ACENCIA DEBT STRATEGIES LIMITED

HALF YEARLY REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

ACENCIA DEBT STRATEGIES LIMITED
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ACENCIA DEBT STRATEGIES LIMITED
SUMMARY INFORMATION

Principal Activity
AcenciA Debt Strategies Limited ("the Company" or "AcenciA") is an authorised closed-ended investment scheme domiciled in Guernsey. The Company is premium listed and trades on the Main Market of the London Stock Exchange.

Investment Objective and Policy
The Company's investment objective is to produce annual returns in excess of 3-month US LIBOR plus 5% over a rolling 3-year period, with annual standard deviation of under 5%.

The Company's investment policy is to invest in an actively managed portfolio of predominantly debt-oriented hedge funds. In accordance with the resolution passed at the EGM dated 25 September 2014 and with the amended Article 36.1 of the Company's Articles of Incorporation, the Directors shall call a general meeting of Shareholders in September 2017 at which an ordinary resolution shall be proposed to approve the voluntary winding up of the Company (the "2017 Winding-up Resolution") with effect from 31 December 2017. The Company will place such redemption notices as necessary ahead of the possible winding-up date of 31 December 2017, and will not, in the interim, make any new investments in funds which have lock-up or capital commitment periods beyond this date.

Dividend Policy
The Company's dividend policy is to pay an annualised dividend equivalent to 3.5% of net assets by means of interim dividend payments. During the period to 30 June 2017, the Company paid a dividend of 2.84 cents per Ordinary Share, totalling US$1,467,099 (30 June 2016: US$1,469,144). For further information refer to note 3.

Future of the Company and going concern
The Directors shall call a general meeting of Shareholders in September 2017 at which an ordinary resolution shall be proposed to approve the voluntary winding up of the Company with effect from 31 December 2017. The votes on the resolution shall be decided by way of a poll and the Shareholders agree that they shall not demand by request, or resolution, or otherwise that the 2017 Winding-up Resolution be decided on a show of hands. In calculating the poll vote, the voting is weighted such that if 25% or more of the votes are cast in favour of the winding-up, the resolution will be carried, and if it is not carried (i.e. less than 25% of Shareholders vote in favour of winding-up) to hold a tender for up to 25% of the Ordinary Shares, favouring Shareholders who voted for a winding-up.

While the Directors cannot be certain what the results of the 2017 Winding-up Resolution vote will be, it is expected that the resolution will be passed. Accordingly the Directors have adopted the non-going concern basis in preparing these Financial Statements.

Directors
The Directors who held office during the period ended 30 June 2017 and as at the date of this report are listed on page 21.

Auditor
The external auditor is required to rotate the audit engagement director responsible for the company audits every five years. In certain circumstances where there has recently been, or will soon be, a substantial change to the entity's business it is permitted under the FRC's Ethical Standard to extend that tenure by up to two years in order to safeguard audit quality.

Due to the planned continuation vote for September 2017, the Board has determined with the agreement of BDO Limited, that it was appropriate for the current audit engagement director to continue with his role for these interim financial statements. This was determined on the basis of his detailed understanding of the operations and systems of the company which we believe are important at this time.

In the event that the wind up vote is passed, the board with the agreement of BDO Limited, have agreed that the current audit engagement director will remain in place for the 31 December 2017 audit. Should the winding up vote not be passed then the current audit engagement director will be rotated for the 31 December 2017 audit.

Principal risks and uncertainties for the next financial period
The Board reviews risks each quarter and monitors the existing risk control activity designed to mitigate these risks.

The principal risks associated with the Company are:

- **Operational risk.** The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Company has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure that both operational performance and regulatory obligations are met. The Board performs on-going internal monitoring of operational processes and controls and receives regular reports from the administrators of the Company on any operational breaches and errors, adherence to policies and procedures and compliance reporting to reduce the risk of fraud and bribery. The Board is aware of the UK Bribery Act 2010 and has adopted an anti-bribery policy relevant to the nature of the Company and its business activities.

