major issues that arose during the course of the audit; and
- Feedback from the Investment Manager and Administrator evaluating the performance of the audit team.

For the year ended 30 June 2017, the Audit and Risk Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

Where non-audit services are to be provided to the Company by the Auditor, full consideration of the financial and other implications on the independence of the Auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit and Risk Committee if it is satisfied that relevant safeguards are in place to protect the Auditors' objectivity and independence.

To fulfil its responsibility regarding the independence of the Auditor, the Audit and Risk Committee considered:

- a report from the Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the Auditor.

During the year ended 30 June 2017, Grant Thornton Limited provided non-audit services relating to FATCA advice. At the Audit and Risk Committee meeting to approve these Financial Statements, Grant Thornton Limited confirmed that this had not impacted their independence and outlined the reasons for this. The Audit and Risk Committee considered this and was satisfied these non-audit services had no bearing on the independence of the Auditor.

The following table summarises the remuneration paid to Grant Thornton Limited and to other Grant Thornton member firms for audit and non-audit services:

	<b>For the year from 1 July 2016 to 30 June 2017</b>	<b>For the period from 25 June 2015 (date of incorporation) to 30 June 2016</b>
	<b>£</b>	<b>£</b>
Annual audit of the Company	30,000	25,000
Interim review of the Company	3,000	10,000
Reporting accountant services – LSE Main Market Listing	-	30,900
FATCA/CRS advice	1,000	2,000

### Internal controls

The Investment Manager, Administrator and Custodian together maintain a system of internal control on which they report to the Audit and Risk Committee. The Audit and Risk Committee has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Manager, Administrator and Custodian provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

## **ALTERNATIVE LIQUIDITY FUND LIMITED**

### **REPORT OF THE AUDIT AND RISK COMMITTEE, continued**

#### **Internal controls, continued**

The Audit and Risk Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the Turnbull Report by the Financial Reporting Council (the "FRC"), the Audit and Risk Committee have reviewed the Company's internal control procedures. These internal controls are implemented by the Company's two main service providers, the Investment Manager and the Administrator. The Audit and Risk Committee have performed reviews of the internal financial control systems and risk management systems during the year. The Audit and Risk Committee is satisfied with the internal financial control systems of the Company.

The Audit and Risk Committee have considered non-financial areas of risk such as disaster recovery and investment management, staffing levels and considers adequate arrangements to be in place.

On behalf of the Audit Committee

**Anthony Pickford**  
**Audit Committee Chairman**  
**27 October 2017**

## **INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED**

### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Alternative Liquidity Fund Limited (the "Company") for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **In our opinion the financial statements:**

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its loss for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Channel Islands, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who we are reporting to**

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report as set out on pages 8 and 9 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, as set out on pages 8 and 9 of the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' report, as set out on page 8 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, as set out on page 8 of the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that it will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED, continued

### Emphasis of matter – investment valuation

In forming our opinion, we have considered the adequacy of the disclosures made in Notes 2 and 6 to the financial statements concerning the valuation of the investments at fair value through profit or loss. These investments include illiquid interest in funds, securities and other instruments and where significant restrictions exist, restricting the Company's ability to realise the investment, the inherent uncertainty on the timing and the range of possible outcomes of any realisation could lead to the differences in the values that would have been used had a ready market for the investments existed. Our opinion is not modified in this respect.

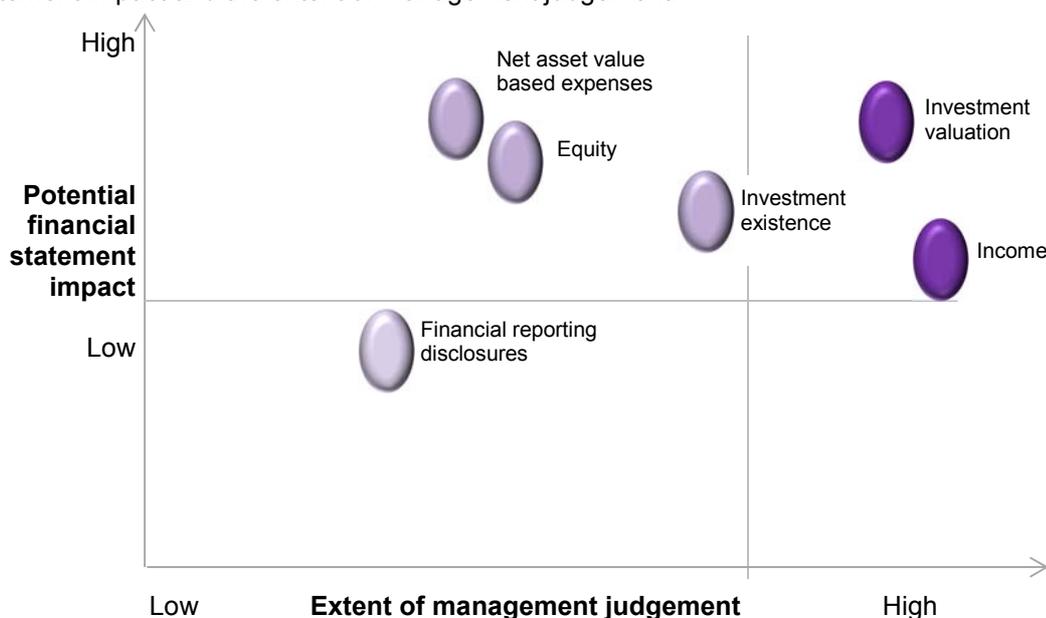


### Overview of our audit approach

- Overall materiality: US\$1,111,000, which represents 1% of the Company's total net assets as at 30 June 2017.
- Key audit matters were identified as recognition of income and valuation and ownership of investments at fair value through profit or loss.
- Our audit approach was based on a thorough understanding of the Company's business and is risk-based.

### Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED, continued

### Key Audit Matter

### How the matter was addressed in the audit

#### Recognition of Income

Net gains/losses on financial assets at fair value through profit or loss is the Company's major source of income and is presented in the Statement of Comprehensive Income. The Company measures performance through the realisation of its underlying investments through sales, redemptions and capital appreciation of its underlying investments from the beginning of the year to the end of the year.

We therefore identified recognition of income as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- assessing whether the Company's accounting policy for revenue recognition as stated in Note 2(b) and 2(d) of the financial statements is in accordance with IFRSs as adopted by European Union;
- obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy and testing whether a sample of income transactions has been recognised in accordance with the policy; and
- for a sample of investments held during the year, we confirmed that income was correctly received and recorded and assessed whether any proceeds should be treated as part of investment disposals.

The Company's accounting policy on Recognition of income is shown in Notes 2(b) and 2(d) to the financial statements and related disclosures are included in Note 6(b).

#### Key observations

Based on our audit work, our assessment is that the accounting policy adopted was consistent and appropriate level of income recognised in the Statement of Comprehensive Income. We found no errors on the detailed testing of transactions and fair value gains calculations.

#### Valuation of Investments at fair value through profit or loss

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. Therefore, the Company has a significant exposure to fluctuations in foreign exchange rates and valuation in investments, which are the main drivers of returns.

We therefore identified valuation of investments at fair value through profit or loss as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work on valuation included, but was not restricted to:

- understanding the Company's Investment Manager's process to value unquoted investments;
- obtaining the Net Asset Values and other supporting documents from the asset managers of the investee companies and reviewing and assessing the valuation methodology used to value the unquoted investments; and
- verifying the reasonableness of the provisions set up against other underlying investments with adjusted Net Asset Value as their fair value through inquiry with Investment Manager and examination of the supporting documents and assessing whether the valuations were made in accordance with the stated accounting policy and Company's prospectus.

The Company's accounting policy on investments designated at fair value through profit or loss is shown in Note 2(b) to the financial statements and related disclosures are included in Note 6. The Audit and Risk Committee identified the valuation of investments at fair value through profit or loss as a risk in its report on page 18, where the Committee also described the actions that it has taken to address this risk.

**INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED, continued**

Key Audit Matter	How the matter was addressed in the audit
<p><b>Valuation of Investments at fair value through profit or loss, continued</b></p>	<p><b>Key observations</b>                      Based on our audit work, we consider the valuation methodologies to be appropriate. No significant exceptions were noted from our testing of investments. We consider that the related disclosures are appropriate and adequately disclose the significant degree of sensitivity of the estimates and judgement around the investment valuation.</p>

**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

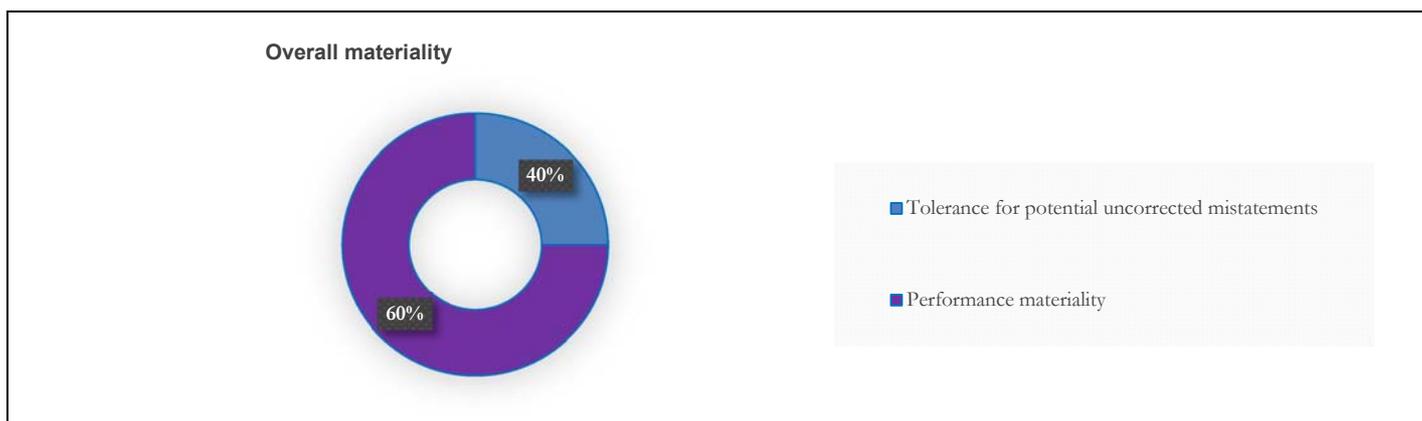
We determined materiality for the audit of the financial statements as a whole to be US\$1,111,000 which is 1% of the Company's total net assets as at 30 June 2017. This benchmark is considered the most appropriate because the total net assets, which are primarily composed of the Company's investment portfolio, are considered to be the key driver of the Company's performance and users of the financial statements are sensitive to changes in net asset value as an indicator of the value of their investment in the Company.

Materiality for the current year is slightly lower than the level that we determined for the year ended 30 June 2016 to reflect decline on the investments value and B shares redemption for the year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as Directors' remuneration and expenses, net asset value-based expenses, and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be US\$55,550. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



## **INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED, continued**

### **An overview of the scope of our audit**

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by these third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 20 and pages 55 to 59 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 8 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Report of the Audit and Risk Committee set out on page 18 – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 12 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

## **INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED, continued**

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management; and
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **INDEPENDANT AUDITORS' REPORT TO THE MEMBERS OF ALTERNATIVE LIQUIDITY FUND LIMITED, continued**

### **Auditor's responsibilities for the audit of the financial statements, continued**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other matters which we are required to address**

We were appointed by the Board of Directors on 14 July 2015 to audit the financial statements for the year ended 30 June 2016 and subsequent financial periods.

The period of total uninterrupted engagement is 2 years, covering the period ended 30 June 2016 and the year ended 30 June 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

**Cyril Swale**  
**For and on behalf of Grant Thornton Limited**  
***Chartered Accountants and Recognised Auditors***  
**St Peter Port, Guernsey. Channel Islands**

**27 October 2017**

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2017

	Notes	For the year ended 30 June 2017 US\$	For the period from 25 June 2015 to 30 June 2016 US\$
<b>Income</b>			
Net losses on financial assets at fair value through profit or loss	6 (b)	(789,174)	(17,345,067)
Investment income		20,755	-
Net foreign exchange loss		(44,511)	(81,161)
<b>Total net income</b>		<b>(812,930)</b>	<b>(17,426,228)</b>
<b>Expenses</b>			
Investment Manager's fee	3	909,882	795,347
Other expenses	3	524,752	520,526
<b>Total operating expenses</b>		<b>1,434,634</b>	<b>1,315,873</b>
<b>Total comprehensive loss for the year/period</b>		<b>(2,247,564)</b>	<b>(18,742,101)</b>
<b>Loss per ordinary share (basic and diluted)*</b>	5	<b>(1.53)¢</b>	<b>(12.89)¢</b>

*\*Basic loss per ordinary share is calculated by dividing the total comprehensive loss for the year/period by the weighted average number of ordinary shares outstanding during the year/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 year/period and therefore the 'total comprehensive loss' is also the loss for the year/period.

All items in the above statement derive from continuing operations.

*The accompanying notes on pages 32 to 54 form an integral part of these Financial Statements.*

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2017**

	Notes	30 June 2017 US\$	30 June 2016 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments at fair value through profit or loss	6	106,988,113	121,176,353
		<u>106,988,113</u>	<u>121,176,353</u>
<b>Current assets</b>			
Unsettled investment sales		-	246,336
Prepayments		7,676	11,500
Other receivables		187,380	48,851
Cash and cash equivalents		4,264,030	6,630,715
		<u>4,459,086</u>	<u>6,937,402</u>
<b>Total assets</b>		111,447,199	128,113,755
<b>Liabilities:</b>			
Other payables		379,087	642,811
<b>Total net assets</b>		<u>111,068,112</u>	<u>127,470,944</u>
<b>Equity</b>			
Share capital	8	132,057,777	146,213,045
Retained losses		(20,989,665)	(18,742,101)
<b>Total equity</b>		<u>111,068,112</u>	<u>127,470,944</u>
<b>Number of ordinary shares</b>	8	<u>146,644,387</u>	<u>146,056,635</u>
<b>Net asset value per ordinary share</b>	9	<u>75.74¢</u>	<u>87.28¢</u>

The Financial Statements on pages 28 to 54 were approved and authorised for issue by the Board of Directors on 27 October 2017 and signed on its behalf by:

**Anthony Pickford**  
**Director**

*The accompanying notes on pages 32 to 54 form an integral part of these Financial Statements.*

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2017

	Note	Share capital US\$	B Share Capital US\$	Retained losses US\$	Total US\$
<b>As at 30 June 2016</b>		<b>146,213,045</b>	-	<b>(18,742,101)</b>	<b>127,470,944</b>
Issue of ordinary shares during the year	8	509,170	-	-	509,170
B shares issued as distributions to shareholders	8	(14,664,438)	14,664,438	-	-
B shares redeemed and cancelled during the year	8	-	(14,664,438)	-	(14,664,438)
Total comprehensive loss for the year		-	-	(2,247,564)	(2,247,564)
<b>As at 30 June 2017</b>		<b>132,057,777</b>	-	<b>(20,989,665)</b>	<b>111,068,112</b>

	Note	Share capital US\$	Retained losses US\$	Total US\$
<b>As at 25 June 2015 (date of incorporation)</b>		-	-	-
Issue of ordinary shares during the period	8	145,417,316	-	145,417,316
Treasury shares acquired	8	(154,232)	-	(154,232)
Treasury shares reissued	8	949,961	-	949,961
Total comprehensive loss for the period		-	(18,742,101)	(18,742,101)
<b>As at 30 June 2016</b>		<b>146,213,045</b>	<b>(18,742,101)</b>	<b>127,470,944</b>

*The accompanying notes on pages 32 to 54 form an integral part of these Financial Statements.*

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2017

	Note	For the year ended 30 June 2017 US\$	For the period from 25 June 2015 to 30 June 2016 US\$
<b>Cash flows from operating activities</b>			
Total comprehensive loss for the year/period		(2,247,564)	(18,742,101)
Adjustments for:			
Net losses on financial assets at fair value through profit and loss	6 (b)	789,174	17,345,067
Net foreign exchange losses		44,511	81,161
Decrease/(increase) in other receivables and prepayments		3,824	(11,500)
(Decrease)/increase in other payables		(263,724)	642,811
		<b>(1,673,779)</b>	<b>(684,562)</b>
Purchases of investments		(1,522,348)	(591,059)
Sales of investments		15,676,921	2,311,251
<b>Net cash from operating activities</b>		<b>12,480,794</b>	<b>1,035,630</b>
<b>Cash flows from financing activities</b>			
Issue of shares*		(138,530)	6,283,157
B shares redeemed during the year		(14,664,438)	-
Cost of issue of shares		-	(452,679)
Acquisition of treasury shares		-	(154,232)
<b>Net cash (used in)/from financing activities</b>		<b>(14,802,968)</b>	<b>5,676,246</b>
<b>Net (decrease)/increase in cash and cash equivalents during the year/period</b>		<b>(2,322,174)</b>	<b>6,711,876</b>
Cash and cash equivalents brought forward		6,630,715	-
Effect of foreign exchange rate changes during the year/period		(44,511)	(81,161)
<b>Cash and cash equivalents carried forward</b>		<b>4,264,030</b>	<b>6,630,715</b>

\* in prior period, excludes non-cash issue of ordinary shares to the value of US\$138,687,949 in exchange for the initial portfolio during the period (see note 6 (a)).

*The accompanying notes on pages 32 to 54 form an integral part of these Financial Statements.*

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 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 will invest 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 Company agreed with Signet Multi-Manager SPC Inc ("SMMI") to acquire an initial portfolio of assets for an aggregate consideration of US\$144.0 million, conditional upon Admission. The consideration for the Initial Portfolio principally comprised ordinary shares in the Company, 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 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.

