

# **ALTERNATIVE LIQUIDITY FUND LIMITED**

**INTERIM REPORT AND UNAUDITED  
CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
31 DECEMBER 2018**

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CONTENTS

Company Summary	1
Chairman's Statement	2-3
Investment Manager's Report	4-5
Board of Directors	6
Statement of Directors' Responsibilities	7
Principal Risks and Uncertainties	8
Unaudited Interim Condensed Statement of Comprehensive Income	9
Unaudited Interim Condensed Statement of Financial Position	10
Unaudited Interim Condensed Statement of Changes in Equity	11
Unaudited Interim Condensed Statement of Cash Flows	12
Notes to the Unaudited Interim Condensed Financial Statements	13-25
Schedule of Investments (unaudited)	26-28
Company Information	29

# ALTERNATIVE LIQUIDITY FUND LIMITED

## COMPANY SUMMARY

For the six months ended 31 December 2018

### 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 as a non-cellular company limited by shares. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the Premium segment of the Official List of the UK Listing Authority on 17 September 2015.

The Company has 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 investment objective of the Company is to generate total returns for investors through the management and realisation of its portfolio. The investment policy of the Company is to invest globally in a portfolio of illiquid assets, which is expected to comprise predominantly investments in funds. These may include hedge funds and other funds invested in loans, structured products, real estate and life settlement policies. The portfolio may also include directly owned assets which are owned by the above-mentioned types of funds but have been sold on the secondary market or distributed in-specie to investors in such funds, including equity and debt securities, loans and derivatives and contractually based investments. The Company has not set maximum or minimum exposures for asset classes or sectors but expects to maintain a portfolio diversified across different geographies and sectors.

The Company may utilise derivatives for the purposes of efficient portfolio management and principally for currency hedging. The portfolio will not be constructed to have any particular geographical bias. Accordingly, the Company has the ability to source and buy assets across the world and denominated in any currency. It is expected that the Company will largely be exposed to US Dollars, which is the Company’s reporting currency.

The Company will not invest more than 20 per cent of its gross assets in any one fund investment and nor any more than 40 per cent of its gross assets in fund investments managed by a single fund manager at the time of investment or acquisition. The exact number of funds and strategies used may vary over time but the Directors intend that the Company will be invested directly or indirectly in a minimum of 15 underlying funds.

The Company will not invest more than 10 per cent in aggregate of the total assets of the Company in other listed closed-ended investment funds other than closed-ended investment funds which themselves have published investment policies to invest no more than 15 per cent of their total assets in other listed closed-ended funds.

The Company will not invest more than 20 per cent of its gross assets in directly owned assets.

It is the intention that the Company will be fully invested at all times, although the Company may hold cash or cash equivalent investments from time to time. The Company expects to be very prudent in its use of borrowings due to the illiquid nature of the portfolio, however, the Company will have the ability to borrow up to 25 per cent of its net assets for short-term purposes. It is not intended for the Company to have any long-term or fixed structural gearing. The Company may be indirectly exposed to gearing to the extent that the Company’s investee funds or segregated portfolios are geared by the external managers.

At an extraordinary general meeting (“EGM”) held on 25 February 2019, shareholders approved a proposal to amend the Company’s investment policy to allow the Company to create new share classes for separate investment portfolios and to specifically allow the Company to act as a feeder fund and invest the assets of any of its portfolios either directly or indirectly into master funds (including the Warana Master Fund).

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CHAIRMAN'S STATEMENT

For the six months ended 31 December 2018

### Introduction

I am pleased to present the Unaudited Interim Condensed Financial Statements (the "Interim Financial Statements") for the period from 1 July 2018 to 31 December 2018. The Company is an investment company listed on the London Stock Exchange ("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; a lower cost structure for those choosing to continue to hold shares; monthly 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 made by the Investment Manager. It is almost entirely exposed to global emerging markets, with most of the underlying funds denominated in local currencies.

At the start of the Company's financial year (1 July 2018), the Company had a NAV of US\$49.2 million and a NAV per share of US\$0.3357. At the end of the period, the Company's NAV was US\$44.9 million and its NAV per share US\$0.3065, of which US\$2.9 million related to a distribution. Adjusting for the distribution, this change represents a 2.7% (US\$0.0092 per share) decrease in the value of the Company over the period.

During the period, the Company received US\$6.1 million from underlying manager distributions and the release of a significant holdback from a previous redemption. The Company made a distribution to shareholders in December 2018 and the NAV was reduced accordingly by US\$0.02 per share. The cash balance at the end of the period stood at US\$6.4 million.

Subsequent to the period end, the Investment Manager proposed and the Board approved a B share issue in January 2019 for a cash distribution of US\$2.9 million, equivalent to US\$0.02 per share. This was paid on 15 February 2019. The Company's cash position following the payment of this distribution was US\$3.2 million. 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.

The share price has stabilised in the US\$0.12 to US\$0.15 range and over 100 million shares have traded since listing.

### Outlook

Subsequent to the end of the period, the Company announced a proposal to create a new share class and raise new capital to fund future investments in the secondary market.

To give this effect, the Company held an EGM on 25 February 2019, where shareholders approved all proposed resolutions. The Company will accordingly seek to raise up to US\$100 million, with the new shares to be admitted to trade on the main market of the LSE.

Following the raise, the existing share class will be re-classified as "Realisation Shares" and will go into formal run-off. The Board will continue to monitor and work with the Investment Manager to make certain that all opportunities to accelerate such return are considered carefully. The new share class will become "Ordinary Shares".

My fellow Board members and I are excited at the prospects for the Company and for our shareholders. Over the past twelve months the Company's investment manager, Warana Capital, has been deploying capital from the Warana 2018 Fund<sup>1</sup>, in which ALF is a small investor. This Fund has already committed to or has invested in over 120 positions across more than 50 trades. In order to do so, Warana has analysed more than 260 potential investment opportunities over the last year and has been invited to bid on approximately US\$2.4 billion of NAV. We continue to believe that the hedge fund secondary market will provide investment opportunities to those with the flexibility, ability and experience to invest in the space.