- **Investment risk.** Although the Board is ultimately responsible for the investment objective and policy, the day-to-day investment strategy is delegated by the Investment Manager, to the Sub-Manager and Investment Adviser. The success of the Company depends on the diligence and skill of the Sub-Manager and Investment Adviser. There is a risk that any underperformance of funds in which the Company's capital is invested would lead to a reduction of the Company's net asset value and the share price. The Board formally monitors the investment performance each quarter, when the Sub-Manager reports on the performance of the Company's portfolio at the quarterly Board meetings. The Sub-Manager and Investment Adviser carry out extensive due diligence on the underlying invested funds and monitor performance regularly. The investment guidelines and restrictions, as detailed in the prospectus of the Company, ensure adequate diversification and are regularly monitored by the Sub-Manager.

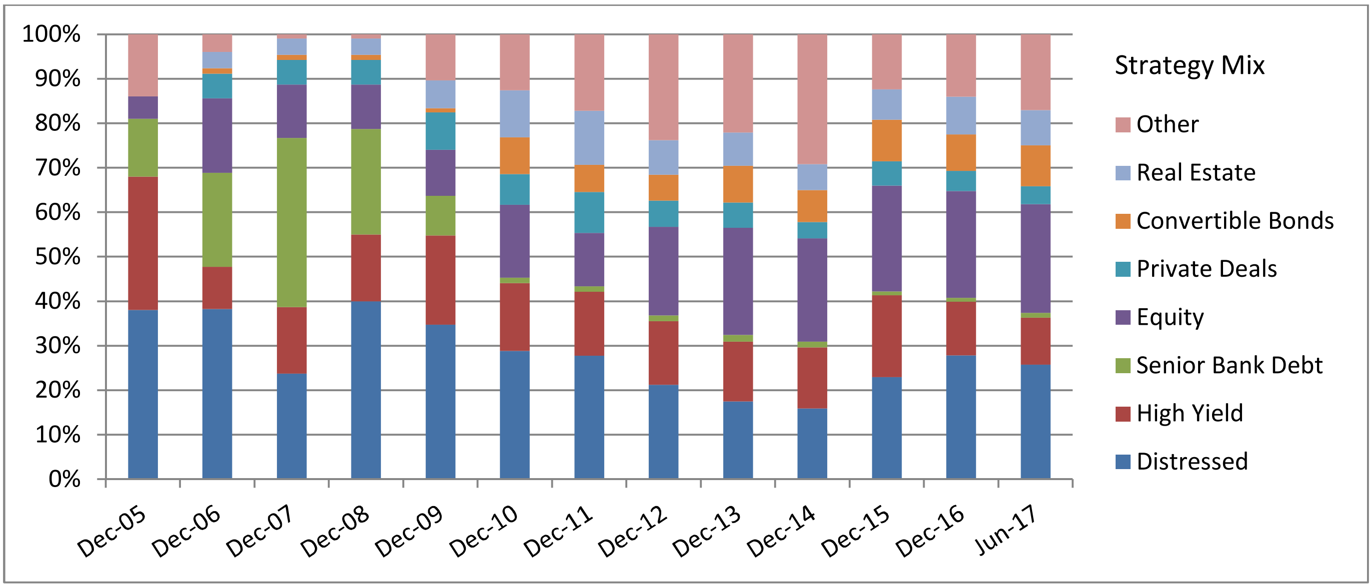
- **Credit risk.** In line with the 2017 Winding-up Resolution, the Company has placed and will place such redemption notices as necessary ahead of the possible winding-up date of 31 December 2017. The Company has an exposure to credit risk that the underlying investments/funds default on their obligations to settle the redemption notices. Such default may adversely affect the Company's ability to fulfil its own commitments under the terms of the 2017 Winding-up Resolution. Once the redemption proceeds become receivable, the Investment Manager and Sub-Manager monitor the expected redemption proceeds to ensure that they are received on a timely basis in accordance with the terms of the underlying investment fund's offering memorandum.