The Annual Financial Statements of the Company (the "Financial Statements") 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"), together with applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the London Stock Exchange.

### 2. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements:

#### (a) Basis of preparation

##### (i) Basis of measurement

The Company's Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of financial instruments measured at fair value through profit or loss.

The preparation of Financial Statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in note 2(a) (iii). The principal accounting policies adopted are set out below.

The Directors believe that the Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which it relates and does not omit any matter or development of significance.

##### *Going concern*

The Board has assessed the Company's financial position as at 30 June 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.

##### *Investments at fair value through profit and loss:*

The investment portfolio (the "Portfolio") has been included in these Financial Statements at fair value, in accordance with IFRS, see notes 2(b) and 6.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**2. Principal Accounting Policies, continued**

**(a) Basis of preparation, continued**

*(ii) Functional and presentation currency*

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. The Directors have also considered the currency to which the Company's investments are exposed. The Directors believe that US Dollar best represents the functional currency of the Company during the year. Therefore the books and records are maintained in US Dollar. For the purpose of the Financial Statements, the results and financial position of the Company are presented in US Dollar, which has been selected as the presentation currency of the Company.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances at the year end are translated into the functional currency at the exchange rates prevailing at the year end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

*(iii) Judgements and estimates*

The preparation of Financial Statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a semi-annual basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical judgements, apart from those involving estimates, that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements are the functional currency of the Company (see note 2(a)(ii)) and the fair value of investments designated to be at fair value through profit or loss (see note 2(b)).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the amounts recognised in the Financial Statements are included in note 6 ("Valuation Models" section) and relate to the determination of the fair value of financial instruments with significant unobservable inputs.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**2. Principal accounting policies, continued**

**(a) Basis of preparation, continued**

*(iv) New and amended accounting standards*

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

- IFRS 9 “Financial Instruments”, published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 9 is expected to have an impact to the Financial Statements in future periods, due to the Company’s current application of IAS 39 in the measurement of its investments at fair value through profit or loss. The Company has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- a) The classification and measurement of the Company’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.
- b) It will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss. This fair value methodology is currently applied by the Company in these Financial Statements.
- c) If the Company continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Company’s own credit risk.

Whilst the Board are still assessing the impact of IFRS 9, based on the current method of valuing investments at fair value through profit or loss and with the positions of the investment portfolio at 30 June 2017, the Directors initial expectations are that IFRS 9 will not have a material impact on the Financial Statements of the Company.

**(b) Investments at fair value through profit or loss**

*Recognition and initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, being the transaction price, with transaction costs recognised in the Statement of Comprehensive Income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

*Classification*

An investment is classified at fair value through profit or loss if it is held for trading or it is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in the Statement of Comprehensive Income as incurred. Investments at fair value through profit or loss are measured at fair value and changes therein are recognised in the Statement of Comprehensive Income.

As the Company’s business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, unlisted equities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy and information about the Company is provided internally on this basis to the Board.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**2. Principal accounting policies, continued**

**(b) Investments at fair value through profit or loss, continued**

*Investment entity*

The investment entities amendment to IFRS 10 requires that a parent entity that has determined it is an investment entity under IFRS 10 is required to measure its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with the appropriate standard. The criteria which define an investment entity are as follows:

- It has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- It has committed to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether it meets the definition described above, an entity shall consider whether it has the following characteristics of an investment entity:

- It has more than one investment;
- It has more than one investor;
- It has investors that are not related parties of the entities; and
- It has ownership interests in the form of equity or similar interests.

Consideration is also given to the time frame of an investment. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation.

The Company meets the definition of an investment entity and will account its investments at fair value through profit or loss in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

*Fair value measurement*

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Portfolio investment funds are typically valued utilising the net asset valuations provided by the administrators of the underlying funds and/or their investment managers. Investments in quoted investment funds in a non-active market or unlisted investment funds are included in Level 2 of the fair value hierarchy when fair value is determined based on the net asset values ("NAV's") of the investment fund. Investments in investment funds with material redemption restrictions e.g. gates, suspended NAV's, etc, are included in Level 3 of the fair value hierarchy. Where significant redemption restrictions exist, restricting the Company's ability to realise the investment, the inherent uncertainty in the timing and the range of possible outcomes of any realisation could lead to the differences between the fair value estimate and actual recoverable amounts becoming significant.

If in the case of any investment the Directors at any time consider that the above basis of valuation is inappropriate or that the value determined in accordance with the foregoing principles is unfair, they are entitled to substitute what in their opinion, is a fair value. Where this is the case or where no value is provided by the managers or administrators of the underlying funds, then the fair value is estimated with care and in good faith by the Directors in consultation with the Investment Manager with a view to establishing the probable realisation value for such units or shares as at close of business on the relevant valuation day. This process is also applied, where the Directors deem it necessary, to those funds subject to suspension, gating, side pockets, orderly wind down or liquidation. For further details relating to the techniques used to estimate the fair value of investments, please refer to note 6 (c).

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**2. Principal accounting policies, continued**

**(b) Investments at fair value through profit or loss, continued**

*Derecognition*

The Company derecognises a financial asset when the contractual cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*Offsetting*

The Company shall offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Gains/(losses) from financial assets at fair value through profit or loss are presented on a net basis in the Statement of Comprehensive Income.

**(c) Foreign exchange**

Foreign currency assets and liabilities are translated into US Dollar at the rate of exchange ruling at the year end date of GBP: US\$ 1.3025 (30 June 2016: GBP: US\$ 1.3311).

Transactions in foreign currencies are translated at the rate of exchange ruling on the transaction date. Differences thus arising are recognised in the Statement of Comprehensive Income on a net basis.

**(d) Income**

Dividend income from investments is recognised when the Company's right to receive payment is established, normally the ex-dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the original effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to the asset's original cost.

Dividend income and interest income arising from the Company's portfolio of investments are included in Investment income within the Statement of Comprehensive Income.

**(e) Expenses**

All expenses are accounted for on an accrual basis and are presented as expense items except for expenses that are incidental to the disposal of an investment which are deducted from the disposal proceeds.

**(f) Other receivables**

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their carrying value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying value of these assets approximates their fair value.

**(g) Other payables**

Other accruals and payables are not interest-bearing, are short term in nature and stated at their nominal value. The carrying value of these liabilities approximates their fair value.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**2. Principal accounting policies, continued**

**(h) Cash and cash equivalents**

Cash includes amounts held in interest bearing overnight accounts. Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

**(i) Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity are recorded at the proceeds received, net of issue costs.

**(j) Provisions**

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(k) 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 (see note 7(d)), that business being conducted from Guernsey. 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 9), 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 9.

Geographical information relating to the source of the Company's returns is disclosed in note 7(d).

The Company has a diversified Shareholder population. As at 2 October 2017, only 5 investors had holdings of greater than 5% of the issued share capital of the Company.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**3. Expenses**

	For the year ended 30 June 2017	For the period from 25 June 2015 (date of incorporation) to 30 June 2016
	US\$	US\$
<i>Investment Manager's fee:</i>		
Investment Manager's fee	909,882	795,347
	<u>909,882</u>	<u>795,347</u>
<i>Other expenses:</i>		
Directors' remuneration and expenses	105,080	154,429
Accounting, secretarial and administration fees	170,810	137,754
Custodian fee	59,340	76,473
Legal and professional fees	54,721	46,267
Auditor's remuneration	36,634	48,940
Listing & regulatory fees	17,954	24,652
Registrar's fee	50,573	15,768
Directors and officers insurance	5,855	4,823
Sundry expenses	23,785	11,420
	<u>524,752</u>	<u>520,526</u>

The Company has no employees. The Directors, all of whom are non-executive, are the only key management personnel of the Company. Their remuneration is paid quarterly in arrears.

**Investment management fee**

During the year, 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 the 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.

Investment management fees for the year totalled US\$909,882 (30 June 2016: US\$795,347), of which US\$210,894 (30 June 2016: US\$476,574) was outstanding at the year end.

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 Administration Agreement can be terminated by either party in writing giving no less than three months notice.

Administration fees for the year totalled US\$170,810 (30 June 2016: US\$137,754), of which US\$49,766 (30 June 2016: US\$24,404) was outstanding at the year end.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**3. Expenses, continued**

**Custodian fee**

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 year totalled US\$59,340 (30 June 2016: US\$76,473), of which US\$76,211 (30 June 2016: US\$76,473) was outstanding at the year 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 year/period by the weighted average number of ordinary shares in issue during the year/period.

