

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

**INTERIM REPORT AND UNAUDITED  
CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
31 DECEMBER 2021**

# ALTERNATIVE LIQUIDITY FUND LIMITED

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# ALTERNATIVE LIQUIDITY FUND LIMITED

## Highlights

### For the six months ended 31 December 2021

- US\$2.2m was distributed to B Shareholders (31 December 2020: US\$1.47 million)

### Financial Highlights at 31 December 2021

	<b>31 December 2021</b>	<b>30 June 2021</b>
Total net asset value (“NAV”)	US\$18.7 million	US\$26.1 million
NAV per Ordinary Share	12.77¢	17.83¢
Share price	8.00¢	7.00¢
Discount to NAV	37.4%	60.7%

# ALTERNATIVE LIQUIDITY FUND LIMITED

## COMPANY SUMMARY

### Principal activity

Alternative Liquidity Fund Limited (the “Company” or “ALF”) was incorporated and registered in Guernsey under The Companies (Guernsey) Law, 2008 on 25 June 2015. The Company’s registration number is 60552 and it is regulated by the Guernsey Financial Services Commission (“GFSC”) as a non-cellular company limited by shares. The Company is listed on the Specialist Fund Segment (“SFS”) of the Main Market of the of the London Stock Exchange (“LSE”) since 26 January 2021, when it transferred from the Premium Segment of the LSE.

The Company is pursuing a realisation strategy in relation to the Existing Portfolio. The Company is currently invested in a diversified portfolio of illiquid interests in funds, securities and other instruments with the objective to manage, monitor and realise these investments over time.

### Investment policy

The Company’s investment policy is to invest in a diversified portfolio of illiquid investments, funds and funds of funds such as hedge funds, private equity funds, real estate funds, infrastructure funds, private investment funds and other alternative investment vehicles, sponsored or managed by investment managers across the world.

The 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.

As at 31 December 2021, the Company was fully invested subject to a cash and cash equivalents amount retained for working capital requirements. It is the intention that the Company will aim to be fully invested at all times, although the Company may hold cash or cash equivalent investments from time to time. The Company expects to be very prudent in its use of borrowings due to the illiquid nature of the portfolio; however, the Company has the ability to borrow up to 25% 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.

The Board reviewed potential growth strategies and the scope for the Company to offer new share classes. The Company published a placing programme prospectus in October 2019 with a view to issuing an additional share class to make investments in line with the Company’s current investment policy. For a variety of factors, including the onset of COVID-19, no new capital was raised under that placing programme.

Following the transfer to the SFS, the Investment Management Agreement between the Company and Warana Capital LLC was terminated by mutual agreement with effect from 31 December 2020. Hindsight Solutions Limited, a company owned and operated by Tim Gardner, was engaged to provide investment advisory services in relation to the Company. The Adviser is an appointed representative of Rampart Capital LLP, which is authorised and regulated by the Financial Conduct Authority. Tim has been consistently providing day-to-day operational oversight and support in relation to the Company and its portfolio since the Company’s launch in 2015.

### Outlook

As discussed in further detail in the Chairman’s statement below, the Board continues to believe that it is in the best interests of Shareholders to raise additional capital through the launch of a new segregated class of ordinary shares. Shareholder approval was obtained at the EGM held on 6 September 2021 to redesignate the existing Ordinary Shares as Realisation Shares (the “Realisation Portfolio”) and to issue a new class of segregated Ordinary Shares (the “Ordinary Portfolio”), to appoint Waverton Investment Management Limited as investment manager of the new Ordinary Portfolio and to adopt a new investment objective and policy of the Ordinary Portfolio, all subject to a successful capital raise and admittance of the new Ordinary Shares to the SFS. Hindsight would remain as Investment Adviser to the Company in respect of the Realisation Portfolio.

The investment objective of the proposed Ordinary Portfolio would be to generate capital growth and income over the long term through investment in a globally diversified multi-asset class portfolio across a range of quoted and unquoted asset classes.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CHAIRMAN'S STATEMENT

### Introduction

I am pleased to present the results for the period from 1 July 2021 to 31 December 2021. The Company is an investment entity listed on the SFS of the LSE which focuses exclusively on the realisation of hedge fund side pockets and other illiquid funds previously held in open-ended structures. The listing has provided liquidity to those Shareholders who required it; quarterly portfolio reporting; active portfolio realisation management; and superior corporate governance.

### Portfolio and performance

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

At the start of the period the Company had a Net Asset Value ("NAV") of US\$26.1m and a NAV per share of US\$0.1783. At the end of the period the Company's NAV was US\$18.7m and a US\$0.1273 NAV per share. The Company announced a distribution of approximately US\$2.2m (US\$0.015 per share) to Shareholders in October 2021 by way of a B share issuance and subsequent redemption. The Company has a cash balance of approximately US\$1.41m as at 31 December 2021 (30 June 2021: US\$1.43m). Adjusting for the distribution in the period, there was a 19.28% (US\$0.0343 per share) decrease (30 June 2021: 7.23% (US\$0.0954 per share) decrease) in the value of the Company in the period.

The notable drivers of the decrease in NAV were: the lowering of the Vision Special Opportunities Eletrobrás Fund (Vision ELT) valuation by its manager by 45%, and an additional increase in our provision from 40% to 45%; the B share distribution; and currency depreciation. The Brazilian Real depreciated against the US dollar by approximately 10% (31 June 2021: appreciated approximately 10%), which had a material effect on 87% of the portfolio holdings (Vision and Autonomy).

The three Vision Funds now make up 78% of the Company's adjusted NAV (30 June 2021: 82%). The Vision Funds' independent directors appointed a secondary broker to co-ordinate an auction process on the Vision ELT Fund. Two firm bids were received and the Vision ELT Fund has signed a non-binding letter of intent with the highest bidder. The indicated pricing was in line with the provisioned ALF NAV. The potential purchaser has until early April 2022 to confirm their price and conduct an accurate waterfall analysis which will allow the shareholders of Vision ELT Fund to confirm the net monetary result should a sale be agreed. The Vision ELT portfolio continues to mature, the Company received a US\$2.58m distribution from Vision ELT during the period and we continue to expect further distributions over the next six months.

With regards to Vision FCVS RJ, both Vision and their independent directors continue to pursue a settlement strategy. This is a complex legal pool of claims with many stakeholders, Vision continues to believe that the best route to pursue, is a sale of the claims to a local Bank or existing stakeholder who has a greater likelihood of successful monetization. The Board and the Investment Adviser agree with this assessment and are supportive of the Vision team's efforts.

