

DESCRIPTION

Alternative Liquidity Fund Limited (“ALF” or the “Company”) is a Guernsey-domiciled, London Stock Exchange (LSE) - traded closed ended investment company. ALF is listed on the Specialist Fund Segment of the LSE. ALF is a self-managed AIF and has appointed Hindsight Solutions Ltd. as Investment Adviser to assist the Board realise ALF’s investments and return cash to investors.

COMPANY INFORMATION

| | | | |
|----------------------------|--------------------------|---|------------------|
| Investment Adviser: | Hindsight Solutions Ltd. | Subscriptions & Redemptions: | None, LSE Traded |
| Dollar Share | ORD | Bloomberg: | ALF.LN |
| Domicile: | Guernsey | Reuters: | ALF.L |
| SEDOL: | BYRGP66 | ISIN: | GG00BYRGP665 |

PORTFOLIO OVERVIEW (as at June 30, 2021):

| SIGNIFICANT POSITIONS | Manager NAV (\$M) | Provision | ALF NAV (\$M) | % of Portfolio | ASSET CLASS EXPOSURE | % of ALF NAV |
|--|-------------------|-------------|---------------|----------------|---|-------------------------------|
| Vision FCVS RJ Fund | \$19.1 | -40% | \$11.5 | 43.9% | Bonds/Credit | 85% |
| Vision Special Credit Opp Eletrobras Fund | \$16.2 | -40% | \$9.7 | 37.2% | Real Estate | 3% |
| Warana 2018 Fund | \$0.9 | -17% | \$0.7 | 2.7% | Equity | 6% |
| Vision Invest RJ | \$0.8 | 0% | \$0.8 | 3.2% | Other | 1% |
| Growth Management Limited | \$0.9 | -30% | \$0.6 | 2.4% | Cash (Includes cash at underlying fund level) | 5% |
| Autonomy Rochevera Fund | \$0.4 | 0% | \$0.4 | 1.7% | | |
| Abax Arhat Funds | \$4.1 | -90% | \$0.4 | 1.6% | GEOGRAPHIC ALLOCATION | % of ALF NAV (ex cash) |
| Volia Limited | \$0.2 | 0% | \$0.2 | 1.0% | Americas | 94% |
| Serengeti Opportunities Funds | \$0.0 | 0% | \$0.0 | 0.1% | Brazil | 91% |
| Other Investments | \$38.0 | -99% | \$0.2 | 0.9% | North America | 2% |
| Net Cash | \$1.3 | - | \$1.3 | 5.0% | Other Latin America & Caribbean | 1% |
| Receivables | \$0.1 | - | \$0.1 | 0.2% | Europe | 4% |
| Total | \$82.2 | -68% | \$26.1 | 100% | Ukraine | 2% |
| | | | | | European Union & United Kingdom | 1% |
| | | | | | Other Europe | 1% |
| Net Asset Value Per Share (June 30, 2021) | 0.5604 | | 0.1783 | | Asia | 2% |
| Net Asset Value Per Share (Mar 31, 2021) | 0.6197 | | 0.1617 | | China | 2% |
| Change (%) in NAV Per Share | -9.57% | | 10.27% | | Rest of World | 0% |

(Please note totals may not sum due to rounding)

FUND UPDATE

ALF’s Net Asset Value (“NAV”) increased by 10.27% during the second quarter of 2021, the main driver was FX-related, with the Brazilian Real appreciating just over 13% in the quarter vs. the US Dollar. The Real has depreciated approximately 7% from June 30 to 20 September, the date of writing.

ALF returned \$1.46mln to shareholders via a customary B share issue in April 2021. This was the tenth distribution since listing and the Company has now returned over \$34mln to shareholders, or \$23.5c a share.

Total cash received during the quarter was \$358k. This was derived mostly from Volia - \$196k; Warana 2018 Fund - \$131k; and Camofi - \$20k.

As announced in August, the Company issued a circular and held an EGM on September 2, 2021. All resolutions were passed and the Board, together with the Adviser, are now working with Waverton Investment Management in pursuance of the announced growth strategy for ALF.

ALF VALUATION METHODOLOGY

ALF is invested in approximately 24 illiquid third-party funds and companies.* The quality of assets and information provided by the managers of these funds varies greatly. While many funds provide regular net asset value estimates of their portfolio, the Board believes that these valuations can be optimistic in their inputs or assumptions, and it is generally expected that these type of funds trade at a discount to these valuations in the secondary market (where observable). Some of the funds in the ALF portfolio are also delinquent in providing their valuation estimates and/or have not had their accounts audited in a regular timeframe. As such, the Board thinks it is appropriate to review the valuations provided by the underlying funds and apply provisions where appropriate. Unfortunately, the secondary market for fund interests is not deep, is characterized by many small transactions and pricing information is not transparent. Price points can also be skewed adversely through the activity of one-off, highly motivated sellers. As such, the Board cannot readily apply a 'mark to secondary bid' valuation approach.

As previously mentioned, the provisioning process takes into account the quality of the information received from the underlying funds, their valuation processes, geographical locations and risks associated with an underlying fund's assets. Where possible, this analysis is then checked against observable secondary market activity. Provisions are applied based on the following criteria:

1. Where a manager, liquidator or other authorized party has advised that they expect a recovery materially less than the stated net asset value, the conservative end of the recovery range is used.

Where no third-party guidance is received, the Board applies provisions of 10% – 50% across each of the following criteria cumulatively:

2. If the net asset value is delinquent and/or not provided within the timeframe previously advised to investors, a provision is applied.
3. If a third-party liquidator (or similar) has been appointed, an incremental discount is applied and if this party has not made progress on the fund in a reasonable time frame, this discount may be increased.
4. The Board seeks to receive bottom-up information on the remaining assets in each of the underlying funds. Because these funds are run by third parties, it is not always possible to get the full amount of information desired. An incremental discount is applied if the additional asset level information desired has not been received.
5. If fund audited financial statements are late or qualified, a discount is applied, which increases if an audit has not been completed for several years.
6. It is expected that invested funds have third party administrators/valuation agents. Should the Board not be able to determine whether such a group is still involved, an incremental discount is applied.
7. An additional discount is applied relating to the perceived incremental geographic, political or currency related risk of the fund or manager.
8. It is not uncommon for legacy illiquid funds to be involved in some type of litigation or have issues with key regulators. An incremental discount is applied depending on the severity of the litigation or investigation.
9. Should the fund or assets still have significant leverage, an incremental discount is applied.

The Board then gathers the cumulative discounts applied in steps 1 through 9 and seeks to compare the proposed provision against what is observable in the secondary market. The following incremental test is applied.

10. If the Board is aware of a reliable third party, completed secondary market price that is:
 - a. Within the last 6 months: AND
 - b. At a discount to the manager-provided net asset value of greater than 50% discount; AND
 - c. The price is more than 25% different to the Board's price calculated by applying 1 through 9, then an extra provision is applied to equate the provision levels to the secondary market value. The Board will keep that provision in place until new and/or significant information emerges.

*Includes portfolio holdings with a positive NAV after provisions.

(Continued on the next page)

ALF VALUATION METHODOLOGY (Continued)

The following table summarizes how each of the top 9 investments in ALF (by ALF NAV) measure against the valuation approach and the cumulative provision applied against each:

Valuation Guidelines

| Fund Holdings | 1. Alternative Outcome Advised | 2. Not Reporting NAV on Schedule | 3. Liquidator Appointed | 4. Unwillingness of Manager to Provide Asset Level Info | 5. AFS not Produced on Schedule | 6. No Third Party Administrator | 7. Asset or Manager Based in EM Country | 8. Significant SEC Inquiry or Litigation | 9. Asset Levered | 10. Recent Secondary Market Trading Activity | Total ALF Provision |
|--|--------------------------------|----------------------------------|-------------------------|---|---------------------------------|---------------------------------|---|--|------------------|--|---------------------|
| | ✓/- | */- | */- | */- | */- | */- | */- | */- | */- | ✓/- | % |
| Vision Brazil FCVS RJ Fund | - | * | - | - | * | - | * | * | - | - | -40% |
| Vision Brazil Special Credit Opp Eletrobras Fund | - | * | - | - | * | - | * | * | - | - | -40% |
| Growth Management Limited | - | - | - | - | - | - | * | - | - | - | -30% |
| Warana 2018 Fund ⁽¹⁾ | ✓ | - | - | - | - | - | - | - | - | - | -17% |
| Vision RJ Cayman | - | - | - | - | - | - | - | - | - | - | 0% |
| Autonomy Rochavera Fund | ✓ | - | - | - | * | - | * | * | - | - | 0% |
| Abax Arhat Funds | - | * | - | * | * | * | * | * | - | ✓ | -90% |
| Serengeti Opportunities Funds | - | - | - | - | - | - | - | - | - | - | 0% |
| Volia Limited | - | - | - | - | - | - | - | - | - | - | 0% |
| Other Investments | | | | | | | | | | | -99% |
| Net Cash | | | | | | | | | | | 0% |
| Receivables/Other Assets | | | | | | | | | | | 0% |
| Total | | | | | | | | | | | -69% |

BOARD OF DIRECTORS

The Board comprises three Directors, all of whom are non-executive and independent of the Investment Adviser. The Directors are responsible for the determination of the Company's investment policy and overall supervision. The Directors are as follows:

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

Dr Richard Berman: Dr Berman is a UK resident. He has been involved with the investment management sector since 1989. He was previously a Manager with Orion Bank Limited, Treasurer of Andrea Merzario SpA, Group Treasurer of Heron Corporation plc, joint Managing Director and co-founder of Pine Street Investments Limited, and CEO and co-founder of Sabrecorp Limited and Signet Capital Management Limited. His experience includes advising on the establishment, regulation and management of funds and fund management companies in a range of international jurisdictions. He has a PhD in History from the University of Exeter and an MA in Economics from the University of Cambridge. He is a Fellow of the Chartered Securities & Investment Institute, a Fellow of the Association of Corporate Treasurers, and a Visiting Research Fellow at Oxford Brookes University.

Anthony Pickford: Mr Pickford is a resident of Guernsey. He qualified as a Chartered Accountant in 1976. He moved to Guernsey in 1978 as an Audit Senior with Carnaby Harrower Barnham & Company (now Deloitte). In 1986 he joined Chandlers as a partner with a specialism in insolvency matters and advised a range of financial services companies and trading companies on insolvency matters as well as acting as financial adviser to local entities. He became Managing Director of the firm in 2000 and assumed the role of Chairman in 2004 until his retirement in 2008. He has previously been a non-executive Director of several listed companies.

SERVICE PROVIDERS

| | | | |
|----------------|---------------------------|-----------------|------------------------|
| Custodian: | Citibank, N.A. | Guernsey Legal: | Carey Olsen |
| Auditor: | Grant Thornton LLP | UK Legal: | Stephenson Harwood LLP |
| Administrator: | Praxis Fund Services Ltd. | Registrar: | Link Asset Services |

DISTRIBUTIONS

| Announcement Date | Ex Date | Record Date | Payment Date | Amount (per share) |
|-------------------|-------------------|-------------------|--------------------|--------------------|
| August 31, 2016 | September 5, 2016 | September 6, 2016 | September 15, 2016 | \$ 0.020 |
| November 28, 2016 | November 30, 2016 | December 1, 2016 | December 15, 2016 | \$ 0.055 |
| June 8, 2017 | June 20, 2017 | June 21, 2017 | June 30, 2017 | \$ 0.025 |
| October 30, 2017 | October 31, 2017 | November 1, 2017 | November 10, 2017 | \$ 0.030 |
| April 6, 2018 | April 9, 2018 | April 10, 2018 | April 19, 2018 | \$ 0.030 |
| November 22, 2018 | November 22, 2018 | November 23, 2018 | December 13, 2018 | \$ 0.020 |
| January 24, 2019 | January 25, 2019 | January 28, 2019 | February 15, 2019 | \$ 0.020 |
| December 5, 2019 | December 19, 2019 | December 20, 2019 | January 7, 2020 | \$ 0.015 |
| July 24, 2020 | July 28, 2020 | July 29, 2020 | August 18, 2020 | \$ 0.010 |
| March 25, 2021 | March 29, 2021 | March 30, 2020 | April 23, 2021 | \$ 0.010 |
| | | | Total | \$ 0.235 |

DISCLOSURES/ FOOTNOTES

There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. Due to rounding, totals in tables may not add up to 100%. Fund holdings are subject to change and should not be considered investment advice.

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Link Asset Services, ALF's Registrar, is available to answer any queries in relation to your shareholding. In particular, please contact Link Customer Support to claim any distributions that may have been unpaid due to outdated shareholder information.

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

Email: enquiries@linkgroup.co.uk

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

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