	For the year ended 30 June 2017		
	Total comprehensive loss for the year US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(2,247,564)	146,544,550	(1.53)¢
	For the period from 25 June 2015 to 30 June 2016		
	Total comprehensive loss for the period US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(18,742,101)	145,456,044	(12.89)¢

**6. Fair value of financial instruments**

**(a) Investments at fair value through profit or loss**

	30 June 2017 US\$	30 June 2016 US\$
Opening fair value	121,176,353	-
In specie transfer	-	138,687,949
Purchases*	2,031,519	2,391,058
Sales		
– proceeds	(15,430,585)	(2,557,587)
– realised gains on sales	382,523	277,539
Movement in unrealised losses on investments	(1,171,697)	(17,622,606)
Closing fair value	106,988,113	121,176,353
Closing cost carried forward	125,782,416	138,798,959
Unrealised losses on investments	(18,794,303)	(17,622,606)
Closing fair value carried forward	106,988,113	121,176,353

\* includes investments acquired through the issue of shares in the Company.

Please refer to the Investment Manager's Report and to note 7(d) for strategic and geographical exposures within the Company's investment portfolio.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**6. Fair value of financial instruments, continued**

**(b) Net gains/(losses) on financial assets at fair value through profit or loss**

	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Net realised gains on financial assets at fair value through profit or loss</b>	<b>US\$</b>	<b>US\$</b>
- Designated as at fair value through profit or loss	382,523	277,539
<b>Movement in unrealised losses on financial assets at fair value through profit and loss</b>		
- Designated as at fair value through profit or loss	(1,171,697)	(17,622,606)
<b>Net losses on financial assets at fair value through profit or loss</b>	<b>(789,174)</b>	<b>(17,345,067)</b>

**(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.

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.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**6. Fair value of financial instruments, continued**

**(c) Valuation models, continued**

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 reported 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.

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	30 June 2017 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.
<b>Total Investments</b>	<b>106,988,113</b>					

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 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 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	30 June 2016 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\$9,000.
	4,941,672	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\$494,000.
	116,234,681	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\$11,623,000.
<b>Total Investments</b>	<b>121,176,353</b>					

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 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.

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 shares.

	<b>30 June 2017</b>	
	Favourable	Unfavourable
Change in fair value of investments	US\$10,833,000	US\$(10,698,000)
	<b>30 June 2016</b>	
	Favourable	Unfavourable
Change in fair value of investments	US\$12,126,000	US\$(12,117,000)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of unlisted open-ended investment funds (redemption restricted) have been calculated by recalibrating the net asset values of 5 underlying funds using unobservable inputs. 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 FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 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 30 June 2017 and 30 June 2016.

As at 30 June 2017 and as described in the table on pages 41 – 42, the Directors, in consultation with the Investment Manager, have applied adjustments against net asset values to 5 investment funds (30 June 2016: 5 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:

<b>30 June 2017</b>	<b>Investments valued at NAV US\$</b>	<b>Fair value adjustment US\$</b>	<b>Fair value US\$</b>
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)	-
	<u>12,960,483</u>	<u>(7,054,270)</u>	<u>5,906,213</u>
Level 3 investments without fair value adjustments			101,081,900
Total fair value of investments			<u>106,988,113</u>
<b>30 June 2016</b>	<b>Investments valued at NAV US\$</b>	<b>Fair value adjustment US\$</b>	<b>Fair value US\$</b>
Level 3 investments with fair value adjustments of:			
50%	9,883,345	(4,941,673)	4,941,672
100%	88,682	(88,682)	-
	<u>9,972,027</u>	<u>(5,030,355)</u>	<u>4,941,672</u>
Level 3 investments without fair value adjustments			116,234,681
Total fair value of investments			<u>121,176,353</u>

**(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:

<b>Fair value assets</b>	<b>30 June 2017 US\$</b>	<b>% of net assets %</b>
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	<u>106,988,113</u>	<u>96.3</u>
<b>Fair value assets</b>	<b>30 June 2016 US\$</b>	<b>% of net assets %</b>
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	<u>121,176,353</u>	<u>95.1</u>

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**6. Fair value of financial instruments, continued**

**(d) Fair value hierarchy, continued**

The table below provides a reconciliation from opening balance to closing balance for assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>
Opening fair value	121,176,353	-
Purchases	2,031,519	141,079,007
Sales/distributions - proceeds	(15,430,585)	(2,557,587)
- realised gains on sales	382,523	277,539
Total unrealised gains/(losses) recognised in profit or loss	<u>(1,171,697)</u>	<u>(17,622,606)</u>
Closing fair value	<u>106,988,113</u>	<u>121,176,353</u>
Closing cost carried forward	125,782,416	138,798,959
Unrealised losses on investments	<u>(18,794,303)</u>	<u>(17,622,606)</u>
Closing fair value carried forward	<u>106,988,113</u>	<u>121,176,353</u>
Total unrealised losses recognised on financial assets at fair value through the profit or loss held at the end of the year/period	<u>(18,662,502)</u>	<u>(17,622,606)</u>

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 year (30 June 2016: no transfers).

**7. Financial risk management:**

**Financial risk factors**

The Company is exposed to a variety of financial risks: market risk (including price risk, fair value interest rate risk, cash flow interest rate risk and currency risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

**(a) Market risk**

The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates, interest rates and market prices.

**Price risk**

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from the investment in a variety of hedge funds. The funds may be subject to valuation risk due to the manner and timing of the valuations of their investments. Investments in the funds may be valued by fund administrators or by the fund managers themselves, resulting in valuations which were not verified by an independent third party on a regular or timely basis.

As at the year end, the Company was directly exposed to market price risk arising from its investments. The Investment Manager manages the market price risk on a daily basis through careful selection of investments in accordance with the Company's investment objective and policy, and through ongoing analysis of the Company's investments to determine the optimal strategy for achieving the realisation of assets for the benefit of shareholders.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**7. Financial risk management, continued**

**(a) Market risk, continued**

**Price sensitivity**

Please refer to page 41 for details of price sensitivity.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

As at the year end, the Company's interest rate risk was managed on a monthly basis by the Investment Manager in accordance with the policies and procedures in place. The Company's overall interest rate risk will be monitored on a quarterly basis by the Board.

Although the Company's investments at fair value through profit or loss are not interest-bearing and are not directly subject to interest rate risk, the values of the underlying assets owned by the Company's investments may be affected by fluctuations in interest rates. The Company is therefore indirectly exposed to interest rate risk in respect of these investments. However, the Investment Manager and the Board do not consider that it is meaningfully feasible to measure the effect on the valuations of the Company's investments of such fluctuations, and accordingly, the interest rate sensitivity analysis below is limited to the exposure to interest rate risk of the Company's assets which are directly exposed to interest rate risk.

The table below summarises the Company's exposure to interest rate risk:

<b>Assets</b>	<b>Interest-bearing assets</b>	<b>Non interest-bearing assets</b>	<b>Total</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Cash and cash equivalents	4,264,030	-	4,264,030
Other receivables	-	187,380	187,380
Investments at fair value through profit or loss	-	106,988,113	106,988,113
<b>Total assets</b>	<b>4,264,030</b>	<b>107,175,493</b>	<b>111,439,523</b>
<b>Liabilities</b>	<b>Interest-bearing liabilities</b>	<b>Non interest-bearing liabilities</b>	<b>Total</b>
	<b>30 June 2017</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Other payables	-	379,087	379,087
<b>Total liabilities</b>	<b>-</b>	<b>379,087</b>	<b>379,087</b>

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**7. Financial risk management, continued**

**(a) Market risk, continued**  
**Interest rate risk, continued**

<b>Assets</b>	<b>Interest-bearing assets</b>	<b>Non interest-bearing assets</b>	<b>Total</b>
	<b>30 June 2016</b>	<b>30 June 2016</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Cash and cash equivalents	6,630,715	-	6,630,715
Other receivables	-	295,187	295,187
Investments at fair value through profit or loss	-	121,176,353	121,176,353
<b>Total assets</b>	<b>6,630,715</b>	<b>121,471,540</b>	<b>128,102,255</b>

<b>Liabilities</b>	<b>Interest-bearing liabilities</b>	<b>Non interest-bearing liabilities</b>	<b>Total</b>
	<b>30 June 2016</b>	<b>30 June 2016</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Other payables	-	642,811	642,811
<b>Total liabilities</b>	<b>-</b>	<b>642,811</b>	<b>642,811</b>

**Interest rate sensitivity**

As at 30 June 2017, should interest rates have increased by 50 basis points with all other variables held constant, the increase in net assets attributable to holders of ordinary shares for the year would amount to approximately US\$21,320 (30 June 2016: US\$33,154). A decrease of 50 basis points would have had an equal, but opposite, effect. The calculations are based on the cash balance at the reporting date and are not representative of the year as a whole.

The above interest rate sensitivity analysis does not reflect any indirect interest rate risk that may arise resulting from the exposure of emerging market economies to changes in global interest rates.