Growth Management Limited (Growth) took a large write down in NAV in December (95%). This was due to the decision by the manager to take notable write downs against the two main assets. One is a fund invested in defaulted Cuban debt, which recently had an EGM that approved a lengthy extension to the life of the fund. That signified that the ability for Growth to realise its investment in the fund in the foreseeable future was greatly diminished.

The other assets marked down in December (100%) were the Growth fund's investment in Ukrainian real estate assets. With the recent military intervention in the region, there is a notable lack of exit options for Growth's assets. They continue to explore exit opportunities for both assets, but the likely price of realisation has diminished recently, which is reflected in the mark downs taken in December. All of the Company's exposures to Ukrainian and Russian assets are now fully written down.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CHAIRMAN'S STATEMENT (CONTINUED)

During the period the Company received US\$2.81m from underlying manager distributions (30 June 2021: US\$2.93m), this comprised:

	<b>US\$</b>
White Oaks	4,127
Vision FCVS PB Fund	12,212
Galileo Capital Partners	30,470
Warana SP 2018 Fund	190,128
Vision Special Credit Opp ELT Fund	2,576,195

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.

### **Outlook**

On 6 September 2021, the Company held an EGM requesting Shareholder approval to issue a new segregated class of Ordinary Shares, to appoint Waverton Investment Management Limited ("Waverton") as investment manager of the Ordinary Portfolio and to adopt a new investment objective and policy for the Ordinary Portfolio. Shareholders voted overwhelmingly in favour of the proposals.

The Company and Waverton targeted the end of March 2022 as the proposed listing date for the new share class. Unfortunately, despite a promising fundraising and marketing period, the Russian invasion of Ukraine destabilised the financial markets to such an extent that a successful listing was deemed to be extremely unlikely. The transaction was therefore suspended. It is intended that marketing will recommence and alternative solutions explored.

We expect to inform Shareholders before the financial year end of 30 June 2022 of our proposals. As previously communicated, all costs associated with the fundraising have been underwritten by Waverton, and the existing Shareholders of ALF will not have incurred any expenses or liabilities.

If the Company and Waverton are not successful in, or decide against, the launch of a new share class at the current time, the Board will examine the options available to the Company to accelerate the continuing managed wind-down of the portfolio within a specified time frame. We will propose and discuss with Shareholders a designated realisation date. This may necessitate a formal alteration to the Company's current investment policy, in which case Shareholders will be asked to approve this via an EGM.

**Quentin Spicer**  
**Chairman**  
**25 March 2022**

# 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 by virtue of having no material business relationship with the Company or the former investment manager within the last three years, having received no additional remuneration from the Company apart from a directors' fee, having no close family ties with any of the Company's advisers, Directors or the former investment manager, having no cross-directorships or significant links with other Directors or serving on the board of any other company managed by the same manager, nor representing any significant Shareholder and having served on the board for less than nine years from the date of their first appointment, are as follows:

***Quentin Spicer, Chairman, age 77, appointed 25 June 2015***

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 and The Guernsey Housing Association LBG and is currently a director of a number of Property Funds including Summit Properties Limited. He is a member of the Institute of Directors.

***Anthony Pickford, aged 68, appointed 14 July 2015***

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

***Dr Richard Berman, age 65, appointed 14 July 2015***

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

# ALTERNATIVE LIQUIDITY FUND LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Interim Report and Unaudited Interim Condensed Financial Statements in accordance with applicable law and regulations:

- These Unaudited Interim Condensed Financial Statements, which have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") with additional disclosure that the Company consider to be relevant, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Company; and
- The Interim Report includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, being an indication of important events that have occurred during the period ended 31 December 2021 and their impact on the Unaudited Interim Condensed Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, being related party transactions that have taken place during the period ended 31 December 2021 and have materially affected the financial position or performance of the Company during that period, and any changes since the related party transactions described in the last Annual Report that could do so.

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

The half-yearly financial report has not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information.

### Going Concern

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 from the approval date of the financial statements.

The Board believes that the existing portfolio will take several years to become liquid. The Board is however also mindful of the difficulties of liquidating the remaining assets within the Portfolio, which are inevitably the most complex, and are aware of the need to reduce the cost base in what could be the equivalent to an orderly wind down.

Signed on behalf of the Board by:



**Anthony Pickford**  
**Director**  
**25 March 2022**



# ALTERNATIVE LIQUIDITY FUND LIMITED

## PRINCIPAL 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.

In the Board's opinion, the principal risk arises from the inherent difficulty of fairly valuing the portfolio assets in current market conditions. In order to manage this risk, the Investment Adviser 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 consultation with the Investment Adviser, may make provisions to adjust the carrying fair value of investments where they believe that such valuations do not reflect the likely realisation value of those investments.

The Board, together with the Investment Adviser have developed a provisioning process to evaluate the portfolio as objectively as possible. In executing this process, the Investment Adviser actively seeks to obtain good quality information from the underlying funds, and reviews and assesses this and the underlying funds' valuation processes, geographical locations and risks associated with the assets. Where possible, this analysis is then checked against observable secondary market activity.

The Board appointed the Investment Adviser after a substantial due diligence process, whereby they evaluated the Investment Adviser experience and expertise in the management of illiquid assets. The Board and the Investment Adviser also hold quarterly board meetings which involve detailed discussions and presentation on the investment performance of the Company and the underlying investee companies. The Board also formally conducts a review of the performance of the Investment Adviser on an annual basis.

### Other Risks

- **Market price:** the Company monitors this risk, which is reviewed regularly in consultation with the Investment Adviser.
- **Liquidity:** 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 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.
- **Regulatory:** the Company operates in a complicated regulatory environment and faces a number of regulatory risks. Breaches of law and regulations, such as GFSC Rules, Codes and Guidance, the SFS Rules, The Companies (Guernsey) Law, 2008, the Disclosure Guidance and Transparency Rules ("DTR") and The Protection of Investors (Bailiwick of Guernsey) Law, 2020 could lead to a number of serious outcomes and reputational damage. The Board monitors compliance with law and regulations by regular review of internal control reports.
- **Interest rate:** the Company does not hold any interest-bearing investments or borrowings 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 to be immaterial to the Company.
- **COVID-19:** the pandemic has presented a significant risk to the global economy and financial markets, which has resulted in an unprecedented level of market volatility and disruption. The Board has reviewed the business continuity arrangements of the service providers to the Company, which include the ability for all key employees to work from home, and does not believe that the pandemic has had a significant effect on the Company.
- **Geopolitical:** the Company holds assets where the underlying product is in regions which may have unpredictable political circumstances. The locations are continually monitored for changes in the level of risk.

Note 7 to the Audited Financial Statements for the year ended 30 June 2021, 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.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 31 December 2021

	Notes	For the six months ended 31 December 2021 (unaudited) US\$	For the six months ended 31 December 2020 (unaudited) US\$
<b>Income</b>			
Net (losses)/gains on financial assets at fair value through profit or loss	6 (b)	(4,574,958)	3,271,104
Net foreign exchange (losses)/gains		(4,086)	72,460
<b>Total net (losses)/gains</b>		<b>(4,579,044)</b>	<b>3,343,564</b>
<b>Expenses</b>			
Investment Adviser's fee	3	302,721	-
Investment Manager's fee		-	324,688
Other expenses	3	252,633	295,306
<b>Total operating expenses</b>		<b>555,354</b>	<b>619,994</b>
<b>Total comprehensive (loss)/gain for the period</b>		<b>(5,134,398)</b>	<b>2,723,570</b>
<b>(Loss)/earnings per Ordinary Share (basic and diluted)*</b>	5	<b>(3.50) ¢</b>	<b>1.86¢</b>

\*Basic earnings per Ordinary Share is calculated by dividing the income for the period by the weighted average number of Ordinary Shares outstanding during the period which was 146,644,387 (31 December 2020: 146,644,387). Diluted earnings per Ordinary Share is the same as basic earnings per Ordinary Share since there are no dilutive potential Ordinary Shares arising from financial instruments.

The Company does not have any other comprehensive income for the period and therefore the 'total comprehensive income' is also the income for the period.

All items in the above statement derive from continuing operations.

The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Interim Condensed Financial Statements.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION As at 31 December 2021

	Notes	31 December 2021 (unaudited) US\$	30 June 2021 (audited) US\$
<b>Non-current assets</b>			
Investments at fair value through profit or loss	6 (a)	17,289,664	24,689,159
<b>Current assets</b>			
Other receivables and prepayments		93,198	43,530
Cash and cash equivalents		1,410,709	1,429,748
		<u>1,503,907</u>	<u>1,473,278</u>
<b>Total assets</b>		18,793,571	26,162,437
<b>Liabilities</b>			
Other payables		73,069	107,871
<b>Total net assets</b>		<u>18,720,502</u>	<u>26,054,566</u>
<b>Equity</b>			
Share capital	7	110,061,119	112,260,785
Retained losses		(91,340,617)	(86,206,219)
<b>Total equity</b>		<u>18,720,502</u>	<u>26,054,566</u>
<b>Number of Ordinary Shares</b>	7	<u>146,644,387</u>	<u>146,644,387</u>
<b>Net asset value per Ordinary Share</b>	8	<u>12.77¢</u>	<u>17.77¢</u>

The Unaudited Interim Condensed Financial Statements on pages 8 to 25 were approved and authorised for issue by the Board of Directors on 25 March 2022 and signed on its behalf by:



Director

*The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Interim Condensed Financial Statements.*

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY For the six months ended 31 December 2021

For the six months ended  
31 December 2021 (unaudited)

	Notes	Ordinary Share capital US\$	B Share capital US\$	Retained losses US\$	Total US\$
<b>As at 1 July 2021</b>		<b>112,260,785</b>	<b>-</b>	<b>(86,206,219)</b>	<b>26,054,566</b>
B shares issued as distributions to Shareholders	7	(2,199,666)	2,199,666	-	-
B shares redeemed and cancelled during the period	7	-	(2,199,666)	-	(2,199,666)
Total comprehensive loss for the period		-	-	(5,134,398)	(5,134,398)
<b>As at 31 December 2021</b>		<b>110,061,119</b>	<b>-</b>	<b>(91,340,617)</b>	<b>18,720,502</b>

For the six months ended  
31 December 2020 (unaudited)

	Notes	Ordinary Share capital US\$	B Share capital US\$	Retained losses US\$	Total US\$
<b>As at 1 July 2020</b>		<b>115,193,673</b>	<b>-</b>	<b>(89,743,039)</b>	<b>25,450,634</b>
B shares issued as distributions to Shareholders	7	(1,466,444)	1,466,444	-	-
B shares redeemed and cancelled during the period	7	-	(1,466,444)	-	(1,466,444)
Total comprehensive income for the period		-	-	2,723,570	2,723,570
<b>As at 31 December 2020</b>		<b>113,727,229</b>	<b>-</b>	<b>(87,019,469)</b>	<b>26,707,760</b>

The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Interim Condensed Financial Statements.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Note	For the six months ended 31 December 2021 (unaudited) US\$	For the six months ended 31 December 2020 (unaudited) US\$
<b>Cash flows from operating activities</b>			
Total comprehensive (loss)/income for the period		(5,134,398)	2,723,570
Adjustments for:			
Net losses/(gains) on financial assets at fair value through profit or loss	6 (b)	4,574,958	(3,271,104)
Net foreign exchange losses/(gains)		4,086	(72,460)
(Increase)/decrease in other receivables and prepayments		(38,263)	98,438
Decrease in other payables		(34,802)	(30,479)
		<b>(628,419)</b>	<b>(552,035)</b>
Sales of investments		2,813,132	2,041,939
<b>Net cash from operating activities</b>		<b>2,184,713</b>	<b>1,489,904</b>
<b>Cash flows used in financing activities</b>			
B shares redeemed during the period	7	(2,199,666)	(1,466,444)
<b>Net cash used in financing activities</b>		<b>(2,199,666)</b>	<b>(1,466,444)</b>
<b>Net (decrease)/ increase in cash and cash equivalents during the period</b>		<b>(14,953)</b>	<b>23,460</b>
Cash and cash equivalents at the start of the period		1,429,748	2,452,048
Effect of foreign exchange rate changes during the period		(4,086)	72,460
<b>Cash and cash equivalents at the end of the period</b>		<b>1,410,709</b>	<b>2,547,968</b>

*The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Interim Condensed Financial Statements.*

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

### 1. General information

Alternative Liquidity Fund Limited (the "Company") was incorporated and registered in Guernsey under The Companies (Guernsey) Law, 2008 on 25 June 2015. The Company's registration number is 60552 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed on the Specialist Fund Segment ("SFS") of the Main Market of the London Stock Exchange ("LSE") since 26 January 2021, when it transferred from the Premium Segment of the LSE.