- **Share price discount risk.** The Company has a Discount Target mechanism which was designed to mitigate this risk. The share price is continually monitored and, if appropriate, the Company Enhanced Share Buy-back Program is utilised to help control share price discount levels. Furthermore, the Board also considers whether any additional control measures need to be taken. At the EGM on 25 September 2014, a resolution was passed to adopt a maximum discount target of 5% with effect from 1 January 2015.

- **Regulatory risk.** The Company is required to comply with the UK Listing Authority rules and the FCA's disclosure and transparency rules. Any failure to comply could lead to criminal or civil proceedings. The Sub-Manager and Administrator monitor compliance with regulatory requirements and the Administrator reports at quarterly Board meetings.

Asset Allocation by Hedge Fund Strategy

The Company's investment portfolio consists primarily of fund of funds investment entities. These fund of funds entities, in turn invest in a diverse range of underlying hedge fund strategies that are principally debt related. The estimated allocation to underlying hedge fund strategies as at 30 June 2017 was as follows:



** Estimate by Saltus Partners LLP based on interviews with a sample of underlying managers.*

Analysis of Significant Investments

The significant direct holdings of the Company as at 30 June 2017 are set out in the first table below. Of these, three are fund of fund vehicles managed by Sandalwood Securities, Inc. ("Sandalwood"), the Company's Investment Adviser. The significant holdings on a look-through basis (i.e. showing the effective exposure to underlying single manager hedge funds, ignoring the fund of fund vehicles) are set out in the second table below.

The Company's Significant Direct Holdings

Name of investment	Strategy	Fair Value US$	% of Portfolio Value
Fund of Funds Managed by Sandalwood			
Bodleian Partners Class A Limited Partnership	Fund of Funds	33,186,639	39.68
Sandalwood Debt Fund A Limited Partnership	Fund of Funds	29,637,222	35.44
Sandalwood Debt Fund B Limited Partnership	Fund of Funds	10,618,220	12.70
Sub Total		**73,442,081**	**87.82**
Single Manager Funds			
Elliott International Fund	Multi-strategy credit	10,194,574	12.18
Sub Total		**10,194,574**	**12.18**
Total		**83,636,655**	**100.00**

The Company's investment portfolio on a Look-through Basis comprised the following principal holdings:

Name of investment	Strategy	Fair Value US$	% of Portfolio Value
Redwood Domestic Fund, LP	Multi-strategy credit	13,759,694	16.45
Elliott Associates, LP	Multi-strategy credit	13,421,422	16.05
OZ Credit Opportunities Domestic Partners, LP	Multi-strategy credit	10,538,306	12.60
Canyon Balanced Fund, LP	Multi-strategy credit	10,347,065	12.37
Third Point Partners (QP), LP	Event Driven	9,386,772	11.22
Anchorage Capital Partners, LP	Multi-strategy credit	9,342,237	11.17
Centerbridge Credit Partners, LP	Distressed securities	8,837,503	10.57
Appaloosa Investment, LP	Distressed securities	4,755,516	5.69
York Credit Opportunities Fund, LP	Multi-strategy credit	4,432,013	5.30
Other net liabilities		(1,183,873)	(1.42)
Total		**83,636,655**	**100.00**

ACENCIA DEBT STRATEGIES LIMITED
RESPONSIBILITY STATEMENT

Each of the Directors currently in office, whose names are listed on page 21, confirm that, to the best of their knowledge and belief:

- The Financial Statements comprising the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Changes in Shareholders' Equity, the Unaudited Condensed Statement of Financial Position, the Unaudited Condensed Statement of Cash Flows and the Unaudited Related Notes 1 to 13 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

- The half-yearly report which includes a fair review of the information detailed in the Summary Information, the Chairman's Statement and the Sub-Manager's Report provides a fair review of the information required by:-

  I. DTR4.2.7, being an indication of important events that have occurred during the first six months of 2017 and a description of the principal risks and uncertainties for the remaining six months of 2017; and

  II. DTR4.2.8, being disclosure of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

W Scott
Chairman

R Battey
Director

Date: 23 August 2017.

ACENCIA DEBT STRATEGIES LIMITED
CHAIRMAN'S STATEMENT

Introduction

I present below my report to Shareholders in respect of the six-month financial period ended 30 June 2017.