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**7. Financial risk management, continued**

**(a) Market risk, continued**

**Currency risk, continued**

The Company is invested directly in funds, funds of funds and other similar assets. Some of the underlying assets and liabilities of the Company as at 30 June 2017 and 30 June 2016 are denominated in currencies other than US Dollar (BRL – Brazilian Real; UAH – Ukrainian Hryvnia; RMB – Chinese Yuan; INR – Indian Rupee; GBP – Sterling). These currency exposures are unhedged. The carrying amounts of the Company's assets and liabilities are as follows:

<b>30 June 2017</b>	<b>BRL US\$</b>	<b>UAH US\$</b>	<b>RMB US\$</b>	<b>INR US\$</b>	<b>GBP US\$</b>	<b>USD/Other US\$</b>	<b>Total US\$</b>
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	811,462	3,452,568	4,264,030
Prepayments	-	-	-	-	6,360	1,316	7,676
Other receivables	-	-	-	-	-	187,380	187,380
Investments at fair value through profit or loss	53,228,714	20,828,348	5,422,726	6,995,345	-	20,512,980	106,988,113
	<u>53,228,714</u>	<u>20,828,348</u>	<u>5,422,726</u>	<u>6,995,345</u>	<u>817,822</u>	<u>24,154,244</u>	<u>111,447,199</u>
<b>Liabilities</b>							
Other payables	-	-	-	-	91,982	287,105	379,087
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,982</u>	<u>287,105</u>	<u>379,087</u>
<b>30 June 2016</b>							
<b>30 June 2016</b>	<b>BRL US\$</b>	<b>UAH US\$</b>	<b>RMB US\$</b>	<b>INR US\$</b>	<b>GBP US\$</b>	<b>USD/Other US\$</b>	<b>Total US\$</b>
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	1,324,423	5,306,292	6,630,715
Prepayments	-	-	-	-	10,173	1,327	11,500
Other receivables	-	-	-	-	-	48,851	48,851
Unsettled investment sales	-	-	-	-	-	246,336	246,336
Investments at fair value through profit or loss	47,492,348	21,961,585	11,298,241	8,504,865	-	31,919,314	121,176,353
	<u>47,492,348</u>	<u>21,961,585</u>	<u>11,298,241</u>	<u>8,504,865</u>	<u>1,334,596</u>	<u>37,522,120</u>	<u>128,113,755</u>
<b>Liabilities</b>							
Other payables	-	-	-	-	89,764	553,047	642,811
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,764</u>	<u>553,047</u>	<u>642,811</u>

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**7. Financial risk management, continued**

**(a) Market risk, continued**

**Currency risk, continued**

**Foreign exchange rate sensitivity**

As at 30 June 2017 and 30 June 2016, should the US Dollar exchange rate increase/decrease against the above currencies by the reasonably possible proportions detailed below, with all other variables held constant, the decrease/increase in net assets attributable to holders of ordinary shares would be as follows:

	Possible change in exchange rate	30 June 2017 net exposure US\$	30 June 2017 effect on net assets and profit or loss US\$
US\$/BRL	+/- 25%	53,228,714	-/+13,307,179
US\$/UAH	+/- 30%	20,828,348	-/+6,248,504
US\$/RMB	+/- 10%	5,422,726	-/+542,273
US\$/INR	+/- 10%	6,995,345	-/+699,534
US\$/GBP	+/- 10%	725,840	-/+72,584
		<hr/>	<hr/>
		87,200,973	-/+20,870,074

	Possible change in exchange rate	30 June 2016 net exposure US\$	30 June 2016 effect on net assets and profit or loss US\$
US\$/BRL	+/- 25%	47,492,348	-/+ 11,873,087
US\$/UAH	+/- 50%	21,961,585	-/+ 10,980,793
US\$/RMB	+/- 10%	11,298,241	-/+ 1,129,824
US\$/INR	+/- 10%	8,504,865	-/+ 850,487
US\$/GBP	+/- 10%	1,244,832	-/+ 124,483
		<hr/>	<hr/>
		90,501,871	-/+ 24,958,674

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Investment credit risk**

Credit risk generally is higher when a non-exchange traded financial instrument is involved, because the counter party is not backed by an exchange clearing house.

The Company is exposed to credit risk through its direct investments in funds and funds of funds. The Company holds a few relatively large positions in relation to the net assets of the particular funds. Consequently, a loss in any such position could result in significant losses to the Company. Certain investee funds of the Company also had redemption terms that had been amended to permit gates, suspensions and side pockets. As a result the Company may not be able to quickly liquidate its investments in these investee funds at an amount close to their fair value.

The carrying amounts of the financial assets less prepayments and cash balances in the Statement of Financial Position best represent the maximum credit risk exposure at the year end date.

Substantially all of the assets of the Company at the year end were held by Citibank N.A. (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The maximum exposure to credit risk at the Custodian level is US\$111,252,143 (30 June 2016: US\$127,807,068), the carrying value of the securities and cash held by the Custodian.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**7. Financial risk management, continued**  
**(b) Credit risk, continued**

**Cash credit risk**

The Company monitors its risk by monitoring the credit ratings of the Custodian. At the year end the long-term credit ratings of the Custodian as at 30 June 2017 was A+ (30 June 2016: A) as rated by Standard and Poor's and A1 (30 June 2016: A1) by Moody's.

The maximum credit risk exposure in relation to the Company's cash balances is best represented by the carrying value of the cash balances in the Statement of Financial Position.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company is mainly invested in securities which lack an established secondary trading market or are otherwise considered illiquid. Liquidity of a security relates to the ability to easily dispose of the security and the price obtained and does not generally relate to the credit risk or likelihood of receipt of cash at maturity.

The Company's liquidity risk is managed by the Investment Manager in accordance with its policies and procedures. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The markets for most of the securities owned by the Company are illiquid, making purchases or sales of securities at desired prices or in desired quantities difficult or impossible. Because of inherent uncertainty of valuing these investments, arising from their illiquid nature, the values of these 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 table below analyses how quickly the Company's assets can be liquidated to meet the obligation of maturing liabilities.

Maturity Analysis

<b>As at 30 June 2017</b>	<b>Less than 1 month</b>	<b>1-12 months</b>	<b>&gt;12months</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Assets</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Investments at fair value through profit or loss	-	-	-	106,988,113	106,988,113
Cash and cash equivalents	4,264,030	-	-	-	4,264,030
Other receivables	-	187,380	-	-	187,380
	<u>4,264,030</u>	<u>187,380</u>	<u>-</u>	<u>106,988,113</u>	<u>111,439,523</u>
<b>Liabilities</b>					
Other payables	379,087	-	-	-	379,087
	<u>379,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,087</u>
<b>As at 30 June 2016</b>	<b>Less than 1 month</b>	<b>1-12 months</b>	<b>&gt;12months</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Assets</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Investments at fair value through profit or loss	-	-	-	121,176,353	121,176,353
Unsettled investment sales	246,336	-	-	-	246,336
Cash and cash equivalents	6,630,715	-	-	-	6,630,715
Other receivables	-	48,851	-	-	48,851
	<u>6,877,051</u>	<u>48,851</u>	<u>-</u>	<u>121,176,353</u>	<u>128,102,255</u>
<b>Liabilities</b>					
Other payables	642,811	-	-	-	642,811
	<u>642,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,811</u>

The Company's investments in funds are shown as having maturity dates in line with the table above. However, they may be liable to redemption gating, suspension or the creation of side-pockets for illiquid assets at the discretion of the underlying fund manager.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**7. Financial risk management, continued**

**(d) Concentration Risk**

The geographical concentration of the Company's portfolio is as follows:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>
Brazil	53,228,714	47,492,348
Ukraine	20,828,348	21,961,585
China	5,422,726	11,298,241
India	6,995,345	8,504,865
Other	20,512,980	31,919,314
<b>Total</b>	<b>106,988,113</b>	<b>121,176,353</b>

The concentration of the Company's portfolio by asset class is as follows:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>US\$</b>	<b>US\$</b>
Credit/Bonds	56,214,095	66,250,015
Real Estate	42,047,234	45,294,705
Equity	8,726,784	9,631,633
<b>Total</b>	<b>106,988,113</b>	<b>121,176,353</b>

**(e) Capital risk management**

The capital structure of the Company consists of equity attributable to holders of ordinary shares, comprising share capital as detailed in note 8 and retained earnings. The Company does not have any externally imposed capital requirements.

The Company manages its capital in accordance with the investment policy, in pursuit of its investment objective as detailed on page 2. The Company does this by investing sufficient available resources whilst maintaining cash and cash equivalents amounts for working capital requirements. The Directors currently maintain a policy of retaining 24 months' cash resources to meet ongoing liabilities. The Directors have based this policy, on the advice of the Investment Manager and having regard to the profile of the investments, on the assumption that during the period these resources will be replenished by realisation of investments.

In addition, 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 for the redemption price. The Company will only return capital to shareholders once material distributions are received from the underlying investment portfolio and subject to the retention of sufficient cash resources to meet ongoing working capital requirements.

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**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**8. Share capital**

**Authorised capital**

The Company has the power to issue an unlimited number of 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 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**

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

<b>Ordinary shares</b>	<b>30 June 2016</b>	
	<b>No.</b>	<b>US\$</b>
Share capital at the beginning of the period	-	-
Issues of ordinary shares	146,056,635	145,869,995
Share issue costs	-	(452,679)
Acquisition of treasury shares	(1,095,362)	(154,232)
Reissue of treasury shares	1,095,362	949,961
Share capital at the end of the period	<u>146,056,635</u>	<u>146,213,045</u>

During the prior period, the Company purchased 1,095,362 of its own ordinary shares at an average price per share of 14.08¢ per share, and subsequently reissued these ordinary shares at an average price of 86.73¢ per share.

