

Alternative Liquidity Fund Limited

Investment Adviser Update

July 2024

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Summary of Investments

SIGNIFICANT POSITIONS	Manager NAV (\$M)	Provision	ALF NAV (\$M)	% of Portfolio
Vision FCVS RJ Fund	\$22.01	-60%	\$8.80	65.2%
Vision Special Credit Opp Eletrobras Fund	\$4.30	-45%	\$2.36	17.5%
Vision Invest RJ	\$2.40	-35%	\$1.56	11.6%
Autonomy Rochavera Fund	\$0.51	-50%	\$0.25	1.9%
Warana 2018 Fund	\$0.31	-34%	\$0.20	1.5%
Cash	\$0.32		\$0.32	2.4%
Total	\$29.84		\$13.50	100.0%
Fund Liabilities	-\$1.21		-\$1.21	-9.8%
Total	\$55.6		\$12.4	100%
Net Asset Value Per Share (Mar 31, 2024)	0.379		0.0843	
Net Asset Value Per Share (Dec 31, 2023)	0.411		0.0868	
Change (%) in NAV Per Share	-7.70%		-2.88%	

Note: Table represents ALF NAV as at March 31, 2024. Figures may not sum due to rounding.

Underlying Fund Developments

Vision Funds - Brazil Visit

Tim Gardner (Hindsight Solutions) travelled (at no cost to the Company), to Brazil on 9 July for meetings to obtain a first-hand update on the Vision assets, meet with external lawyers and service providers, and with Vision themselves, and to monitor the current monetization strategy.

Vision FCVS Rio de Janeiro (RJ Fund)

As a reminder, Vision had been instructed and agreed to submit the RJ Fund credits to Caixa for validation. The entire pool was submitted in December 2023. It was expected that 62% of the claims would be verified – however at the time of writing, 88% (in value terms) of the RJ Fund credits have been approved and validated by Caixa. An additional 5% (in value) of credits were re-submitted last week, accompanied by the additional requested information by Caixa. If this 5% is accepted in the next few weeks, then Vision will apply for 93% of 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. If there is any resistance or complication with the additional 5%, Vision will proceed with the 88% validated claims (continuing to work on the balance in parallel but move ahead with the 88%).

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From March of 2022 to July of 2023, we had been waiting for the P3026 report to be issued by Caixa on the RJ Fund claims. This is the validation report. We discovered last week that this report does in fact exist, but that it has been withheld by the courts as Caixa is subject to a lawsuit by one of the minority claim holders. It is for this reason Caixa instructed us last year to submit our claims – even though they were part of a larger pool, which was a surprise. Partial submissions had never been allowed in the past; they could not divulge the details of the lawsuit and the fact that the report had been withheld, but were able to offer a solution.

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 this point they are saleable to a third party – most likely to one of the local Brazilian banks.

Regarding the Vision RJ Cayman recapitalization, we are pleased to report that the term sheet has been signed. An EGM will be held in the next ten days to formally approve the agreement and funding will take place the week after. The top six shareholders (of which ALF is the second largest) have already agreed to the terms and will sign proxies ahead of the meeting. The result will be that ALF and other investors will be repaid the principal of the V Invest Loan (approx. \$335k for ALF), and although the current investors' equity would be diluted by approximately 18%, the shareholders would have onboarded an extremely well-connected local investment partner who is motivated to expedite and manage the realization process.

We have no doubt that this agreement (which ALF and one of the RJ Cayman ID's have spearheaded over the past six months), has accelerated the FCVS novation through CAIXA.

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 approximately 30% per annum – however post recapitalization (mentioned above) it will accrue at 10%. ALF invested \$335k. This position now has a manager NAV of \$2.4mm. 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 and their lawyers continue to pressure the judiciary for the release of the funds held in escrow.

The situation is extremely frustrating. We met with both lawyers who are responsible for this claim. Very annoyingly there is nothing further they can do – there is no new news; we just need to wait. The judge has the decision on her desk apparently and just needs to file it. The judge is known to be cautious when publishing opinions against the state- or state-owned companies (like this one). The new governing party has tremendous influence on the judiciary – complicating cases like this. The lawyers believe that Eletrobrás has exhausted all options for rebuttal. However, the judge is now over the normal unofficial time limit (8 weeks) post case to publish the verdict. No one knows when she might publish the ruling. Both external lawyers have pressurized 3 times each since April 10.

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There are 4 potential outcomes:

1. Judge issues withdrawal permit as well as verdict of bad faith litigation with a fine to Eletrobrás
2. Judge issues withdrawal permit but no bad faith penalty
3. Judge issues withdrawal permit for the uncontested portion – 84% of value – we continue to fight for the 16%
4. Judge demands more documents or similar like before, due to an Eletrobrás petition

If Vision are granted a withdrawal permit – it will take approximately 6 weeks for cash to hit Visions account. Given the expectation of a court decision being imminent, Eletrobrás has not contacted Vision for a private settlement.

Liquidation preparedness

The Board is allowed (post shareholder-approved Article changes at the 2022 EGM), to absorb non-responsive shareholders' shares and funds if certain criteria have been met. It is anticipated that at the end of September 2024 ALF will absorb approximately 461,165 shares and US\$24,750 from forfeited shares.

The Board has sold or abandoned all the low value and nil positions, respectively, to facilitate handing over the Company to a liquidator to ensure a low-cost liquidation. There are now only five positions left in the portfolio; we expect the Warana and Autonomy positions will be monetized in Q3 of 2024, leaving ALF with just the three Vision positions.

Citibank, the Fund's custodian, was given notice and the contract moved onto a day-to-day fee until all the assets in the portfolio have been transferred into ALF's name directly. An operational bank account has been opened with EFG. The Board has also given Hindsight Solutions three months' notice as per the investment advisor contract and this will become a rolling monthly appointment from November 1st 2024.

A meeting was held with Grant Thornton to prepare the Company for entering a voluntary liquidation.

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Liquidation Timing

We have set out a recovery scenario analysis table below.

	Manager NAV	03/24 ALF NAV	Post 18% Dilution		Secondary auction	Sale of RJ to Bank	Novation
			Manager NAV	Est July 24 ALF NAV	Recovery/Sale by 12/24	Negotiated by 6/25	Potential by 12/25
					To be determined	50% of Mgr NAV	100% of Mgr NAV
Vision RJ	\$ 22,012,000	\$ 8,804,000	\$ 18,049,840	\$ 7,219,936	\$ -	\$ 9,024,920	\$ 18,049,840
Vision V Invest	\$ 2,401,000	\$ 1,559,662	\$ -	\$ 1,559,662	\$ -	\$ 2,401,000	\$ 2,401,000
Vision ELT	\$ 4,299,925	\$ 2,364,959	\$ -	\$ 2,364,959	\$ -	\$ 2,364,959	\$ 2,364,959
Vision Farms	\$ 2,394,000	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ 120,000
Warana 2018	\$ 306,095	\$ 202,773	\$ -	\$ 180,000	\$ -	\$ -	\$ -
Autonomy	\$ 507,353	\$ 253,676	\$ -	\$ 253,676	\$ -	\$ -	\$ -
Totals	\$ 31,920,373	\$ 13,225,070	\$ 18,049,840	\$ 11,618,233	\$ -	\$ 13,830,879	\$ 22,935,799

The shaded columns represent our **estimates**, corroborated by information supplied by Vision, the recent visit to Brazil and input from the other managers, of the potential recovery amounts and are 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.

Given the meaningful differences in potential recovery that relate to the RJ Fund, which is dependent upon the progress made over the next several months, we will continue to evaluate the situation and present a detailed cost/benefit analysis to shareholders in October/November 2024. At that point, the Company intends to discuss the timing of a liquidation with shareholders to ensure that their perspectives are considered and to ascertain that they remain supportive of the recommended process and approach.

As a final point, Hindsight has been contacted by a third party interested in buying shares of ALF; they are trying to buy them on the exchange but there's limited volume. If you are interested in selling your ALF shares, please contact Tim Gardner (timgardner@hindsightolutions.co.uk) in order to be introduced to the prospective purchaser.

Growth/Cost Reduction Opportunities

The Board and Hindsight continue to hold conversations with investment managers who are considering using ALF (the Company as opposed to the underlying assets), to launch a new share class to pursue a separate investment strategy.

Two distinct opportunities are being pursued. Each is similar to the 2021/22 Waverton proposal. As has previously been the position, the Board would ask and require shareholder approval to pursue either of these opportunities, both of which would be at no cost to current shareholders and, if approved and successful, would lead to a significant cost reduction for the existing share class and shareholders.