Performance Review

Performance over the first half of 2017 was satisfactory, surpassing our target return of US 3-month LIBOR plus 5% per annum. AcenciA's net asset value ("NAV") per Ordinary Share increased by 3.7% to US$1.65 (taking account of dividends paid). This equates to an annualised rate of return of 7.5% p.a. Total Shareholder returns were up 10.4% comprising a share price increase of 12 cents to US$1.58 and total dividends of 2.84 cents paid during the year.

Investment Review

On pages 6 to 9, AcenciA's Sub-Manager, Saltus LLP, provides a detailed review of the markets within which AcenicA's capital is deployed and, on page 3, it illustrates how the strategy allocations within the portfolio have evolved over the half year and preceding years. It is pleasing to note that the investment strategies continue to provide a rich set of opportunities.

Dividend

During the period, AcenciA paid a dividend of 2.84 cents per Ordinary Share, being 1.75% of the 31 December 2016 NAV per Ordinary Share. The Board is pleased to declare a dividend of 2.89 cents per Ordinary Share, representing 1.75% of the NAV per Ordinary Share on 30 June 2017. This represents an annualised yield of 3.6% based on the closing share price of the Company on 22 August 2017 of US$1.60. It will be paid on 6 October 2017. The record date will be 1 September 2017 and the shares will go ex-dividend on 7 September 2017.

Share Price Discount to NAV and Future of the Company

Over the six months, the discount between the NAV and market price of the Ordinary Shares narrowed from 10.1% to 4.5%, no doubt in anticipation of the forthcoming wind-up vote which, as shareholders will recall, is due to take place next month and which, if passed, will require AcenciA's portfolio to be liquidated at the end of December 2017 and the net proceeds distributed to shareholders as soon as practicable thereafter. In light of this natural narrowing of the discount, no further share buy-backs were undertaken in the period.

The Board cannot be certain of the outcome of the wind-up vote until it has happened. However, given that the votes on the resolution are weighted such that only 25% of the votes cast need be in favour of winding up for the resolution to be passed, and based on soundings from significant shareholders, the Board currently believes that it is likely to pass, and accordingly these Financial Statements have been prepared on a break-up or "non-going concern" basis. This is very much an accounting technicality resulting from the likelihood that the Company will be liquidated within the next 12 months. It has had no impact on the value of the assets and liabilities, nor on its NAV per Ordinary Share and, if shareholders chose not to wind up the Company, it would have the ability to continue indefinitely in the absence of unforeseen events.

I expect to write to shareholders again shortly with details of the wind-up vote.

W Scott
Chairman
Date: 23 August 2017.

Performance Summary

For the 6 months ending 30 June 2017, the Company's NAV per share increased 3.7% in total return terms, with dividends totalling 2.84 cents having been paid and a closing NAV of US$1.65. The share price increased from US$1.46 to US$1.58 meaning total returns to Shareholders were 10.4% when taking account of total dividends. The discount narrowed from -10.1% to -4.5%.

	Share price and Discount		**Performance**	
	30 June 2017	**31 December 2016**	**From:**	**1 year**
NAV per Ordinary Share	US$1.65	US$1.62	**NAV (TR)***	3.7%
Share Price	US$1.58	US$1.46	**Price (TR)***	10.4%
Discount	*-4.5%*	*-10.1%*		*5.6%*

**includes dividends*

For the same period the S&P was up 8.42%, leverage loans rose 1.88% and high yield rose 4.63%

Source: Bloomberg

Overview

Equity markets continued their ascent in the first two quarters of 2017. The S&P 500 put up its best first half since 2013 behind strong fundamentals and continued outperformance by the technology sector, in a growth environment that has kept the Fed on its rate-hiking path. The Fed's quarter point rate hikes in March and June served to further bolster confidence in the US economy's strength.

The S&P 500 reported a year-over-year earnings increase of 9.2% and 10.1% for the first and second quarters respectively. However, with the S&P 500 rising 9.4% over the last 6 months, its valuation increased to 17.5x forward earnings, remaining well above its five year (15.4x) and ten year forward averages (14.0x). The market continues to be highly complacent about risk as indicated by the CBOE Volatility Index (VIX), which averaged just 11.43 for the second quarter, one of the lowest readings on record.