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.

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.

On 31 August 2016, the Board announced that it had resolved to return an amount of US\$0.02 per ordinary share to shareholders, in total US\$2,932,887, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 15 September 2016.

On 28 November 2016, the Board announced that it had resolved to return an amount of US\$0.055 per ordinary share to shareholders, in total US\$8,065,441, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 15 December 2016.

On 8 June 2017, the Board announced that it had resolved to return an amount of US\$0.025 per ordinary share to shareholders, in total US\$3,666,110, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 30 June 2017.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
For the year ended 30 June 2017

**8. Share capital, continued**

B shares	30 June 2017	
	No.	US\$
Share capital at the start of the year	-	-
Issue of B shares during the year*	293,288,774	14,664,438
Redeemed and cancelled during the year	(293,288,774)	(14,664,438)
Share capital at the end of the year	-	-

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

**9. 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
As at 30 June 2017	US\$	No.	US\$
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	111,068,112	146,644,387	75.74¢

Ordinary share class	Net asset value	Number of ordinary shares in issue	Net asset value per ordinary share
As at 30 June 2016	US\$	No.	US\$
Published net asset value	129,250,048	146,056,635	88.49¢
Fair value adjustments	(1,779,104)	-	(1.21)¢
Net asset value per Financial Statements	127,470,944	146,056,635	87.28¢

**10. Related party transactions and Directors' interests**

The Investment Manager and the Directors were regarded as related parties during the year. The only related party transactions during the year are described below:

The fees and expenses paid to the Investment Manager are explained in note 3. The investment management fee during the year was US\$909,882 (30 June 2016: US\$795,347), of which the balance payable at the end of the year was US\$210,894 (30 June 2016: US\$476,574).

As at the last reported share register dated 2 October 2017, the Investment Manager did not hold any shares in the Company.

As at 30 June 2017 and 30 June 2016, the interests of the Directors and their families who held office during the year are set out below:

	30 June 2017	30 June 2016
	Number of ordinary shares	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 year were US\$105,080 (30 June 2016: US\$154,429). An amount of US\$254 (30 June 2016: US\$1,106) had been prepaid in respect of fees and expenses at the end of the year.

**ALTERNATIVE LIQUIDITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS, continued**  
**For the year ended 30 June 2017**

**11. Subsequent events**

During September 2017, the Company announced that 3D Propco Limited, had sold its underlying asset, the Bintan Lagoon Resort in Indonesia and as a result, the Company received a distribution of US\$5.15 million against the Company's carrying value of US\$4.8 million at 30 June 2017. At the date of this report, approximately US\$3 million of this distribution was being retained by the intermediary custodian, HSBC, in connection with a dispute which is unrelated to the asset. The Directors are working towards an urgent resolution of this matter in order to have the funds released to the Company as soon as possible.

The Board is intending to hold a Board meeting on 30 October 2017 to approve a return of capital to ordinary shareholders.

There were no further significant post year end events, other than those already disclosed, that require disclosure in these Financial Statements.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS

As at 30 June 2017

Number of Shares	Description	Fair Value	% of net assets
<b>BRL (30 June 2016: 0.00%)</b>			
2,583.0000	Autonomy Fund II D Ltd BRL	282,507	0.26
		<u>282,507</u>	<u>0.26</u>
<b>GBP (30 June 2016: 3.16%)</b>			
594,053.6700	South Asian Real Estate Limited	3,203,345	2.88
		<u>3,203,345</u>	<u>2.88</u>
<b>USD (30 June 2016: 91.90%)</b>			
10,336.9908	3DPropCo Limited Class A October 2011	4,801,698	4.33
1.0000	AARKAD PLC	68,702	0.06
34,851,756.1400	AARKAD-USD	365,560	0.33
10,537.3400	Abax Arhat Fund Class Unrest Red Series 1 Jul 07	5,422,726	4.88
159,377.9300	Abax Upland Fund LLC Redeeming CL	91,929	0.08
29,185.3700	AG MFund LP ABSPVINT SDL ACGFILP	85,220	0.08
33,621.0755	Aramid Distribution Trust - QSAM	1,681	0.00
3,362.1076	Aramid Distribution Trust GUARDIAN	7,154	0.01
11,499.1570	Argo Special Situations Fund LP	2,900,814	2.61
956.7213	Autonomy Fund II C Ltd Class II LTV S1	135,624	0.12
3,189.7600	Autonomy Cap Gbl Macro FD Designated Inv SH CL	592,657	0.53
105.0513	Autonomy Fund II C Ltd Class II C LTV S2	14,892	0.01
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	86	0.00
2.3370	Autonomy Fund II C Ltd Class II C LTV S5	331	0.00
0.1817	Autonomy Fund II C Ltd Class II C LTV S6	26	0.00
231.4794	Autonomy Fund II C Ltd Class II C LTV S7	32,814	0.03
120.9328	Autonomy Fund II C Ltd Class II C LTV S8	17,144	0.02
1.6573	Autonomy Fund II C Ltd Class II C LTV S9	235	0.00
9.2554	Autonomy Fund II C Ltd Class II C LTV S10	1,312	0.00
563.4800	Bennelong Asia Pacific	-	-
9,590,340.6400	Blue Sugars Corporation Common Stock USD	-	0.00
1.0000	Clearwater Capital Ptnrs Opportunities Fund LP	26,373	0.02
1.0000	Clearwater Capital Ptnrs Long Term Value Fund-SP	12,133	0.01
1.0000	Clearwater Capital Ptnrs Opp Fund LP-SP (Green)	10,556	0.01
1.0000	Clearwater Capital Ptnrs Opp Fund LP-SP (Signet)	59,729	0.05
195,475.2620	Denholm HAL AR-B Red	-	0.00
600,000.0000	Duet India Hotels Limited	3,792,000	3.41
1.0000	Galileo Capital Partners LLC	580,413	0.52
28,870.8650	GLG Emerg Markets Growth Fund - CLA	1,748,203	1.57
11,308.6850	Growth Management Ltd	2,966,863	2.67
20,665.3600	Growth Premier Fund IC Class A	1,160,889	1.05
4,223,308.2300	Lomond Capital LLC	221,724	0.20
	Sub-total carried forward	<u>25,119,494</u>	<u>22.60</u>

**ALTERNATIVE LIQUIDITY FUND LIMITED****SCHEDULE OF INVESTMENTS, continued**

As at 30 June 2017

<b>Number of Shares</b>	<b>Description</b>	<b>Fair Value</b>	<b>% of net assets</b>
<b>USD, continued</b>			
	Sub-total brought forward	25,119,494	22.60
1,936.0577	Longview Fund Intl Ltd Class B USD (2/25) 05/2007	32,104	0.03
11,561.5423	Longview Fund Intl Ltd Class B USD Initial Series	239,612	0.22
1,936.0588	Longview Fund Intl Ltd Class B USD(1.5/25) 02/2007	34,231	0.03
2,000.0000	NUR Energie Limited 'A' Preference Shares	-	0.00
1,200.0000	NUR Energie Limited Class B Preference Shares	-	0.00
7,177.0000	NUR Energie Limited Ordinary Shares EUR 1	-	0.00
1.0000	Professional Offshore Fair Fund Claim	-	0.00
655.3420	Quantek Master Fund SPC Ltd Feeder LP	61,491	0.06
211.1400	RD Legal Funding Offshore Ltd Class A USD S D1	275,111	0.25
198.2700	RD Legal Funding Offshore Ltd Class A USD S D2	245,631	0.22
3.0880	Ritchie Multi-Strategy Global CL-S	-	0.00
8,727.3990	RP Explorer-SP2 0107	14,504	0.01
122.3860	RP Explorer-SP2 0208	199	0.00
450.2820	RP Explorer-SP2 0209	464	0.00
4,381.7480	RP Explorer-SP3 0508	-	0.00
2,633.3560	RP Explorer-SP3 0707	-	0.00
6,227.6200	RP Explorer-SP5 0209	8,140	0.01
439.4818	RP Explorer-SP7 04131	3,352	0.00
3,529.8830	Sector Spesit I Fund Class A	-	-
12,046.2700	Serengeti Mgt Fee A 104/1210	6,993	0.01
65.2250	Serengeti Opportunities - Mgt Fee A 102/0907	20,755	0.02
2.0640	Serengeti Opportunities - SC- A 102/0907 (Feb 11)2	14,458	0.01
0.1100	Serengeti Opportunities - SC- A 102/0907 (Mar 11)2	313	0.00
26.4370	Serengeti Opportunities - A 1020907-20711	109,611	0.10
128.4420	Serengeti Opportunities - A SR102907 0611	532,551	0.48
3.5900	Serengeti Overseas - A 1020907 SL	5,072	0.00
22.4430	Serengeti Overseas - A 1020907A SL	31,707	0.03
3.5780	Serengeti Opportunities - PRKR A102/0907DEC 11	-	0.00
717.0500	Serengeti Opportunities - AC/SC-A 104/0907 DEC11	1,344	0.00
358.3100	Serengeti Opportunities - LPAC/SCA104/0108 DEC11	672	0.00
718.2500	Serengeti Opportunities - LPAC/SCA104/0311 DEC11	1,346	0.00
6,796.2300	Serengeti Opportunities - LPAC/SCA104/0611 DEC11	12,741	0.01
2,112.5100	Serengeti Opportunities - LPAC/SCA104/1007 DEC11	3,960	0.00
354.5200	Serengeti Opportunities - PRTNRSLP CLO-104/0108	166	0.00
705.6500	Serengeti Opportunities - PRTNRSLP CLO-104/0907	332	0.00
2,085.2200	Serengeti Opportunities - PRTNRSLP CLO-104/1007	978	0.00
677.9400	Serengeti Opportunities - PRTNRSLP CLO-104/1107	318	0.00
2,860.5200	Serengeti Opportunities - PRTNRSLP SA 104/0311 J11	10,349	0.01
975.6900	Serengeti Opportunities - PRTNRSLP SCA 104/1107 J10	2,286	0.00
508.7300	Serengeti Opportunities - PRTNRSLP SCA104/0108JUN10	1,192	0.00
2.997.1900	Serengeti Opportunities - PRTNRSLP SCA104/1007JUN10	7,026	0.01
	Sub-total carried forward	<u>26,798,503</u>	<u>24.11</u>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS, continued