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<sup>1</sup> Warana SP Master Fund SPC – 2018 Segregated Portfolio

# ALTERNATIVE LIQUIDITY FUND LIMITED

## CHAIRMAN'S STATEMENT (continued) For the six months ended 31 December 2018

### Outlook (continued)

It is intended ALF will invest a majority of funds raised by the Ordinary Share issue into the Warana 2019 Fund<sup>2</sup> once the Warana 2018 Fund is completely committed or invested, and alongside will invest directly into other attractive secondary opportunities. Although all secondary market portfolios are different, we expect the 2019 vintage will exhibit similar characteristics to the Warana 2018 Fund and will deliver sound risk-adjusted returns, providing our shareholders with an attractive investment strategy.

**Quentin Spicer**  
Chairman  
20 March 2019

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<sup>2</sup> Warana SP Master Fund SPC – 2019 Segregated Portfolio.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## INVESTMENT MANAGER'S REPORT

For the six months ended 31 December 2018

### Introduction

Warana Capital, LLC ("Warana") is the Investment Manager to the Company. Warana is a specialist investor in and manager of illiquid fund interests.

Warana utilises a provisioning process to evaluate the portfolio as objectively as possible by taking into account the quality of the information received from the underlying funds, their valuation processes, geographical locations and risks associated with the assets. Where possible, this analysis is then checked against observable secondary market activity. As such, the Company reports two separate Net Asset Values ("NAVs") – the underlying Manager NAV and the ALF NAV, inclusive of Warana's provisions (the latter is reported to the LSE as the primary valuation metric).

At the start of the Company's financial year (1 July 2018), the Company had a Net Asset Value of US\$49.2m and a NAV per share of US\$0.3357. At the end of the period, the Company's NAV was US\$44.9m (US\$0.3065 NAV per share). The Company distributed approximately US\$2.9m (US\$0.02 per share) to shareholders in December 2018 by way of one B share issuance and has a cash balance of approximately US\$6.4m as at 31 December 2018. Adjusting for the distribution in the period, there was a 2.7% (US\$0.0092 per share) decrease in the value of the Company in the period.

### Portfolio

At the end of the period the Company had exposure to 25 different fund investments managed by 23 different investment managers. The top ten fund investments represent 83% of the NAV and almost the entire portfolio (94%, excluding cash) is made of assets domiciled in emerging markets. Approximately 62% of the portfolio can be deemed credit; 15% real estate; with the balance in equity positions and cash.

The Company's largest exposure is to the Vision Brazil funds (57% of NAV), which are predominantly made up of two separate pools of legal claims against the State Government of Rio de Janeiro and Eletrobras, the Brazilian public utility firm. All the claims require novation in the local courts and given the current difficult economic climate in Brazil, along with a very cumbersome judicial process, liquidity from these pools has been scarce.

The second largest exposure is to a Ukrainian real estate investment (12% of NAV). The downstream asset held by the Company is a large residential apartment complex development in Nikolayev. The geopolitical and macro-economic environment in the Ukraine has impacted this project, however, it is progressing, albeit slowly, and apartments are being sold with the cash re-invested to complete further stages in the project.

During the period, the Company received approximately US\$2.9m in distributions from underlying fund investments. These flows have come from:

- the sale of ALF's positions in Argo Special Situations, US\$1.1m;
- Growth Management and Growth Premier US\$700,295;
- Longview US\$184,877;
- Autonomy II US\$180,810;
- the audit holdback from the GLG position US\$158,319;
- SFL Clover and other Signet vehicle receivables US\$475,949;
- several payments from the smaller positions.

In addition to these receipts, in December 2018 ALF received the US\$3.2m that had been retained by a third party custodian relating to the 3DProp Co. redemption in 2017.

The Investment Manager proposed, and the Board approved, a B share issuance in November 2018, for a cash distribution of US\$2.9m, equivalent to US\$0.02 per share. At the end of the period, the Company held US\$6.4m in cash. Company liabilities and accrued expenses at the period end totalled US\$186,192, leaving the Company with net cash of US\$6.2m before second half expenses (estimated at US\$666,000).

Subsequent to the period end, the Investment Manager proposed, and the Board approved, a B share issuance in January 2019, for a cash distribution of US\$2.9m, equivalent to US\$0.02 per share, which was paid on 15 February 2019. The Company's cash position following the payment of this distribution was US\$3.2m.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## INVESTMENT MANAGER'S REPORT, continued For the six months ended 31 December 2018

### Liquidation Timeline

Given the composition of the portfolio, projecting future liquidity is extremely difficult and speculative. To the extent possible, Warana seeks to work with the underlying managers to liquidate the positions appropriately. The sale of any positions in the secondary market would achieve an accelerated return of capital but we expect at a significant discount to our expected potential recovery. Such options are therefore considered very carefully.

### Growth Plans

Subsequent to the period end, the Company held an EGM on 25 February 2019 at which all 7 resolutions were passed by shareholders. Following this approval, Warana and ALF have entered the process of creating a new share class and raising new capital to invest into the secondary market. The Company will seek to raise up to US\$100m and the new shares will be admitted to trading on the LSE as the new "Ordinary Shares". The existing shares will then be reclassified as the "Realisation Shares" and will be managed in wind-down.

**Warana Capital, LLC**  
**Investment Manager**  
**20 March 2019**

# ALTERNATIVE LIQUIDITY FUND LIMITED

## BOARD OF DIRECTORS

### Directors

The Directors are responsible for the determination of the investment objective and policy of the Company, and have overall responsibility for the Company's investment policy and supervision of the Company.

The Directors who served during the period and at the date of this report are detailed below. All the Directors are non-executive and independent.

### ***Quentin Spicer, Chairman, age 74***

Mr Spicer is a resident of Guernsey. He qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970 and became 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 a non executive director of a number of companies including Phoenix Spree Deutschland Limited and Summit Germany Limited. He is a former Chairman of F&C UK Real Estate Investments Limited, Quintain Guernsey Limited and The Guernsey Housing Association LBG. He is a member of the Institute of Directors.

### ***Dr Richard Berman, age 62***

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, respectively. 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.

### ***Anthony Pickford, aged 65***

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



# ALTERNATIVE LIQUIDITY FUND LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- 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 as a whole as required by Disclosure Guidance & Transparency Rule ("DTR") 4.2.4R of the UK's Financial Conduct Agency ("FCA"); and
- The Interim Report, together with the Unaudited Interim Condensed Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
  - DTR 4.2.7R of the DTR of the UK's FCA, being an indication of important events that have occurred during the period ended 31 December 2018 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 DTR of the UK's FCA, being related party transactions that have taken place during the period ended 31 December 2018 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.

Signed on behalf of the Board by:

**Anthony Pickford**  
**Director**  
**20 March 2019**

# ALTERNATIVE LIQUIDITY FUND LIMITED

## PRINCIPAL RISKS AND UNCERTAINTIES

In the Board's opinion, the principal risk to the Company arises from the inherent difficulty of fairly valuing the portfolio assets in current market conditions. In order to manage this risk, the Investment Manager liaises with the underlying managers and administrators of the investee funds to obtain valuations that are as up to date as possible, and where applicable will update those valuations for movements in relevant foreign exchange rates. In addition the Board, in conjunction with the Investment Manager, may make provisions to adjust the carrying fair value of investments where they believe that such valuations do not reflect the likely realisation value of those investments.

As described and detailed in the Company's monthly fact sheets since September 2017, the Company has changed its provisioning process upon the appointment of Warana as Investment Manager. The Board with the Investment Manager developed a provisioning process to evaluate the portfolio as objectively as possible by taking into account the quality of the information received from the underlying funds, their 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 Manager after a substantial due diligence process, whereby they evaluated the Investment Manager experience and expertise in the management of illiquid assets. The Board and the Investment manager also hold quarterly board meeting 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 Manager on an annual basis.

Further information on the principal risks and uncertainties to which the Company exposed is included in the 'Risk Factors' section 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 2018

	Notes	For the six months ended 31 December 2018 (unaudited) US\$	For the six months ended 31 December 2017 (unaudited) US\$
<b>Income</b>			
Net losses on financial assets at fair value through profit or loss	6 (b)	(424,323)	(44,794,809)
Net foreign exchange (loss)/profit		(28,689)	22,960
<b>Total net losses</b>		<b>(453,012)</b>	<b>(44,771,849)</b>
<b>Expenses</b>			
Investment Manager's fee	3	404,300	476,100
Other expenses	3	484,228	263,654
<b>Total operating expenses</b>		<b>888,528</b>	<b>739,754</b>
<b>Total comprehensive loss for the period</b>		<b>(1,341,540)</b>	<b>(45,511,603)</b>
<b>Loss per ordinary share (basic and diluted)*</b>	5	<b>(0.0091)</b>	<b>(0.3104)</b>

*\*Basic loss per ordinary share is calculated by dividing the total comprehensive loss for the period by the weighted average number of ordinary shares outstanding during the period. Diluted loss per ordinary share is the same as basic loss per ordinary share since there are no dilutive potential ordinary shares arising from financial instruments.*

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

All items in the above statement derive from continuing operations.

*The accompanying notes on pages 13 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 2018

	Notes	31 December 2018 (unaudited) US\$	30 June 2018 (audited) US\$
<b>Non-current assets</b>			
Investments at fair value through profit or loss	6 (a)	38,728,233	41,599,859
		<u>38,728,233</u>	<u>41,599,859</u>
<b>Current assets</b>			
Unsettled investment sales		-	12,132
Prepayments		14,582	13,569
Other receivables		11,400	3,265,622
Cash and cash equivalents		6,381,368	4,423,548
		<u>6,407,350</u>	<u>7,714,871</u>
<b>Total assets</b>		45,135,583	49,314,730
<b>Liabilities</b>			
Other payables		186,192	90,911
<b>Total net assets</b>		<u>44,949,391</u>	<u>49,223,819</u>
<b>Equity</b>			
Share capital	7	120,326,226	123,259,114
Retained earnings		(75,376,835)	(74,035,295)
<b>Total equity</b>		<u>44,949,391</u>	<u>49,223,819</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>0.3065</u>	<u>0.3357</u>

The Unaudited Interim Condensed Financial Statements on pages 9 to 25 were approved and authorised for issue by the Board of Directors on 20 March 2019 and signed on its behalf by:

**Anthony Pickford**  
Director

*The accompanying notes on pages 13 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 2018

	Notes	For the six months ended 31 December 2018 (unaudited)			Total US\$
		Ordinary Share capital US\$	B Share capital US\$	Retained earnings US\$	
<b>As at 1 July 2018</b>		<b>123,259,114</b>	<b>-</b>	<b>(74,035,295)</b>	<b>49,223,819</b>
B shares issued as distributions to shareholders	7	(2,932,888)	2,932,888	-	-
B shares redeemed and cancelled during the period	7	-	(2,932,888)	-	(2,932,888)
Total comprehensive loss for the period		-	-	(1,341,540)	(1,341,540)
<b>As at 31 December 2018</b>		<b>120,326,226</b>	<b>-</b>	<b>(75,376,835)</b>	<b>44,949,391</b>

	Notes	For the six months ended 31 December 2017 (unaudited)			Total US\$
		Ordinary Share capital US\$	B Share capital US\$	Retained earnings US\$	
<b>As at 1 July 2017</b>		<b>132,057,777</b>	<b>-</b>	<b>(20,989,665)</b>	<b>111,068,112</b>
B shares issued as distributions to shareholders	7	(4,399,332)	4,399,332	-	-
B shares redeemed and cancelled during the period	7	-	(4,399,332)	-	(4,399,332)
Total comprehensive loss for the period		-	-	(45,511,603)	(45,511,603)
<b>As at 31 December 2017</b>		<b>127,658,445</b>	<b>-</b>	<b>(66,501,268)</b>	<b>61,157,177</b>

*The accompanying notes on pages 13 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 2018