Treasury yields hardly changed in the first half of the year, with the Ten-year ending June at 2.31%, 13 bps lower, and the Five-year at 1.89%, 4 bps lower. In commodities, crude oil entered bear market territory in June as WTI traded 22% below its peak from the start of the year. It closed at US$46/barrel vs. US$54 at the end of December. Commitments by OPEC to cut oil production did not allay concerns about the growing rig count and pick-up in shale oil production in the US.

The Barclays High Yield Index gained 5.1% in the first half of the year with the tailwind of lower Treasury yields and spreads tightening 47 bps to 365 bps. It should be noted that, global leveraged credit markets have nearly doubled in size to approximately US$3 trillion since the 2008 financial crisis, with US$2 trillion of this accounted for by the US. Approximately US$215 billion of developed market high yield bonds carry a CCC or lower rating, which historically have experienced a 27% default rate (BAML Global Research, Standard & Poor's). A change to a higher interest rate environment could create a scenario of substantially higher than historical default rates as corporations would face increased financing costs.

After an early year recovery and a subdued April and May, high yield defaults spiked to US$3.5 billion in June. For 2017, US defaults total US$9.5 billion with 16 in the energy sector and 7 each in retail, restaurants, and consumer products. In addition to these, the materials and transportation sectors have high distress ratios and the overall high yield distress ratio rose to 7.4% in June (bonds trading > 1000 bps). The default rate remained fairly constant at 2.0% (twelve month trailing high yield bond par-weighted default rate).

We believe market conditions point to increasing headwinds for overleveraged capital structures which will lead to a growing distressed opportunity landscape. At the same time, supportive equity markets continue to provide managers ample opportunities for profit realisation.

Distressed

During 2017 AcenciA's underlying managers have continued to harvest commodities and energy sector investments as various bankruptcies reached their final stages. For example, oil services company C&J filed for bankruptcy in July 2016 and emerged in January under a plan that gave creditors 100% of the equity. The position doubled in value for our manager from the 80s to a bond-equivalent of 160. Another example was with coal producer Peabody Energy as it finalised plans to emerge from bankruptcy. Our manager negotiated the issuance of US$750 million in new preferred stock in a private placement for the largest debtholders at a 35% discount to its plan valuation, resulting in a strong gain. Other profitable names during the quarter were Ocean Rig as it announced its Ch. 11 restructuring plan confirming the work of our manager who was actively involved in the reorganisation process, Linn Energy as its reorganisation plan was confirmed, and Samson Resources as it emerged from bankruptcy in March.

The selloff in the price of oil has maintained a focus on energy-related reorg equities and still vulnerable leveraged capital structures. Healthcare, retail, and power are also sectors of interest. For example, electric utility GenOn filed for bankruptcy in June with US$2.5 billion in debt. Managers in many cases are using capital markets catalysts, such as asset sales, refinancings, and public listings, as the primary drivers of value for later-stage investments. For example, managers profited on the sale of Australian utility Alinta, the merger of Next Decade with Harmony. In these situations, the outcome is typically enhanced by the manager's controlling interest which allows for gains enhanced by process rather than simply market forces alone.

Managers also profited in other sectors, often in less-followed, small and mid-size capital structures. This credit cycle has been characterized by a greater number of midcap high yield issuers with bonds and loans that are often mispriced as they typically have little or no Wall Street research coverage given their smaller size. During the first quarter, one manager realised a 62% gain in the first quarter as a result of the court restructuring of Pinnacle Agriculture, a distributor of agricultural crop inputs. This manager also profited on the bond refinancing of steel producer Optima Specialty Steel, a value-added steel producer that filed for bankruptcy in December. Another manager exited its position in the debt of the UK toll road called M6 at an approximate multiple of 1.4x and a 19% IRR.