As at 30 June 2017

Number of Shares USD, continued	Description	Fair Value	% of net assets
	Sub-total brought forward	26,798,503	24.11
2,548.7800	Serengeti Opportunities - PRTNRLP STA104/1107 JN11	9,204	0.01
3,839.6800	Serengeti Opportunities - PRTNRLP STNA 104/1210 J11	13,863	0.01
1,329.0400	Serengeti Opportunities - PRTNRLP STNA104/0108 J11	4,800	0.00
7,833.7800	Serengeti Opportunities - PRTNRLP STNA104/1007 J11	28,288	0.03
687.5200	Serengeti Opportunities - PRTNRLP SCA104/1107D11	1,288	0.00
2,658.0300	Serengeti Opportunities - PRTNRLP STNA104/0907 J11	9,598	0.01
1,016.4900	Serengeti Opportunities - PRTNRLP SCA104/0907JUN10	2,384	0.00
963.6100	Serengeti Opportunities - PRTNRLP CA104/1210DEC11	1,806	0.00
1.0000	SFL Clover Limited	2,731,905	2.46
88.0200	Sowood Alpha Fund Ltd Class A2 USD Series 1	36,431	0.03
367.5600	Sowood Alpha Fund Ltd Class 2 USD Series 2	14,869	0.01
925,277.1000	Stillwater Asset Backed Fund II Onshore SPV/Gerova	74,762	0.07
68,130.6200	Ubique Limited	20,828,348	18.76
2,090.2300	V Invest FCVS RJ (Cayman) Ltd	209,023	0.19
-1.0000	Vision – Farms Provision (15% dis over 3yr 44.91%)	-903,694	-0.81
117,302.1019	Vision Chapadao Fund Series 1	27,484	0.03
38,872.2780	Vision Chapadao Fund Series 2	8,774	0.01
445,492.5360	Vision Chapadao Fund Series 3	46,643	0.04
1,590.3700	Vision Chapadao Fund Series 5	373	0.00
30,999.1690	Vision FCVS PB Fund Series 1	470,502	0.42
235,728.3153	Vision FCVS PB Fund Series 2	3,794,024	3.42
42,709.3850	Vision FCVS PB Fund Series 5	667,684	0.60
26,736.4200	Vision FCVS PB Fund Series 8	430,320	0.39
3,201.3200	Vision FCVS PB Fund Series 9	51,525	0.05
310,819.8510	Vision FCVS RJ Fund Series 1	6,957,702	6.26
297,520.8363	Vision FCVS RJ Fund Series 2	6,974,126	6.28
308,044.4190	Vision FCVS RJ Fund Series 4	7,056,805	6.35
192,714.3010	Vision FCVS RJ Fund Series 6	4,517,397	4.07
4,040.3600	Vision FCVS RJ Fund Series 7	94,710	0.09
100,142.7360	Vision I-NX	120	0.00
252,112.7475	Vision I-NX (D)	51	0.00
23,321.7093	Vision Piaui Fund Series 1	72,771	0.07
7,784.9820	Vision Piaui Fund Series 2	20,213	0.02
90,625.7960	Vision Piaui Fund Series 3	237,557	0.21
316.5600	Vision Piaui Fund Series 6	988	0.00
854.7660	Vision SCO Fund	945	0.00
45,819.9400	Vision Special Credit Opportunities ELT Fund Series 1	3,876,816	3.49
55,125.5010	Vision Special Credit Opportunities ELT Fund Series 2	4,906,776	4.42
62,809.8220	Vision Special Credit Opportunities ELT Fund Series 3	4,827,696	4.35
86,256.7500	Vision Special Credit Opportunities ELT Fund Series 5	6,934,509	6.25
752.0400	Vision Special Credit Opportunities ELT Fund Series 7	66,941	0.06
120,057.1990	Vision Tercado Fund Series 1	334,431	0.30
40,402.1530	Vision Tercado Fund Series 2	94,315	0.08
	Sub-total carried forward	<u>102,333,576</u>	<u>92.14</u>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## Schedule of Investments, continued

As at 30 June 2017

<b>Number of Shares</b>	<b>Description</b>	<b>Fair Value</b>	<b>% of net assets</b>
<b>USD, continued</b>			
	Sub-total brought forward	102,333,576	92.14
478,380.7240	Vision Tercado Fund Series 3	1,164,140	1.05
1,631.7100	Vision Tercado Fund Series 5	4,545	0.00
127,145.2050	Weaving FI Fund (in liquidation)	-	0.00
		<hr/>	
		103,502,261	93.19
		<hr/>	
	<b>Portfolio of investments</b>	106,988,113	96.33
		<hr/>	
	<b>Other net assets</b>	4,079,999	3.67
		<hr/>	
	<b>Total net assets attributable to Shareholders</b>	111,068,112	100.00

# ALTERNATIVE LIQUIDITY FUND LIMITED

## Officers and Advisers

<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>	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson Guernsey, GY2 4LH
<b>Investment Manager:</b>	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
<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>Guernsey Legal Adviser:</b>	Carey Olsen 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)



## ALTERNATIVE LIQUIDITY FUND LIMITED

(the "Company")

(a closed-ended company incorporated in Guernsey with registration number 60552)

### NOTICE

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of Shareholders of Alternative Liquidity Fund Limited will be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR on 13 December 2017 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions:

---

#### ORDINARY BUSINESS

To consider and if thought fit, pass resolutions 1-9 as ordinary resolutions:

1. THAT the Annual Report and Financial Statements for the year ended 30 June 2017 be received and adopted.
2. THAT the Directors' Remuneration Report for the year ended 30 June 2017 be received and approved.
3. THAT the Directors' Remuneration Policy be received and approved.
4. THAT Grant Thornton Limited be re-appointed as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.
5. THAT the Directors be and are hereby authorised to fix the remuneration of the Company's auditor for their next period of office.
6. THAT Mr Quentin Spicer be re-elected as a Director of the Company.
7. THAT Dr Richard Berman be re-elected as a Director of the Company.
8. THAT Mr Anthony Pickford be re-elected as a Director of the Company.
9. THAT the Company be generally and unconditionally authorised, in accordance with the Companies (Guernsey) Law, 2008 (as amended) (the "Law") to make market purchases (as defined in that Law) of Ordinary Shares of US\$0.01 ("Ordinary Shares"), either for retention as treasury shares for future resale or transfer or cancellation, provided that:
  - a. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent. of the issued Ordinary Shares on the date on which this resolution is passed;
  - b. the minimum price which may be paid for an Ordinary Share shall be US\$0.01 per share;
  - c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotations (as derived from the Daily Official List) of the Ordinary Shares for the five business days immediately preceding the date of purchase and (ii) the higher of the latest independent trade and the highest current independent bid on the trading venue on which the purchase is carried out; and
  - d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire 15 months from the date of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract

By order of the Board

Praxis Fund Services Limited  
Company Secretary

Date: 30 October 2017

Notes:

1. Any Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a Shareholder of the Company. A Shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by the Shareholder. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A proxy may be an individual or a body corporate who need not be a Shareholder of the Company.
2. The Form of Proxy, together with, if appropriate, any power of attorney or other authority or a notarially certified copy of any power of attorney or other authority (if any) under which it is signed, must be deposited with Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF not later than forty-eight hours before the time appointed for holding the meeting.
3. To appoint more than one proxy to vote in relation to different Shares within your holding you may photocopy the form. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.
4. Return of a completed Form of Proxy will not preclude a Shareholder from attending and voting personally at the meeting.
5. Any corporation which is a Shareholder of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of any class of Shareholders of the Company and the person so authorised shall be entitled to exercise the same power on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder of the Company.
6. To change your proxy instructions, simply submit a new proxy appointment using the method set out above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Please note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
7. Return of a completed Form of Proxy will not preclude a Shareholder from attending and voting personally at the meeting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The CREST Proxy Instruction, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Asset Services (ID RA10) no later than 48 hours before the time appointed for the Meeting (excluding and part of a non-working day). No such CREST Proxy Instruction received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Proxy Instruction by the CREST Applications Host) from which our registrar is able to retrieve the CREST Proxy Instruction by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Only Shareholders entered on the register of Shareholders of the Company will be entitled to receive notice of the meeting. In addition, only Shareholders registered in the register of Shareholders of the Company by close of business on 8 December 2017 shall be entitled to attend, speak, and vote at the meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the register after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
13. The notice sets out the Resolutions to be proposed at the meeting. The meeting will be chaired by the chairman of the Board or in the absence of the chairman then the Board shall nominate one of their number to preside as chairman. If neither the chairman of the Board nor the nominated Director are present at the meeting then the Directors present at the meeting shall elect one of their number to be chairman. If no Directors are present at the meeting then the Members Present in Person shall elect a chairman for the meeting by Ordinary resolution.
14. The quorum for a meeting of Shareholders is two or more Shareholders (provided that they are entitled to vote on the business to be transacted at the meeting) present in person.
15. If, within half an hour from the appointed time for the meeting, a quorum is not present, then the meeting will be adjourned to 9:00 am on 20 December 2017 at the same address. If, at that meeting, a quorum is not present within five minutes from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy will form a quorum whatever their number and the number of Shares held by them.

16. The majority required for the passing of the ordinary resolutions is more than fifty per cent. (50%) of the total number of votes cast in favour of each Resolution. The majority required for the passing of the special resolutions is more than seventy five per cent. (75%) of the total number of votes cast in favour of the Resolution.
17. If the Resolutions are duly passed at the meeting (or any adjourned meeting thereof), and other necessary formalities are completed, this will result in all of the proposed Resolutions becoming binding on each Shareholder in the Company whether or not they voted in favor of the resolutions, or voted at all.
18. To allow effective constitution of the meeting, if it is apparent to the chairman that no Shareholders will be present in person or by proxy in the chairman's favor, then the chairman may appoint a substitute to act as proxy in his stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.
19. At any meeting, a resolution put to the vote shall be decided by a show of hands or by a poll at the option of the chairman. Nevertheless before or on the declaration of the result a poll may be demanded by the chairman; or by one Member present in person or by proxy. The demand for a poll may be withdrawn.
20. Unless a poll be demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded.



**ALTERNATIVE LIQUIDITY FUND LIMITED**  
(the "Company")

(a closed-ended company incorporated in Guernsey with registration number 60552)

**FORM OF PROXY**  
**ANNUAL GENERAL MEETING**

Form of proxy for use by Shareholders at the Second Annual General Meeting of the Company convened at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR, on 13 December 2017 at 9:00 a.m.

I/We

\_\_\_\_\_

(full name(s) in block capitals)

of

\_\_\_\_\_

(address in block capitals)

being a member of Alternative Liquidity Fund Limited hereby appoint(s)

1 the Chairman of the meeting or the Company Secretary, such appointment being determined at the Chairman's discretion *or*

2 .....

.....

(name and address of proxy in block capitals)

as my/our proxy to attend, and on a poll, vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 13 December 2017 at 9 a.m. and at any adjournment thereof.

I/We wish my/our proxy to vote as indicated below in respect of the Resolutions to be proposed at the Annual General Meeting. *Please indicate which way you wish your proxy to vote by ticking the appropriate box alongside each Resolution. Unless otherwise instructed, the proxy will vote as he thinks fit or withhold such vote (see note 2 below).*

Please tick here if this proxy appointment is one of multiple appointments being made\*

Please indicate the number of shares this proxy is appointed over (if less than your full voting entitlement).

**ORDINARY RESOLUTIONS**

	VOTE FOR	VOTE AGAINST	VOTE WITHHELD
1. THAT the Annual report and Financial Statements for the year ended 30 June 2017 be received and adopted.			
2. THAT the Directors' Remuneration Report for the year ended 30 June 2017 be received and approved.			
3. THAT the Directors' Remuneration Policy be received and approved.			
4. THAT Grant Thornton Limited be re-appointed as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.			
5. THAT the directors be and hereby are authorised to fix the remuneration of the Company's auditors for their next period in office			
6. THAT Quentin Spicer be re-elected as a Director of the Company.			
7. THAT Richard Berman be re-elected as a Director of the Company.			
8. THAT Tony Pickford be re-elected as a Director of the Company.			

<p>9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 315 of The Companies (Guernsey) Law, 2008 (as amended) (the "Law") (subject to the Listing Rules and all other applicable legislation and regulations) to make market acquisitions (as defined in the Law) of its Ordinary Shares in issue, in line with the provisions stated in the Notice of AGM.</p>			
--	--	--	--

**If by an individual:**

Signed by:.....

Dated:.....2017

**If for and on behalf of a corporation:**

Signed by:.....

For and on behalf

of:  
.....

Position: .....

Dated:.....2017

Notes:

1. Any Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a Shareholder of the Company. A Shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by the Shareholder. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A proxy may be an individual or a body corporate who need not be a Shareholder of the Company.
2. To be valid this Form of Proxy, together with, if appropriate, any power of attorney or other authority or a notarially certified copy of any power of attorney or other authority (if any) under which it is signed, must be deposited with Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF not later than forty-eight hours before the time appointed for holding the meeting.
3. To appoint more than one proxy to vote in relation to different Shares within your holding you may photocopy the form. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.
4. Return of a completed Form of Proxy will not preclude a Shareholder from attending and voting personally at the meeting.
5. The "Vote Withheld" option on the Form of Proxy is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
5. Any corporation which is a Shareholder of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of any class of Shareholders of the Company and the person so authorised shall be entitled to exercise the same power on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder of the Company.
6. To change your proxy instructions, simply submit a new proxy appointment using the method set out above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Please note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
7. Return of a completed Form of Proxy will not preclude a Shareholder from attending and voting personally at the meeting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The CREST Proxy Instruction, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Asset Services (ID RA10) no later than 48 hours before the time appointed for the Meeting (excluding and part of a non-working day). No such CREST Proxy Instruction received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Proxy Instruction by the CREST Applications Host) from which our registrar is able to retrieve the CREST Proxy Instruction by enquiry to CREST in the manner prescribed by CREST.  
  
After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 12 Only Shareholders entered on the register of Shareholders of the Company will be entitled to receive notice of the meeting. In addition, only Shareholders registered in the register of Shareholders of the Company by close of business on 8 December 2017 shall be entitled to attend, speak, and vote at the meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the register after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 13 The notice sets out the Resolutions to be proposed at the meeting. The meeting will be chaired by the chairman of the Board or in the absence of the chairman then the Board shall nominate one of their number to preside as chairman. If neither the chairman of the Board nor the nominated Director are present at the meeting then the Directors present at the meeting shall elect one of their number to be chairman. If no Directors are present at the meeting then the Members Present in Person shall elect a chairman for the meeting by Ordinary resolution.
- 14 The quorum for a meeting of Shareholders is two or more Shareholders (provided that they are entitled to vote on the business to be transacted at the meeting) present in person.
- 15 If, within half an hour from the appointed time for the meeting, a quorum is not present, then the meeting will be adjourned to 9:00 am on 20 December 2017 at the same address. If, at that meeting, a quorum is not present within five minutes from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy will form a quorum whatever their number and the number of Shares held by them.
- 16 The majority required for the passing of the ordinary resolutions is more than fifty per cent. (50%) of the total number of votes cast in favour of each Resolution. The majority required for the passing of the special resolutions is more than seventy five per cent. (75%) of the total number of votes cast in favour of the Resolution.
- 17 If the Resolutions are duly passed at the meeting (or any adjourned meeting thereof), and other necessary formalities are completed, this will result in all of the proposed Resolutions becoming binding on each Shareholder in the Company whether or not they voted in favor of the resolutions, or voted at all.
- 18 To allow effective constitution of the meeting, if it is apparent to the chairman that no Shareholders will be present in person other than by proxy in the chairman's favor, then the chairman may appoint a substitute to act as proxy in his stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.
- 19 At any meeting, a resolution put to the vote shall be decided by a show of hands or by a poll at the option of the chairman. Nevertheless before or on the declaration of the result a poll may be demanded by the chairman; or by one Member present in person or by proxy. The demand for a poll may be withdrawn.
- 20 Unless a poll be demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded.