

Alternative Liquidity Fund Limited

Investment Adviser Update

December 9th, 2024

Summary of Investments

SIGNIFICANT POSITIONS	Manager NAV (\$M)	Provision	ALF NAV (\$M)	% of Portfolio
Vision FCVS RJ Fund	\$19.12	-60%	\$7.65	64.7%
Vision Special Credit Opp Eletrobras Fund	\$3.91	-45%	\$2.15	18.2%
Vision Invest RJ	\$2.82	-45%	\$1.56	13.2%
Autonomy Rochavera Fund	\$0.45	-50%	\$0.22	1.9%
Warana 2018 Fund	\$0.28	-41%	\$0.16	1.4%
Cash	\$0.08		\$0.08	0.7%
Total	\$26.65		\$11.83	100.0%
Fund Liabilities	-\$1.60		-\$1.60	-15.6%
Total	\$25.1		\$10.3	100%
Net Asset Value Per Share (Sep 30, 2024)	0.171		0.0700	
Net Asset Value Per Share (June 30, 2024)	0.202		0.0728	
Change (%) in NAV Per Share	-15.31%		-3.90%	

Note: Table represents ALF NAV as at Sep 30, 2024. Figures may not sum due to rounding.

Underlying Fund Developments

Vision FCVS Rio de Janeiro (RJ Fund)

93% of the RJ Fund credits have been validated by Caixa. Vision has applied for the credits to be transferred into the Vision “matricula” – which is a designated securities account at Caixa. It is from this account that Caixa can then transfer the claims to the CGU (treasury) for novation.

Once the claims are processed, moved into the Vision matricula and sent to the CGU for novation, they are on the path to monetization. The maximum time this can take is 18 months. However, it is at this point they are saleable to a third party – most likely to one of the local Brazilian banks.

Vision and their external legal team are still pushing for full novation of the claims. They have contracted several external service providers who specialize in FCVS claims and have agreed a success fee, but ONLY payment if the claims are novated by June 30, 2025. This fee would be calculated based on the face value of the funds received.

The face value of the claims is R\$1.2bln, equivalent to approximately US\$200mln. There are then taxes and fees to be deducted from that amount and, additionally, the 10% success fee negotiated with the service providers. This all adds up to approximately 30%. Therefore, the gross maximum realisation proceeds to the RJ Fund will be approximately US\$140mln (USD current FX rate of R\$6: US\$1.00).

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Regarding the RJ Fund (Cayman) recapitalization transaction, we are pleased to report that the legal documents have been agreed, are in final draft form and soon to be executed. The result of the transaction will be that the RJ Fund will receive US\$3mln in cash. \$1.35mln of this will be used to repay the principal of the V Invest Loan (approx. \$335k to be received by ALF), and the balance used for the working capital requirements of the Cayman entity. In exchange for funding the \$3mln, the two Vision principals and the external lawyer will be assigned 18% of the RJ Fund. Although the current investors' equity will be diluted, the RJ fund will now be able to meet all its working capital obligations for at least 24 months, the RJ shareholders are fully aligned with the manager and their lawyer, and both are now extremely motivated to expedite and manage the realization process.

V-Invest Loan

This SPV was created in 2017 to provide working capital for the Vision FCVS RJ Cayman vehicles. It was originally funded with \$1mm. The interest rate charged is 35% per annum, however, post recapitalization (mentioned above), interest will accrue at 10%. ALF invested \$335k. This position now has a "paper or manager" NAV of \$2.8mm. ALF holds this position at US\$1.56mln after applying a provision. The SPV has 100% control over the FCVS RJ portfolio. When cash is generated or collected by the RJ Fund from the claims novation or sale, the \$3mm recapitalization and the V Invest loan are repaid first. The balance then flows to the equity holders.

Vision Special Credit Opportunity Eletrobrás Fund (Vision ELT)

Vision engaged a new lawyer to help release the Siemens claim as the official lawyer (Pereira) had not been successful. At the end of September, the new lawyer succeeded in obtaining a 'final' court decision favorable to Vision. He was able to:

1. Prove that the ownership chain was correct and that Vision ELT was the verified owner of the payout (Eletrobrás strongly questioned Vision ELT's entitlement);
2. Block Eletrobrás' claim to break the payment into two parts: undisputable (84%) and disputable (16%);
3. Receive authorization for the full release of the claim.

However, as expected, on October 14, Eletrobrás filed an appeal against the lower court's decision, repeating arguments previously rejected at first instance. The appeal was also accompanied with a request for preliminary injunction relief, aiming to hinder the progress of the process for withdrawing the funds deposited, which had already been considered and denied by the judge.

On October 30, Eletrobrás asked for reconsideration of the suspensive effect previously denied by the court. The judge, who had previously denied it, reconsidered and gave the suspensive effect to prevent the withdrawal of the amounts deposited.

Vision's counsel, Dr Antonio Aith, was in Porto Alegre on the same day to confer with the judge. As the decision involves a large sum of capital, as a precaution, the judge mentioned that there would be no harm to the plaintiff as the amount is deposited and indicated that he would rule swiftly on the appeal.

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Although the process has been delayed again, it continues to be our understanding that Eletrobrás is running out of legal arguments and therefore that the fund is at each round of legal proceedings closer to obtaining a final withdrawal date. Unfortunately, judges in the Brazilian legal system are not bound by any deadlines for rulings and decisions. Vision will continue to press for the release of the deposited funds and we currently expect withdrawal to occur in Q1 2025 when the court returns from its December/January recess.

ALF’s remaining material positions

Autonomy has successfully sold its building in Sao Paulo. ALF received \$166k in early November, with a further \$25k payment expected by yearend. This distribution represents 58% of the position. We are now investigating the possibility of selling the balance of our holding in the secondary market, as the purchaser of the building has up to 18 months to complete 100% of the payment for the building.

Lastly, we have agreed in principle to sell our Warana holding in the secondary market. The buyer is in possession of our “purchase and sale agreement”, and we expect to complete the sale and transfer at the end of this quarter.

Liquidation Timing

We have set out a recovery scenario analysis table below.

			Post re-cap		Secondary auction	Sale of RJ to Bank	Novation
	Manager NAV	09/24 ALF NAV	Manager NAV	Est Dec 24 ALF NAV			
					To be determined	50% of Mgr NAV	100% of Mgr NAV
Vision RJ	\$ 19,120,000	\$ 7,648,000	\$ 15,678,400	\$ 6,271,360	\$ -	\$ 7,839,200	\$ 15,678,400
Vision V Invest	\$ 2,820,000	\$ 1,559,662	\$ 2,485,000	\$ 1,559,662	\$ -	\$ 2,485,000	\$ 2,485,000
Vision ELT	\$ 3,910,000	\$ 2,150,500	\$ -	\$ 2,150,500	\$ -	\$ 3,910,000	\$ 3,910,000
Warana 2018	\$ 280,000	\$ 165,200	\$ -	\$ 145,200	\$ -	\$ -	\$ -
Autonomy	\$ 450,000	\$ 225,000	\$ -	\$ 59,000	\$ -	\$ -	\$ -
Totals	\$ 26,580,000	\$ 11,748,362		\$ 10,185,722	\$ -	\$ 14,234,200	\$ 22,073,400

The shaded columns represent our current **estimates**, corroborated by information supplied by Vision and input from the other managers, of the potential recovery amounts. All amounts are stated before costs.

The main drivers for the differences are the percentage valuation of the RJ portfolio (vs. the Manager NAV) in the secondary market, which is dependent upon Caixa’s validation; the likely purchaser; and the time to full novation.

Hindsight continues to be in contact with a third party interested in buying shares of ALF. They have purchased over 4mln shares over the past few months and have further demand. If you are interested in selling your ALF shares, please contact Tim Gardner (tingardner@hindsightsolutions.co.uk) to be introduced to the prospective purchaser.

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Cost Reduction

The Board and Hindsight have negotiated a reduction in the monthly fixed investment advisory fee of 25%, which becomes effective on Jan 1st, 2025. They have also agreed to an increased realisation fee with step-up hurdles if certain recovery amounts above NAV are achieved and distributed. The new fee structure will allow ALF to continue to operate as is for an additional 12 months without any further inflows.

It is the Board's intention, after consulting with the main shareholders, to allow the Company and Hindsight to continue in its current form until June 30, 2025, which will give the Company additional time to secure the possible optimum return for shareholders as indicated in the estimated projections shown in the table above. If at that date the monetization of the Vision assets has not advanced sufficiently, a detailed timeline as to the liquidation of the Company will be put to shareholders.