The Company invests in a diversified portfolio of illiquid interests in funds and other instruments and securities with the objective to manage, monitor and realise these investments over time.

The Annual Audited Financial Statements of the Company for the year ended 30 June 2021, which give a true and fair view, were prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and endorsed by the EU, together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the SFS Rules.

### 2. Principal accounting policies

#### Basis of preparation and Statement of Compliance

These Unaudited Interim Condensed Financial Statements (the "Interim Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"), together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Disclosure Guidance and Transparency Rules ("DTR") of the United Kingdom's Financial Conduct Authority ("FCA"). They do not include all the information and disclosures required in Annual Financial Statements and should be read in conjunction with the Company's last Annual Audited Financial Statements for the year ended 30 June 2021.

The accounting policies applied in these Interim Financial Statements are consistent with those applied in the last Annual Audited Financial Statements for the year ended 30 June 2021, which were prepared in accordance with IFRS.

These Interim Financial Statements were authorised for issue by the Company's Board of Directors on 25 March 2022.

The Interim Financial Statements do not include all the information and disclosure required in the Annual Audited Financial Statements and should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 June 2021.

#### Going concern

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 from the approval date of the financial statements.

The COVID-19 pandemic has been a significant influence on global markets and has had an economic impact on certain companies held within the Company's portfolio. The Board and the Investment Advisor continue to monitor the effects of the COVID-19 pandemic on the Company's portfolio.

The Board believes that the existing portfolio will take several years to become liquid. The Board is however also mindful of the difficulties of liquidating the remaining assets within the Portfolio, which are inevitably the most complex, and are aware of the need to reduce the cost base in what could be the equivalent to an orderly wind down.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) For the six months ended 31 December 2021

### 2. Principal accounting policies (continued)

#### Estimates and judgements

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company's Audited Annual Financial Statements for the year ended 30 June 2021.

#### Segment reporting

The Board has considered the requirements of IFRS 8 "Operating Segments". The Board is of the view that the Company is engaged in a single segment of business, being investment in a portfolio of hedge funds, funds of hedge funds and other similar assets, with a diverse geographical and asset class exposure, that conducts business in Guernsey. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The Company has a diversified shareholder population. As at 22 March 2022, there were only 3 investors with more than 5% of the issued share capital of the Company.

#### New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Company's Annual Financial Statements for the year ended 30 June 2021, which were prepared in accordance with IFRS as adopted by the European Union. There has been no early adoption, by the Company, of any other standard, interpretation or amendment that has been issued but is not yet effective.

### 3. Expenses

	For the six months ended 31 December 2021 (unaudited) US\$	For the six months ended 31 December 2020 (unaudited) US\$
Investment Manager's fee and expenses	-	251,366
Investment Manager's realisation fee*	-	73,322
Investment Adviser's fee and expenses	192,673	-
Investment Adviser's realisation fee*	110,048	-
	<hr/> 302,721	<hr/> 324,688
<i>Other expenses:</i>		
Directors' remuneration and expenses	64,963	63,585
Accounting, secretarial and administration fees	56,514	69,983
Custodian fee	35,000	35,000
Legal and professional fees	-	56,437
Auditor's remuneration	26,635	25,783
Listing and regulatory fees	9,581	20,511
Broker's fee	13,503	-
Registrar's fee	29,566	17,268
Directors and officers insurance	2,899	1,970
Sundry expenses	13,972	4,769
	<hr/> 252,633	<hr/> 295,306

\*Realisation fees paid to the Investment Manager or Investment Advisor following the return of capital by way of redeemable B share issues as announced on the London Stock Exchange.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) For the six months ended 31 December 2021

### 3. Expenses (continued)

#### **Investment Adviser fee (current period only)**

With effect from 1 January 2021, Hindsight Solutions Limited (“Hindsight” or the “Adviser”) was appointed as the Investment Adviser to the Company. Pursuant to the terms of the Advisory Agreement (“AA”) dated 4 December 2020, the Investment Adviser is entitled to receive an investment advisory fee of £23,000 per month payable in advance. The Investment Adviser is also entitled to a realisation fee of 5 per cent of the cash distributed to Shareholders. The Company shall also reimburse all reasonable international travel and expenses properly and necessarily incurred by Hindsight. Under the terms of the AA, the AA shall continue unless and until terminated as provided by the terms of the AA, or by either party giving to the other not less than three months written notice.

Investment adviser’s fees for the period totalled US\$302,721 (31 December 2020: US\$Nil), made up of the fixed monthly fee of £23,000 (in total US\$189,219), realisation fees of US\$110,048 and US\$3,454 of expenses incurred on behalf of the Company (31 December 2020: US\$Nil realisation fees and US\$Nil of expenses), of which US\$31,124 (30 June 2021: US\$31,811) had been prepaid at the end of the period.

#### **Investment Manager’s fee (comparative period only)**

Under the terms of the Investment Management Agreement (“IMA”) with Warana Capital, LLC (“Warana”), the Investment Manager until 31 December 2020, Warana was entitled to receive an investment management fee of US\$500,000 per annum plus a realisation fee of 5% of the cash distributed to Shareholders (calculated before costs of distribution).

Warana’s investment management fees for the comparative period totalled US\$324,688, made up of a fixed fee of US\$251,366 and realisation fees of US\$73,322. As at 31 December 2021, there was no outstanding balance payable (30 June 2021:US\$Nil).

With effect from 31 December 2020, Warana Capital, LLC resigned as Investment Manager to the Company.

#### **Administration fees**

With effect from 14 July 2015, Sanne Fund Services (Guernsey) Limited (*formerly Praxis Fund Services Limited*) (the “Administrator”) was appointed as Administrator of the Company. Pursuant to the terms of the Administration and Secretarial Agreement, the Administrator is entitled to receive an administration fee and company secretarial fee, payable monthly in arrears, at the rate of 0.075 per cent per annum of the net assets of the Company, subject to a minimum fee of £80,000 per annum, plus disbursements. The Administrator also receives project fees as agreed by the Board from time to time.

With effect from 3 December 2021, the fund services division of PraxisIFM Group, which included Praxis Fund Services Limited, the Company’s Secretary and Administrator of the Company, was acquired by Sanne Group plc. Effective 6 December 2021, Praxis Fund Services Limited changed its name to Sanne Fund Services (Guernsey) Limited.

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

Administration fees for the period totalled US\$56,514 (31 December 2020: US\$69,983). There was an outstanding balance at the period end of US\$28,651 (30 June 2021: US\$27,662).



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) For the six months ended 31 December 2021

### 3. Expenses (continued)

#### **Custodian fees**

With effect from 24 July 2015, Citibank N.A. (London Branch) (the "Custodian") was appointed as Custodian to the Company. Pursuant to the terms of the Custodian Agreement, the Custodian is entitled to receive a quarterly fee at the rate of 0.035 per cent per annum of the net assets of the Company, subject to a minimum fee of US\$70,000 per annum. Investment transaction fees of US\$150 per trade are also payable.

The Custodian Agreement can be terminated by either party in writing on 60 days' notice. The Custodian does not have any decision-making discretion in relation to the investment of the assets of the Company.

Custodian fees for the period totalled US\$35,000 (31 December 2020: US\$35,000). A balance of US\$17,500 (30 June 2021: US\$17,500) was outstanding at the period end.

### 3. 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.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) For the six months ended 31 December 2021

### 5. (Loss)/earnings per Ordinary Share

Basic earnings per Ordinary Share is calculated by dividing the total comprehensive income or loss for the period by the weighted average number of Ordinary Shares in issue during the period.

#### For the six months ended 31 December 2021 (unaudited)

	Total comprehensive loss for the period US\$	Weighted average number of Ordinary Shares in issue No.	Loss per Ordinary Share
Ordinary Shares	(5,134,398)	146,644,387	(3.5¢)

#### For the year ended 30 June 2021 (audited)

	Total comprehensive income for the year US\$	Weighted average number of Ordinary Shares in issue No.	Earnings per Ordinary Share
Ordinary Shares	3,536,820	146,644,387	2.41¢

#### For the six months ended 31 December 2020 (unaudited)

	Total comprehensive loss for the period US\$	Weighted average number of Ordinary Shares in issue No.	Loss per Ordinary Share
Ordinary Shares	(2,723,570)	146,644,387	(1.86¢)

### 6. Fair value of financial instruments

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

	For the six months ended 31 December 2021 (unaudited) US\$	For the year ended 30 June 2021 (audited) US\$	For the six months ended 31 December 2020 (unaudited) US\$
Fair value at the start of the period/year	24,689,159	22,985,076	22,985,076
Sales proceeds	(2,824,537)	(2,929,839)	(2,423,364)
Realised (losses)/gains on sales	(122,171)	441,490	328,912
Movement in unrealised (losses)/ gains on investments	(4,452,787)	4,192,432	2,942,192
Fair value at the end of the period/year	17,289,664	24,689,159	23,832,816
Cost at the end of the period/year	96,302,448	99,249,156	99,643,053
Unrealised losses on investments	(79,012,784)	(74,559,997)	(75,810,237)
Fair value at the end of the period/year	17,289,664	24,689,159	23,832,816

Please refer to the Investment Adviser's Report and notes to the Financial Statements of the last Annual Report for strategic and geographical exposures within the Company's investment portfolio.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) For the six months ended 31 December 2021

### 6. Fair value of financial instruments (continued)

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

	31 December 2021 (unaudited) US\$	30 June 2021 (audited) US\$	31 December 2020 (unaudited) US\$
Net realised (losses)/gains on financial assets at fair value through profit or loss	(122,171)	441,490	328,912
Movement in unrealised (losses)/ gains on financial assets at fair value through profit and loss	(4,452,787)	4,192,432	2,942,192
Net (losses)/gains on financial assets at fair value through profit or loss	(4,574,958)	4,633,922	3,271,104

#### c) Valuation models

None of the Company's financial assets or 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.

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.

The Investment Adviser has developed a discounting process to evaluate the portfolio as objectively as possible by taking into account the quality of information received from the underlying funds, their valuation processes, geographical locations and risks associated with the assets. Where possible, the analysis is then checked against observable secondary market activity. The discount methodology, and the reasons for each discount, which the Board applies where they do not believe the reported value of the underlying asset represents the fair value is detailed further below.

# ALTERNATIVE LIQUIDITY FUND LIMITED

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

For the six months ended 31 December 2021

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

The table below sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	31 December 2021 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)	27,949	Adjusted net asset value	Unadjusted NAV and applied discounts based on: - Alternative outcome advised by underlying manager, liquidator or other authorised party	53% - 100%	The fair value would decrease if the underlying input discount were higher.  The estimated fair value would increase if the discount were lower.	A 10% increase/decrease in the input discounts used for the relevant investments in this category would result in a (decrease)/increase respectively in fair value of approximately (US\$7,724)/US\$875,941.
	15,681,934	Adjusted net asset value	Unadjusted NAV and applied discounts based on some or all of the following: -Delay in NAV reporting -Liquidator appointed -Unwillingness of manager to provide asset level information -Annual Financial Statements not produced on schedule -No third party administrator -Asset or Manager based in Emerging Markets Country -Exposure to assets which are caught up in legal proceedings, resulting in lack of certainty of full recovery -Asset leverage -Recent secondary market trading activity	10% - 100%	The fair value would decrease if the underlying input discount were higher.  The estimated fair value would increase if the discount were lower.	A 10% increase/decrease in the input discounts used for the relevant investments in this category would result in a (decrease)/increase respectively in fair value of approximately (US\$2,174,629)/US\$5,039,085.
	1,579,781	Unadjusted net asset value	Unadjusted NAV and no discounts applied	N/A	The fair value would increase if the NAV of the investments were higher.  The fair value would decrease if the NAV of the investments were lower.	A 10% increase/decrease in the unadjusted net asset value category of investments would result in an approximate decrease/increase in fair value of US\$157,978.
<b>Total Investments</b>	<b>17,289,664</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

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

For the six months ended 31 December 2021

### 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 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	30 June 2021 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)	28,967	Adjusted net asset value	Unadjusted NAV and applied discounts based on: -Alternative outcome advised by underlying manager, liquidator or other authorised party	53% - 100%	The fair value would decrease if the applied discount were higher.  The estimated fair value would increase if the applied discount were lower.	A 15% 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\$11,628) /US\$1,332,026.
	23,186,747	Adjusted net asset value	Unadjusted NAV and applied discounts based on some or all of the following: -Delay in NAV reporting -Liquidator appointed -Unwillingness of manager to provide asset level information -Annual Financial Statements not produced on schedule -No third party administrator -Asset or Manager based in Emerging Markets Country -Exposure to assets which are caught up in legal proceedings, resulting in lack of certainty of full recovery -Asset leverage -Recent secondary market trading activity	10% - 100%	The fair value would decrease if the applied discount were higher.  The estimated fair value would increase if the applied discount were lower.	A 15% 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\$6,034,742) /US\$10,419,311
	1,473,445	Unadjusted net asset value	Unadjusted NAV and no discounts applied	N/A	The fair value would increase if the NAV of the investments were higher.  The fair value would decrease if the NAV of the investments were lower.	A 15% increase/decrease in the unadjusted NAV of investments would result in an approximate decrease/increase in fair value of US\$221,017
<b>Total investments</b>	<b>24,689,159</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2021

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

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.

	31 December 2021		30 June 2021	
	Favourable	Unfavourable	Favourable	Unfavourable
Change in fair value of investments	USD\$6,073,004	US\$(2,340,331)	USD\$11,972,354	US\$(6,267,386)

The table above shows the estimated maximum positive and negative effects of using reasonably possible favourable and unfavourable alternative assumptions for the valuation of the Company's investments. These have been calculated by flexing the unobservable inputs used in the valuations described in the tables on pages 18 and 19. 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% (30 June 2021: 15%) sensitivity analysis on the fair values of the remaining investments in the Company's portfolio for which no unobservable inputs are applied.

Significant unobservable inputs are developed as follows:

- *Discount for anticipated difficulty in recovering NAV:* The Investment Adviser 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 Adviser 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 Adviser, 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 Adviser 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 Adviser's control.
- *Discount for no efficient or fair secondary market for liquidation:* The Investment Adviser has observed that although a reasonably developed secondary market exists for most illiquid hedge fund portfolios there are some assets and portfolios that the secondary market has not been able to effectively research. This results in an extremely depressed secondary price and liquidity, mainly due to the poor information available.
- *Discount for assets which are caught up in legal proceedings:* The Investment Adviser has observed that it may not be possible for the Company to recover the full value of these assets due to very complicated legal proceedings mainly surrounding their ownership and clean title.
- *Discount for advice of alternative outcome:* The Investment Adviser has observed advice from underlying managers, liquidators or authorised parties that they expect recovery to be materially less than the stated NAV.
- *Discount for lack of/delayed information:* If the NAVs of the underlying assets are delinquent and/or not provided on time the Investment Adviser will apply a discount.
- *Discount for geographic, political or currency related risks:* The Investment Adviser will apply an additional discount if there is a perceived geographic, political or currency related risk.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2021

### 6. Fair value of financial instruments (continued)

#### c) Valuation models (continued)

See below for a reconciliation between reported net asset value and fair value of investee funds/companies recognised in the Interim Financial Statements where the Directors have estimated the fair value of certain investments as at 31 December 2021.

As at 31 December 2021, and as described in the table on page 18, the Directors, in consultation with the Investment Adviser, have applied adjustments against net asset values to a number of investment funds in the portfolio due to illiquidity and/or restrictions on redemptions, among other factors. The following table summarises the write downs in terms of percentages applied to the relevant Level 3 investments:

<b>31 December 2021 (unaudited)</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:			
30%	46,747	(14,024)	32,723
40%	17,500,624	(7,000,250)	10,500,373
45%	7,460,676	(3,357,305)	4,103,371
53%	54,885	(29,171)	25,714
70%	9,626	(6,738)	2,888
80%	44,064	(35,251)	8,813
90%	4,167,877	(3,751,124)	416,753
99%	641	(636)	5
100%	37,325,795	(37,325,795)	-
	<u>66,610,935</u>	<u>(51,520,294)</u>	15,090,641
Level 3 investments without fair value adjustments			2,199,023
Total fair value of investments			<u>17,289,664</u>
<b>30 June 2021 (audited)</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:			
10%	56,697	(5,670)	51,027
17%	863,230	(145,353)	717,877
30%	913,577	(274,073)	639,504
40%	35,522,718	(14,209,087)	21,313,631
53%	56,653	(30,940)	25,713
70%	9,018	(6,313)	2,705
80%	105,909	(84,727)	21,182
90%	4,163,342	(3,747,041)	416,300
99%	120,465	(119,442)	1,024
100%	37,413,595	(37,413,595)	-
	<u>79,255,204</u>	<u>(56,036,241)</u>	23,188,963
Level 3 investments without fair value adjustments			1,500,196
Total fair value of investments			<u>24,689,159</u>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2021

### 6. Fair value of financial instruments (continued)

#### d) Fair value hierarchy

The following table presents the Company's financial assets at fair value through profit or loss by level within the valuation hierarchy:

	31 December 2021 (unaudited) US\$	% of net assets %
<b>Fair value assets</b>		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	17,289,664	92.49
	<hr/>	
	30 June 2021 (audited) US\$	% of net assets %
<b>Fair value assets</b>		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	24,689,159	94.8
	<hr/>	

The table in Note 6 (a) provides a reconciliation from opening balance to closing balance for assets measured at fair value on a recurring basis using Level 3 inputs.

The Company recognises transfers between levels of fair value hierarchy as of the end of each reporting period in which the transfer has occurred.

There were no transfers between any fair value hierarchy levels during the current period.

#### e) Investment in unconsolidated subsidiaries, associates and joint ventures

	Date of acquisition	Domicile	Ownership
Gillett Holdings Limited	01/07/2018	Ukraine	74%

### 7. Share capital

#### Authorised capital

The Company has the power to issue an unlimited number of Ordinary Shares of no par value. The Ordinary Shares were issued at the issue price of US\$1.00.

By written resolution of the Company passed on 15 December 2016, the Directors were authorised to issue shares up to a maximum aggregate nominal amount of US\$146,644.

The Company is authorised to make market purchases of up to 14.99 per cent of the Ordinary Shares in issue immediately following Admission, such authority to expire at the conclusion of the next annual general meeting of the Company or, if earlier, 18 months after the resolution was passed.

Pursuant to Section 276 of the Law, a Share in the Company confers on the shareholder the right to vote on resolutions of the Company, the right to an equal share in dividends authorised by the Board of Directors, and the right to an equal share in the distribution of the surplus assets of the Company.



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2021

### 7. Share capital (continued)

#### Issued share capital

##### Ordinary Shares:

	31 December 2021 (unaudited)	
	No.	US\$
Share capital at the start of the period	146,644,387	112,260,785
Distributions	-	(2,199,666)
Share capital at the end of the period	146,644,387	110,061,119

##### Ordinary Shares:

	30 June 2021 (audited)	
	No.	US\$
Share capital at the start of the year	146,644,387	115,193,673
Distributions	-	(2,932,888)
Share capital at the end of the year	146,644,387	112,260,785

On 5 December 2019, the Board announced that it had resolved to return an amount of US\$0.015 per ordinary share to Shareholders, in total US\$2,199,665, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 7 January 2020.

On 24 July 2020, the Board announced that it had resolved to return an amount of US\$0.01 per ordinary share to Shareholders, in total US\$1,466,444, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 18 August 2020.

At an Extraordinary General Meeting held on 22 December 2020, the Board formally proposed as a special resolution of the Company, that the listing of the Company's Ordinary Shares of US\$0.01 each in the capital of the Company on the premium segment of the official list of the UK Financial Conduct Authority be cancelled and application be made for admission of such Ordinary Shares to the SFS of the LSE.

On 25 March 2021, the Board announced that it had resolved to return an amount of US\$0.01 per ordinary share to Shareholders, in total US\$1,466,444, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 23 April 2021.

On 29 October 2021, the Board announced that it had resolved to return an amount of US\$0.015 per ordinary share to Shareholders, in total US\$2,199,666, to be effected through the issue and subsequent redemption of redeemable B shares. All such redemption payments were made on 30 November 2021.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2021

### 7. Share capital (continued)

#### Issued share capital (continued)

B shares:	31 December 2021 (unaudited)	
	No.	US\$
Share capital at the start of the period	-	-
Issue of B shares during the period*	146,644,387	2,199,666
Redeemed and cancelled during the period	(146,644,387)	(2,199,666)
Share capital at the end of the period	-	-

  

B shares:	30 June 2021 (audited)	
	No.	US\$
Share capital at the start of the year	-	-
Issue of B shares during the year*	146,644,387	2,932,888
Redeemed and cancelled during the year	(146,644,387)	(2,932,888)
Share capital at the end of the year	-	-

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

### 8. Net asset value per Ordinary Share

The net asset value is shown in the table below:

Ordinary Share class:	Net asset value	Number of Ordinary Shares in issue	Net asset value per Ordinary Share
<b>As at 31 December 2021 (unaudited):</b>	<b>US\$</b>	<b>No.</b>	
Published net asset value	18,720,502	146,644,387	12.77¢
Fair value adjustments	-	-	-
Net asset value per Interim Financial Statements	18,720,502	146,644,387	12.77¢

  

Ordinary Share class:	Net asset value	Number of Ordinary Shares in issue	Net asset value per Ordinary Share
<b>As at 30 June 2021 (audited):</b>	<b>US\$</b>	<b>No.</b>	
Published net asset value	26,147,870	146,644,387	17.83¢
Fair value adjustments	(93,304)	-	(0.06)¢
Net asset value per Annual Financial Statements	26,054,566	146,644,387	17.77¢

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the six months ended 31 December 2021

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

The Investment Adviser and the Directors were regarded as related parties during the period.

The only related party transactions during the period are described below:

Details on the Investment Adviser's fee are detailed in note 3

Timothy Gardner, controlling shareholder and a director of the Investment Adviser (Hindsight Solutions Limited), Timothy Gardner holds 289,000 shares (30 June 2021: 289,000 shares) in the Company.

As at 31 December 2021, the interests of the Directors and their families who held office during the period are set out below:

	31 December 2021 (unaudited) Number of Ordinary Shares	30 June 2021 (audited) Number of Ordinary Shares
Quentin Spicer (Chairman)	-	-
Dr Richard Berman	-	-
Anthony Pickford	100,000	100,000

Anthony Pickford received a total of US\$1,500 in capital returns through the issue and subsequent redemption of redeemable B shares in October 2021.

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

Fees and expenses paid to the Directors of the Company during the period were US\$64,963 (31 December 2020: US\$63,585). There was no outstanding balance at the period end (30 June 2021: US\$Nil).

### 10. Subsequent events

The Company announced on 9 February 2022 that it published a circular in respect of proposals relating to the proposed aggregate investment of between approximately £24.8m and £30m in the proposed issue of new Ordinary Shares by the Company by way of an initial placing, offer for subscription and intermediaries offer by the Waverton Concert Party.

At an Extraordinary General Meeting of the Company held on 28 February 2022, Shareholders voted to approve the Waiver granted by The Panel on Takeovers and Mergers, to allow the Waverton Concert Party (persons acting in concert with Waverton and the Waverton Discretionary Mandates) to purchase up to 49.9% of the voting rights in the Company on admission to the Specialist Fund Segment of the London Stock Exchange, without the requirement under Rule 9 of the City Code on Takeovers and Mergers to make a general offer for all the shares in the Company.

As a result of the destabilisation of financial markets following the Russian invasion of Ukraine, the transaction was temporarily suspended in March 2022. It is intended that marketing will recommence and alternative solutions explored prior to the Company's financial year end of 30 June 2022.

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

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (unaudited)

As at 31 December 2021

Number of Shares	Description	Fair Value	% of net assets
<b>GBP</b> (30 June 2021: 0.00%)			
594,053.6700	South Asian Real Estate Limited	-	-
<b>USD</b> (30 June 2021: 94.76%)			
2,000,000.0000	Aarkad plc	-	-
34,851,756.1400	Aarkad - USD	-	-
10,537.3400	Abax Arhat Fund Class Unrest Red Series 1 Jul 07	399,713	2.14
159,377.9300	Abax Upland Fund LLC Redeeming CL	10,949	0.06
36,983.1831	Aramid Distribution Trust	-	-
3,930.9976	Autonomy Rochevera	388,618	2.08
405.5800	Bennelong Asia Pacific	2,888	0.02
9,590,340.6400	Blue Sugars Corporation Common Stock USD	-	-
653.9343	Cam OFI Master LDC – Class A	1,341	0.01
568.3037	Cam OFI Master LDC – Class B	23,072	0.12
32.0194	Cam Opportunity Fund I Class A-1004	1,300	0.01
23,045.4500	Denholm Hall Russia Arbitrage Fund Class A EUR	-	-
137,409.7800	Denholm Hall Russia Arbitrage Fund Class A GBP	-	-
4,144.7900	Denholm Hall Russia Arbitrage Fund Class B EUR	-	-
210,672.8320	Denholm Hall Russia Arbitrage Fund Class B GBP	-	-
14,814.8150	Denholm Hall Russia Arbitrage Fund Class C EUR	-	-
600,000.0000	Duet India Hotels Limited	-	-
26.3000	Eden Rock Asset Based Lending Fund	5	0.00
284.0000	FIT Timber Premium Euro Fund	-	-
2,137.0000	FIT Timber Premium Sterling Fund	-	-
1.0000	Galileo Capital Partners LLC	49,705	0.27
2,589.0000	Gillett Holdings	-	-
9,025.0020	Growth Management Ltd	22,572	0.12
16,458.4300	Growth Premier Fund IC Class A	10,151	0.05
2,000.0000	NUR Energie Limited 'A' Preference Shares	-	-
1,200.0000	NUR Energie Limited Class B Preference Shares	-	-
7,177.0000	NUR Energie Limited Ordinary Shares EUR 1	-	-
346.6420	Quantek Master Fund SPC Ltd Feeder LP	6,505	0.03
29.7620	Quantek Opportunity Fund Class A-1 Premium EUR Fund	719	0.00
56.6800	Quantek Opportunity Fund Class A-1 Premium GBP Fund	733	0.00
81.6210	Quantek Opportunity Fund Class G-1 Premium GBP Fund	856	0.00
172.8000	RD Legal Funding Offshore Ltd Class A USD S D1	3,862	0.02
118.2400	RD Legal Funding Offshore Ltd Class A USD S D2	-	-
3.0880	Ritchie Multi-Strategy Global CL-S	-	-
804.6100	SA Capital Partners	-	-
22.4430	Serengeti Opportunities - CLO - A210/0907slvl	13,415	0.07
3.5900	Serengeti Opportunities - CLO - A210/0907slvl 2	2,146	0.01
65.2250	Serengeti Opportunities - Mgt Fee A 210/0907	12,047	0.06
1.0000	Serengeti Opportunities - CLO - 243/0108	60	0.00
1.0000	Serengeti Opportunities - CLO - 243/0907	121	0.00
	Sub-total carried forward	950,778	5.08

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (unaudited) (continued) As at 31 December 2021

Number of shares	Description	Fair Value	% of net assets
<b>USD (continued)</b>	Sub-total brought forward	950,778	5.08
1.0000	Serengeti Opportunities - CLO - 243/1007	357	0.00
1.0000	Serengeti Opportunities - CLO - 243/1107	116	0.00
1.0000	Serengeti Opportunities - Mgt Fee A 243/1210	6,511	0.03
804.6100	South Asian Management Limited	-	-
925,277.1000	Stillwater Asset Backed Fund II Onshore SPV/Gerova	-	-
10.7320	TCF SPV USD G/Series 1-U	-	-
414.6466	Trafalgar Catalyst Fund USD G/Series 1-U	-	-
2,090.2300	V Invest FCVS RJ (Cayman) Ltd	1,155,305	6.18
37.3300	Valens Offshore Fund	2,230	0.01
117,302.1019	Vision Chapadao Fund Series 1	-	-
38,872.2780	Vision Chapadao Fund Series 2	-	-
445,492.5360	Vision Chapadao Fund Series 3	-	-
1,590.3700	Vision Chapadao Fund Series 5	-	-
310,819.8510	Vision FCVS Rj Fund Series 1	2,817,557	15.07
297,520.8363	Vision FCVS RJ Fund Series 2	2,885,479	15.43
308,044.4190	Vision FCVS RJ Fund Series 4	2,889,136	15.45
192,714.3010	Vision FCVS RJ Fund Series 6	1,869,020	10.00
4,040.3600	Vision FCVS RJ Fund Series 7	39,185	0.21
100,142.7360	Vision I-NX	10	0.00
255,542.4647	Vision I-NX (D)	51	0.00
23,321.7093	Vision Piaui Fund Series 1	4,363	0.02
7,784.9820	Vision Piaui Fund Series 2	1	0.00
90,625.7960	Vision Piaui Fund Series 3	9	0.00
316.5600	Vision Piaui Fund Series 6	44	0.00
389.2725	Vision SCO Fund	765	0.00
32,277.7538	Vision SP CR OPP ELT Fund Series 1	743,880	3.90
39,405.7876	Vision SP CR OPP ELT Fund Series 2	908,153	4.86
44,476.4028	Vision SP CR OPP ELT Fund Series 3	1,038,632	5.55
60,763.3609	Vision SP CR OPP ELT Fund Series 5	1,400,365	7.35
535.4766	Vision SP CR OPP ELT Fund Series 7	12,341	0.07
120,057.1990	Vision Tercado Fund Series 1	15,211	0.08
40,402.1530	Vision Tercado Fund Series 2	4	0.00
478,380.7240	Vision Tercado Fund Series 3	48	0.00
1,631.7100	Vision Tercado Fund Series 5	207	0.00
4,874.0000	Volia Limited	-	-
1,230.0000	Warana SP Offshore Fund SPC – 2018 Segregated Port	549,907	2.94
		<b>17,289,664</b>	<b>92.36</b>
<b>Portfolio of investments</b>		17,289,664	92.36
<b>Other net assets</b>		1,430,838	7.64
<b>Total net assets attributable to Shareholders</b>		<b>18,720,502</b>	<b>100</b>

# ALTERNATIVE LIQUIDITY FUND LIMITED

## COMPANY INFORMATION

<b>Directors:</b>	Quentin Spicer ( <i>Non-executive Independent Chairman</i> ) Dr Richard Berman ( <i>Non-executive Independent Director</i> ) Anthony Pickford ( <i>Non-executive Independent Director</i> )
<b>Registered Office:</b>	Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
<b>Administrator &amp; Secretary:</b>	Sanne Fund Services (Guernsey) Limited ( <i>formerly Praxis Fund Services Limited</i> ) Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
<b>Registrar:</b>	Link Market Services (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson Guernsey, GY2 4LH
<b>Investment Manager or Adviser:</b>	Hindsight Solutions Limited 19 Diamond Court Opal Drive Fox Milne Milton Keynes United Kingdom MK15 0DU
<b>Auditor:</b>	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey, GY1 3TF
<b>Custodian &amp; Principal Banker:</b>	Citibank, N.A. (London Branch) Canada Square London, E14 5LB
<b>Corporate Broker:</b>	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
<b>Guernsey Legal Adviser:</b>	Carey Olsen (Guernsey) LLP Carey House Les Banques St Peter Port Guernsey, GY1 4BZ
<b>UK Legal Adviser:</b>	Stephenson Harwood LLP 1 Finsbury Circus Finsbury London, EC2M 7SH
<b>Company Number:</b>	60552 (Registered in Guernsey)