	Note	For the six months ended 31 December 2018 (unaudited) US\$	For the six months ended 31 December 2017 (unaudited) US\$
<b>Cash flows from operating activities</b>			
Total comprehensive loss for the period		(1,341,540)	(45,511,603)
Adjustments for:			
Net losses on financial assets at fair value through profit or loss	6 (b)	424,323	44,794,809
Net foreign exchange losses/(profit)		28,689	(22,960)
Increase in other receivables and prepayments		(1,013)	(141,232)
Increase/(decrease) in other payables		95,281	(292,975)
		<b>(794,260)</b>	<b>(1,173,961)</b>
Purchases of investments	6 (a)	(372,169)	(158,625)
Sales of investments		6,085,826	9,122,169
<b>Net cash from operating activities</b>		<b>4,919,397</b>	<b>7,789,583</b>
<b>Cash flows used in financing activities</b>			
B shares redeemed during the period	7	(2,932,888)	(4,399,332)
<b>Net cash used in financing activities</b>		<b>(2,932,888)</b>	<b>(4,399,332)</b>
<b>Net increase in cash and cash equivalents during the period</b>		<b>1,986,509</b>	<b>3,390,251</b>
Cash and cash equivalents, start of the period		4,423,548	4,264,030
Effect of foreign exchange rate changes during the period		(28,689)	22,960
<b>Cash and cash equivalents, end of the period</b>		<b>6,381,368</b>	<b>7,677,241</b>

*The accompanying notes on pages 13 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 2018

### 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. On 17 September 2015, the Company began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority.

The Company 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 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and International Accounting Standards (“IAS”) that remain in effect and endorsed by the EU, together with applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the London Stock Exchange.

### 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 adopted by the European Union, the Listing Rules of the London Stock Exchange (“LSE”) and applicable legal and regulatory requirements. 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 2018.

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 2018, which were prepared in accordance with IFRS, as adopted by the European Union.

These Interim Financial Statements were authorised for issue by the Company’s Board of Directors on 20 March 2019.

#### Redeemable shares

B shares are classified as equity as they are redeemable at the Director’s option. Redeemable shares are issued and redeemed at prices determined by the Director’s based on distributions received from investments.

The Company does not operate in an industry where significant or cyclical variations, as a result of seasonal activity, are experienced during the financial period.

#### Estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates. 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 2018.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was changed if the change affects only that period or in the period of the change and future periods if the change affects both current and future periods.

#### Going concern

The Board has assessed the Company’s financial position as at 31 December 2018 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Interim Financial Statements on a going concern basis.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 2. Principal accounting policies, continued

#### **New Accounting Standards, interpretations and amendments adopted**

The following relevant standards have been adopted for the first time in these Interim Financial Statements.

- IFRS 9, “Financial Instruments” published in July 2014, replaces the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, and was endorsed by the EU on 22 November 2016.

The adoption of IFRS 9 has had no material impact on these Interim Financial Statements, principally for the following reasons:

- the classification and measurement methodology for all of the Company’s assets and liabilities has remained the same under IFRS 9 as under IAS 39;
- none of the Company’s investments are measured at amortised cost, as a result of which the changes in IFRS 9 relating to the assessment of credit losses do not apply to these instruments; and
- the Company does not apply hedge accounting, and is therefore unaffected by the hedge accounting-related changes introduced in IFRS 9.

#### **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. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The Board is charged with setting the Company’s strategy. It has delegated the day to day implementation of this strategy to the Investment Manager but retains responsibility to ensure that adequate resources of the Company are directed in accordance with its decisions. The divestment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager has been given full authority to act on behalf of the Company, including the authority to sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto. Whilst the Investment Manager may make the divestment decisions on a day to day basis, any changes to the divestment strategy have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board therefore retains full responsibility as to the major strategic decisions made on an on-going basis. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the Board and the shareholders.

The key measure of performance used by the Board to assess the Company’s performance and to allocate resources is the Company’s net asset value per ordinary share (“NAV per share”) (see note 8), as calculated under IFRS. A reconciliation between the measure of NAV per share used by the Board and that contained in these Interim Financial Statements is disclosed in note 8.

The Company has a diversified shareholder population. As at 12 March 2019, there were only 3 investors with more than 5% of the issued share capital of the Company.



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 3. Expenses

	For the six months ended 31 December 2018 (unaudited) US\$	For the six months ended 31 December 2017 (unaudited) US\$
<i>Investment Manager's fee:</i>		
Investment Manager's fee	404,300	476,100
	<hr/>	<hr/>
	404,300	476,100
<i>Other expenses:</i>		
Directors' remuneration and expenses	62,568	63,631
Accounting, secretarial and administration fees	78,789	63,722
Legal and professional fees	248,447	21,918
Auditor's remuneration	16,374	16,407
Custodian fee	35,000	35,000
Registrar's fee	13,072	30,994
Directors and officers insurance	2,041	2,646
Listing and regulatory fees	14,594	11,998
Sundry expenses	13,343	17,338
	<hr/>	<hr/>
	484,228	263,654

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

#### Investment management fee

With effect from 6 July 2017, Warana Capital, LLC ("Warana" or the "Investment Manager") was appointed as Investment Manager to the Company. Pursuant to the terms of the Investment Management Agreement ("IMA"), the Investment Manager is entitled to receive an investment management fee of US\$500,000 per annum payable quarterly in advance. The Investment Manager is also entitled to a realisation fee of 5 per cent of the cash distributed to shareholders (calculated before costs of distribution). Under the terms of the IMA, the IMA may be terminated by either party with 12 months notice, provided that such notice shall only be able to be provided from 30 September 2020.

Investment management fees for the period totalled US\$404,300 (31 December 2017: US\$476,100). There was no outstanding balance at the period end (30 June 2018: US\$Nil).

#### Administration fees

With effect from 14 July 2015, Praxis Fund Services Limited (the "Administrator") was appointed as Administrator of the Company. Pursuant to the terms of the Administration and Secretarial Agreement, the Administrator is entitled to receive an administration fee and company secretarial fee, payable monthly in arrears, at the rate of 0.075 per cent per annum of the net assets of the Company, subject to a minimum fee of £95,000 per annum, plus disbursements. The Administrator also receives project fees as agreed by the Board from time to time.

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\$78,789 (31 December 2017: US\$63,722). There was no outstanding balance at the period end (30 June 2018: US\$Nil).

#### Legal and professional fees

The increase in legal costs was associated with the forthcoming share issue, part of which will be borne by the new share class.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 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 relating to the investment of the assets of the Company.

Custodian fees for the period totalled US\$35,000 (31 December 2017: US\$35,000). A balance of US\$40,769 (30 June 2018: US\$34,935) was outstanding at the period end.

### 4. Tax status

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £1,200 is payable to the States of Guernsey in respect of this exemption.

### 5. Loss per ordinary share

Basic loss per ordinary share is calculated by dividing the total comprehensive loss for the period by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 31 December 2018 (unaudited)		
	Total comprehensive loss for the period US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(1,341,540)	146,644,387	(0.0091)

	For the year ended 30 June 2018 (audited)		
	Total comprehensive loss for the year US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(53,045,630)	146,644,387	(0.3617)

	For the six months ended 31 December 2017 (unaudited)		
	Total comprehensive loss for the period US\$	Weighted average number of ordinary shares in issue No.	Loss per ordinary share
Ordinary shares	(45,511,603)	146,644,387	(0.3104)

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 6. Fair value of financial instruments

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

	For the six months ended 31 December 2018 (unaudited) US\$	For the year ended 30 June 2018 (audited) US\$	For the six months ended 31 December 2017 (unaudited) US\$
Fair value at the start of the period	41,599,859	106,988,113	106,988,113
Purchases	372,169	500,827	158,625
Sales proceeds	(2,819,472)	(14,407,559)	(12,658,480)
Realised (losses)/gains on sales	(4,983,039)	268,471	(533,926)
Movement in unrealised losses on investments	4,558,716	(51,749,993)	(44,260,883)
Fair value at the end of the period/year	<u>38,728,233</u>	<u>41,599,859</u>	<u>49,693,449</u>
Cost at the end of the period/year	104,713,813	112,144,155	112,748,635
Unrealised losses on investments	(65,985,580)	(70,544,296)	(63,055,186)
Fair value at the end of the period/year	<u>38,728,233</u>	<u>41,599,859</u>	<u>49,693,449</u>

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

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

	31 December 2018 (unaudited) US\$	30 June 2018 (audited) US\$	31 December 2017 (unaudited) US\$
<b>Net realised (losses)/gains on financial assets at fair value through profit or loss</b>			
- Designated as at fair value through profit or loss	(4,983,039)	268,471	(533,926)
<b>Movement in unrealised losses on financial assets at fair value through profit and loss</b>			
- Designated as at fair value through profit or loss	4,558,716	(51,749,993)	(44,260,883)
<b>Net losses on financial assets at fair value through profit or loss</b>	<u>(424,323)</u>	<u>(51,481,522)</u>	<u>(44,794,809)</u>

#### c) Valuation models

None of the Company's financial assets and financial liabilities are traded in active markets and therefore the Company is unable to base the fair value of its financial assets and financial liabilities on quoted market prices or broker price quotations. For all financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

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

#### c) Valuation models, continued

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes investments in unlisted investment funds that have redemption restrictions in place.

Valuation techniques include underlying manager, third party administrator, net asset value reports, observable market prices where they exist and other valuation models. Assumptions and inputs used in valuation techniques include foreign exchange rates and expected price volatilities and correlations, as well as eventual recovery assumptions and time taken to recover value.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Investments in redemption restricted unlisted open-ended investment funds or unlisted private equity investments are typically valued utilising the net asset valuation provided by the administrator of the underlying fund and/or its investment manager. The Investment Manager considers the Company's ability to redeem its investment in the investee fund/company on the reporting date based on the reported net asset value per share, which will determine whether the investee fund/company will be categorised within Level 2 or Level 3 of the fair value hierarchy.

Where normal policies of the investee fund/company provide for a significant redemption notice period or where other material redemption restrictions such as gates or suspended NAV's exist, the investee fund/company will be categorised at Level 3 in the fair value hierarchy ("redemption restricted funds"). This classification reflects the consideration of whether adjustments to the reported NAV are required to reflect the inherent uncertainty in the timing and the range of possible outcomes of any realisation between the reported NAV and ultimate recoverable amount which may be different and such differences could be material.

The Company's Portfolio is made up solely of redemption restricted funds. For the full Portfolio, the Investment Manager has considered whether the latest available unaudited net assets of these underlying investments reflect their probable realisation values. Where this is not the case, the Board, in consultation with the Investment Manager, has adjusted the carrying fair value of those assets accordingly. Because of the inherent uncertainty of valuing these underlying investments arising from their illiquid nature, the values of these underlying investments may differ significantly from the values that would have been used had a ready market for the investments existed and such differences could be material.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 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 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	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)	674,712	Adjusted net asset value	Discounts based on: - Alternative outcome advised by underlying manager, liquidator or other authorised party	95% - 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\$675,000)/US\$1,394,000.
	34,840,646	Adjusted net asset value	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	30% - 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\$7,236,000)/US\$8,274,000.
	3,212,875	Unadjusted net asset value	No unobservable inputs are disclosed as these are not generated internally	N/A	N/A	A 10% increase/decrease in the unadjusted net asset value category of investments would result in an approximate decrease/increase in fair value of US\$321,000.
<b>Total Investments</b>	<b>38,728,233</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 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 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	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)	1,541,748	Adjusted net asset value	Discounts based on: - Alternative outcome advised by underlying manager, liquidator or other authorised party	30% - 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\$900,000)/US\$1,619,000.
	36,986,039	Adjusted net asset value	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\$7,800,000)/ US\$8,856,000.
	3,072,072	Unadjusted net asset value	No unobservable inputs are disclosed as these are not generated internally	N/A	N/A	A 10% increase/decrease in the unadjusted net asset value category of investments would result in an approximate decrease/increase in fair value of US\$307,000.
<b>Total Investments</b>	<b>41,599,859</b>					

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

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

#### c) Valuation models, continued

Significant unobservable inputs are developed as follows:

- *Discount for anticipated difficulty in recovering NAV:* The Investment Manager has observed that for a number of reasons, it may not be possible for an underlying fund to recover the full value of its assets. These reasons include, without limitation, the possibility that those assets will not be recognised by a governmental authority and insolvency proceedings affecting the underlying assets. The Investment Manager has also observed that these risks have not been taken into account when the net asset value of the underlying fund has been calculated. The Board, acting with the advice of the Investment Manager, has formed the view based on its judgement that a discount should be applied to reflect the fact that there is a material possibility that less than the current stated net asset value of the underlying fund will be recoverable.
- *Discount for lack of certainty over time frame to realisation:* The Investment Manager has observed that for a number of reasons, it may not be possible for the Company to recover the full value of these assets within a specified time frame. These reasons include, without limitation the fact that the underlying positions are extremely illiquid and dependent upon external factors outside of the underlying Investment Manager's control.
- *Discount for no efficient or fair secondary market for liquidation:* The Investment Manager has observed that although a reasonably developed secondary market exists for most illiquid hedge fund portfolios there are some assets and portfolios that the secondary market has not been able to effectively research. This results in an extremely depressed secondary price and liquidity mainly due to the poor information available.
- *Discount for assets which are caught up in legal proceedings:* The Investment Manager 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 Manager 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 Manager will apply a discount.
- *Discount for geographic, political or currency related risks:* The Investment Manager will apply an additional discount is applied if there is a perceived geographic, political or currency related risk.

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 ordinary shares.

	<b>31 December 2018 (unaudited)</b>	
	<b>Favourable</b>	<b>(Unfavourable)</b>
Change in fair value of investments	US\$9,989,000	US\$(8,232,000)
	<hr/>	
	<b>30 June 2018 (audited)</b>	
	<b>Favourable</b>	<b>(Unfavourable)</b>
Change in fair value of investments	US\$10,782,000	US\$(9,007,000)
	<hr/>	

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 19 and 20. The most significant unobservable inputs are discounts for delay in cash realisation compared to a model, failure to recover certain assets, potential lack of available financing and potential lack of market exit and a reduction in value to reflect discounts needed to achieve exit. The above figures also include a 10% sensitivity analysis on the fair values of the remaining investments in the Company's portfolio for which no unobservable inputs are applied.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 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 2018.

As at 31 December 2018, and as described in the table on page 19, the Directors, in consultation with the Investment Manager, have applied adjustments against net asset values to 46 (30 June 2018: 44) 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 2018 (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%	2,721,989	(816,597)	1,905,392
40%	41,535,101	(16,614,041)	24,921,060
70%	25,235,555	(17,664,888)	7,570,667
80%	1,562,596	(1,250,077)	312,519
90%	263,069	(236,762)	26,307
93.5%	1,606,764	(1,502,063)	104,701
95%	13,484,303	(12,810,088)	674,215
99%	49,671	(49,174)	497
100%	10,217,991	(10,217,991)	-
	<b>96,677,039</b>	<b>(61,161,681)</b>	<b>35,515,358</b>
Level 3 investments without fair value adjustments			3,212,875
Total fair value of investments			<b>38,728,233</b>
<b>30 June 2018 (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%	112,510	(11,251)	101,259
30%	3,692,231	(1,107,669)	2,584,562
40%	41,335,079	(16,534,032)	24,801,047
63%	2,160,464	(1,361,092)	799,372
65%	3,141,140	(2,041,740)	1,099,400
70%	26,482,343	(18,537,641)	7,944,702
80%	1,873,901	(1,499,121)	374,780
90%	432,479	(389,231)	43,248
93.6%	1,647,583	(1,542,882)	104,701
95%	13,484,303	(12,810,088)	674,215
99%	50,069	(49,568)	501
100%	10,340,067	(10,340,067)	-
	<b>104,752,169</b>	<b>(66,224,382)</b>	<b>38,527,787</b>
Level 3 investments without fair value adjustments			3,072,072
Total fair value of investments			<b>41,599,859</b>



# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 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 2018 (unaudited) US\$	% of net assets %
<b>Fair value assets</b>		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	38,728,233	86.2
	<hr/>	<hr/>
	30 June 2018 (audited) US\$	% of net assets %
<b>Fair value assets</b>		
Level 3 - Investments valued at fair value		
Unlisted open-ended investment funds	41,599,859	84.5
	<hr/>	<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.

### 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.

#### Issued share capital

##### Ordinary shares:

	31 December 2018 (unaudited)	
	No.	US\$
Share capital at the start of the period	146,644,387	123,259,114
Distributions	-	(2,932,888)
Share capital at the end of the period	<hr/> 146,644,387	<hr/> 120,326,226
	<hr/>	<hr/>
	30 June 2018 (audited)	
	No.	US\$
Share capital at the start of the year	146,644,387	132,057,777
Distributions	-	(8,798,663)
Share capital at the end of the year	<hr/> 146,644,387	<hr/> 123,259,114
	<hr/>	<hr/>

At an Extraordinary General Meeting held on 14 July 2016, shareholders approved an amendment to the Company's Articles to allow for the return of capital to shareholders. Under the terms of the return of capital to shareholders, shareholders will receive B shares pro rata to their holding of ordinary shares at the time of the issue of the B shares. Each B share will be redeemed by the Company on the redemption date (without any further action from shareholders) for the redemption price. Following redemption each B share will be cancelled.

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 7. Share capital, continued

#### Issued share capital, continued

##### B shares:

	31 December 2018 (unaudited)	
	No.	US\$
Share capital at the start of the period	-	-
Issue of B shares during the period*	146,644,387	2,932,888
Redeemed and cancelled during the period	(146,644,387)	(2,932,888)
Share capital at the end of the period	-	-

##### B shares:

	30 June 2018 (audited)	
	No.	US\$
Share capital at the start of the year	-	-
Issue of B shares during the year*	293,288,774	8,798,663
Redeemed and cancelled during the year	(293,288,774)	(8,798,663)
Share capital at the end of the year	-	-

The table below provides further details on the amounts returned as a result of B share redemptions.

Announcement date	Amount per ordinary share	Payment date	31 December 2018 (unaudited) Total amount US\$
22 November 2018	US\$0.02	13 December 2018	2,932,888
<b>Total B share redemptions paid in the period</b>			<b>2,932,888</b>

Announcement date	Amount per ordinary share	Payment date	30 June 2018 (audited) Total amount US\$
30 October 2017	US\$0.03	10 November 2017	4,399,332
06 April 2018	US\$0.03	19 April 2018	4,399,331
<b>Total B share redemptions paid in the year</b>			<b>8,798,663</b>

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

On 25 January 2019, the Company announced that it had resolved to return an amount of US\$0.02 per ordinary share to shareholders, being US\$2,932,888 in total, to be effected by way of an issue of redeemable B shares and the subsequent redemption of those B shares. Payment in respect of the redemption of the B shares was made on 15 February 2019.

At an extraordinary general meeting held on 25 February 2019, shareholders approved a proposal to introduce a new class of ordinary shares (the "Ordinary Shares") pursuant to an Initial Placing, Offer for Subscription and subsequent Placing Programme. As part of these proposals it is intended that the Company's existing ordinary shares will be re-designated as realisation shares (the "Realisation Shares").

# ALTERNATIVE LIQUIDITY FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS, continued For the six months ended 31 December 2018

### 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
	US\$	No.	US\$
<b>As at 31 December 2018 (unaudited):</b>			
Published net asset value	44,949,391	146,664,387	0.3065
Net asset value per Interim Financial Statements	44,949,391	146,644,387	0.3065

#### Ordinary share class:

	Net asset value	Number of ordinary shares in issue	Net asset value per ordinary share
	US\$	No.	US\$
<b>As at 30 June 2018 (audited):</b>			
Published net asset value	49,707,787	146,664,387	0.3390
Fair value adjustments	(483,968)	146,664,387	(0.0033)
Net asset value per Interim Financial Statements	49,223,819	146,644,387	0.3357

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

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

The fees and expenses paid to the Investment Manager are detailed in note 3. Investment management fees for the period totalled US\$404,300 (31 December 2017: US\$476,100). There was no outstanding balance at the period end (30 June 2018: US\$Nil).

As at the last reported share register dated 12 March 2019, the Investment Manager did not hold any shares in the Company.

As at 31 December 2018, the interests of the Directors and their families who held office during the period are set out below:

	31 December 2018 (unaudited) Number of ordinary shares	31 December 2017 (unaudited) Number of ordinary shares
Quentin Spicer (Chairman)	-	-
Dr Richard Berman	-	-
Anthony Pickford	100,000	50,000

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

Fees and expenses paid to the Directors of the Company during the period were US\$62,568 (31 December 2017: US\$63,631). There was no outstanding balance at the period end (30 June 2018: US\$Nil).

### 10. Subsequent events

On 25 January 2019, the Company announced that it had resolved to return an amount of US\$0.02 per ordinary share to shareholders, a total of US\$2,932,888, to be effected by way of an issue of redeemable B shares and the subsequent redemption of those B shares. Payment in respect of the redemption of the B shares was made on 15 February 2019.

On 6 February 2019, the Company published a circular announcing its intention to introduce a new class of ordinary shares pursuant to an Initial Placing, Offer for Subscription and subsequent Placing Programme, and gave notice of an extraordinary general meeting ("EGM") to be held on 25 February 2019. This and other related proposals were all passed at the EGM without amendment.

There are no 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 2018

Number of Shares	Description	Fair Value	% of net assets
<b>GBP (30 June 2018: 0.00%)</b>			
594,053.6700	South Asian Real Estate Limited	-	-
<b>USD (30 June 2018: 84.47%)</b>			
2,000,000.0000	Aarkad plc	163,750	0.36
34,851,756.1400	Aarkad - USD	288,573	0.64
10,537.3400	Abax Arhat Fund Class Unrest Red Series 1 Jul 07	1,918,439	4.27
159,377.9300	Abax Upland Fund LLC Redeeming CL	32,846	0.07
36,983.1831	Aramid Distribution Trust	-	-
6,534.4087	Autonomy Rochevera	594,566	1.32
563.4800	Bennelong Asia Pacific	5,702	0.01
9,590,340.6400	Blue Sugars Corporation Common Stock USD	-	-
195,475.2620	Denholm HAL AR-B Red	-	-
600,000.0000	Duet India Hotels Limited	-	-
1.0000	Galileo Capital Partners LLC	290,226	0.65
2,589.0000	Gillett Holdings	5,613,680	12.49
9,002.2350	Growth Management Ltd	1,369,762	3.05
16,458.4300	Growth Premier Fund IC Class A	535,630	1.19
4,223,308.2300	Lomond Capital LLC	221,893	0.49
1,522.1877	Longview Fund Intl Ltd Class B USD (2/25) 05/2007	32,086	0.07
9,098.2223	Longview Fund Intl Ltd Class B USD Initial Series	239,695	0.53
1,523.1388	Longview Fund Intl Ltd Class B USD(1.5/25) 02/2007	34,233	0.08
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	0.01
203.4500	RD Legal Funding Offshore Ltd Class A USD S D1	15,298	0.03
188.8700	RD Legal Funding Offshore Ltd Class A USD S D2	11,008	0.02
3.0880	Ritchie Multi-Strategy Global CL-S	-	-
804.6100	SA Capital Partners	-	-
804.6100	South Asian Management Ltd	-	-
3,529.8830	Sector Spesit I Fund Class A	-	-
22.4430	Serengeti Opportunities - CLO - A210/0907slvl	12,480	0.03
3.5900	Serengeti Opportunities - CLO - A210/0907slvl 2	1,996	0.00
65.2250	Serengeti Opportunities - Mgt Fee A 210/0907	16,294	0.04
104.6510	Serengeti Opportunities - Station-A 210/0907 June11	380,083	0.85
21.5410	Serengeti Opportunities - Station-A 210/0907 2 June 11	78,233	0.17
1.0000	Serengeti Opportunities - Patton 0907	-	-
1.0000	Serengeti Opportunities - Patton 1007	-	-
1.0000	Serengeti Opportunities - CLO - 243/0108	59	0.00
1.0000	Serengeti Opportunities - CLO - 243/0907	118	0.00
1.0000	Serengeti Opportunities - CLO - 243/1007	349	0.00
1.0000	Serengeti Opportunities - CLO - 243/1107	113	0.00
	Sub-total carried forward	11,863,617	26.37

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS, continued (unaudited) As at 31 December 2018

Number of shares	Description	Fair Value	% of net assets
<b>USD, continued</b>			
	Sub-total brought forward	11,863,617	26.37
1.0000	Serengeti Opportunities - Mgt Fee A 243/1210	6,648	0.01
1.0000	Serengeti Opportunities - Station-A 243/0108 June 11	3,248	0.01
1.0000	Serengeti Opportunities - Station-A 243/0311 June 11	6,990	0.02
1.0000	Serengeti Opportunities - Station-A 243/0907 June 11	6,495	0.01
1.0000	Serengeti Opportunities - Station-A 243/1007 June 11	19,142	0.04
1.0000	Serengeti Opportunities - Station-A 243/1210 June 11	9,380	0.02
1.0000	Serengeti Opportunities - Station-A 243-1107 June 11	6,228	0.01
88.0200	Sowood Alpha Fund Ltd Class A2 USD Series 1	348	0.00
367.5600	Sowood Alpha Fund Ltd Class 2 USD Series 2	149	0.00
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	209,023	0.47
117,302.1019	Vision Chapadao Fund Series 1	19,719	0.04
38,872.2780	Vision Chapadao Fund Series 2	6,196	0.01
445,492.5360	Vision Chapadao Fund Series 3	17,107	0.04
1,590.3700	Vision Chapadao Fund Series 5	267	0.00
23,321.7093	Vision Piaui Fund Series 1	62,423	0.14
7,784.9820	Vision Piaui Fund Series 2	16,758	0.04
90,625.7960	Vision Piaui Fund Series 3	197,338	0.44
316.5600	Vision Piaui Fund Series 6	847	0.00
120,057.1990	Vision Tercado Fund Series 1	276,084	0.61
40,402.1530	Vision Tercado Fund Series 2	74,675	0.17
478,380.7240	Vision Tercado Fund Series 3	931,599	2.07
1,631.7100	Vision Tercado Fund Series 5	3,752	0.01
(1.0000)	Vision – Farm Funds provision based on tender offer	(1,502,063)	(3.34)
4,398.7463	Vision FCVS PB Fund Series 1	60,012	0.13
33,449.5693	Vision FCVS PB Fund Series 2	456,349	1.02
6,060.4116	Vision FCVS PB Fund Series 5	82,682	0.18
3,793.8658	Vision FCVS PB Fund Series 8	51,759	0.12
454,2638	Vision FCVS PB Fund Series 9	6,197	0.01
310,819.8510	Vision FCVS RJ Fund Series 1	3,562,835	7.93
297,520.8363	Vision FCVS RJ Fund Series 2	3,598,865	8.01
308,044.4190	Vision FCVS RJ Fund Series 4	3,627,759	8.08
192,714.3010	Vision FCVS RJ Fund Series 6	2,331,107	5.20
4,040.3600	Vision FCVS RJ Fund Series 7	48,873	0.11
100,142.7360	Vision I-NX	10	0.00
255,542.4647	Vision I-NX (D)	51	0.00
389.2725	Vision Special Credit Opportunities Fund	955	0.00
	Sub-total carried forward	26,063,424	57.98

# ALTERNATIVE LIQUIDITY FUND LIMITED

## SCHEDULE OF INVESTMENTS, continued (unaudited) As at 31 December 2018

Number of shares	Description	Fair Value	% of net assets
<b>USD, continued</b>			
	Sub-total brought forward	26,063,424	57.98
45,153.9508	Vision Special Credit Opportunities Elt Fund Series 1	2,162,944	4.81
55,125.5010	Vision Special Credit Opportunities Elt Fund Series 2	2,727,978	6.07
61,896.8862	Vision Special Credit Opportunities Elt Fund Series 3	2,683,159	5.97
85,003.0151	Vision Special Credit Opportunities Elt Fund Series 5	3,850,244	8.57
749.0914	Vision Special Credit Opportunities Elt Fund Series 7	37,070	0.08
4,874.0000	Volia Ltd	249,997	0.56
1,230.0000	Warana SP Offshore Fund – 2018 Segregated Portfolio	953,417	2.12
127,145.2050	Weaving FI Fund Ltd (In Liquidation)	-	-
		<b>38,728,233</b>	<b>86.16</b>
<b>Portfolio of investments</b>		<b>38,728,233</b>	<b>86.16</b>
<b>Other net assets</b>		6,221,158	13.84
<b>Total net assets attributable to shareholders</b>		<b>44,949,391</b>	<b>100.00</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>	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR
<b>Registrar:</b>	Link Market Services (Guernsey) Limited (formerly Capita Registrars (Guernsey) Limited) Mont Crevelt House Bulwer Avenue St Sampson Guernsey, GY2 4LH
<b>Investment Manager:</b>	Warana Capital, LLC 154 Grand Street Level 3 New York NY USA 10013
<b>Auditor:</b>	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey, GY1 3TF
<b>Custodian &amp; Principal Banker:</b>	Citibank, N.A. (London Branch) Canada Square London, E14 5LB
<b>Guernsey Legal Adviser:</b>	Carey Olsen (Guernsey) LLP Carey House Les Banques St Peter Port Guernsey, GY1 4BZ
<b>UK Legal Adviser &amp; Sponsor:</b>	Dickson Minto W.S Broadgate Tower 20 Primrose Street London, EC2A 2EW
<b>Company Number:</b>	60552 (Registered in Guernsey)