Elsewhere, Europe continues to be a source of opportunity. An interesting situation played out in June for one manager as Italian bank Intesa Sanpaolo rallied on its accretive acquisition of two ailing Venetian banks (Veneto Banca and Banca Popolare di Vicenza). Another manager had anticipated an event at these Venetian banks and confirmed that their unusually large layer of subordinated bonds made a worse- case loss scenario for the senior unsecured bonds marginal at an acquisition price of 75c. These bonds rallied to 104c after the rescue sale to Intesa.

Also in Europe, several managers profited on Greek government bonds trading up 12-15% in the second quarter as Greece reached a deal with the Eurogroup and IMF in June, avoiding a default on its July bailout repayments. Managers continue to see value in the bonds which trade wide to comparable European sovereigns and have the catalyst of potential inclusion in the ECBs bond buying program.

Towards the end of the first half of the year several managers increased hedges and raised cash in anticipation of the next wave of distressed opportunities. Many believe we are near the peak of the credit cycle and continue to research where the best buying opportunities will be. At the same time, managers also have continued to find attractive shorts in overleveraged capital structures.

Residential / Commercial Mortgage-Backed Securities (RMBS/CMBS) and Structured Credit

Structured credit markets were broadly positive again in the first half of 2017, as credit fundamentals continued to be stable to improving. On the corporate side, CLO debt tightened but remained at attractive spreads, 200-400 bps wider than comparable high yield bonds. Mortgage-backed bonds continue to have strong fundamentals, with US residential housing appreciating at approximately 5% year-over-year, credit delinquencies were down, and prepayments were slightly up. One of our managers utilises Mortgage Backed Security (MBS) exposure as ballast to the portfolio. The MBS position acts as a defensive allocation that yields high single digits while assuming no further improvement in underlying fundamentals or acceleration of cash flows from loan modifications or foreclosures.

However, the majority of the structured credit exposure our managers are invested in continues to be in the labour-intensive, complex situations that are largely uncorrelated to the market. One manager saw strong gains from mezzanine tranches of CDOs invested in bank trust preferred hybrid securities, which nonetheless continue to trade at a discount to comparable quality structured and corporate credit. Managers are also investing in sectors that banks are no longer financing, which have created the opportunity for excess returns. These sectors include manufactured housing and auto financing in specific geographies, such as Puerto Rico. Another source of returns has been mortgage put-back litigations related to pre-2008 underwriting standards and “CDO activism”, typically situations where the portfolio trades below its NAV. One of our managers had a profitable CDO realisation event take place in April.

Residential / Commercial Mortgage-Backed Securities (RMBS/CMBS) and Structured Credit, continued
On the commercial real estate side, some managers profited on their shorts in the retail sector as the CMBX 6 credit default index which has heavy exposure to shopping malls was down significantly in the first quarter. The spreads on the BB tranche of that index widened out by 20% to end the quarter at just over 1000 bps. Managers also continue to anticipate opportunities in distressed sectors of commercial real estate from the long side.

Event Driven
The first 6 months were active and profitable for our managers in event-driven equities as there continued to be a high level of corporate activity, both to drive current profitability as well as to invest for the future. The continued strength of financing markets remained supportive of balance sheet transactions as well.

Various events led to strong performance for our managers as they achieved progress and results in several situations employing shareholder activism. Last quarter we mentioned the information technology company Cognizant as a recent investment by one of our managers - in February the company agreed to our manager's proposals to appoint three new directors and return US$3.4 billion to shareholders. During the quarter there was also progress with Marathon Petroleum as it completed a US$2 billion asset sale to its Master Limited Partnership (MLP), a value-enhancing transaction as the MLP is valued at around 11x cash flow vs. the 6-7x at which refiners typically trade. In another situation, one of our managers saw a 23% gain in March on its position in Dutch paint maker Akzo Nobel. This manager prodded the company to engage with suitor PPG Industries following its two takeover offers for Akzo during the month.

Merger transactions continued to be a profitable area in the first quarter. Managers saw gains from Dow Chemical / Dupont as it received European Commission approval, Syngenta / ChemChina as it made progress towards closing, Reynolds American as it signed to be acquired by British American Tobacco, the reverse auction of Media General's broadcast spectrum, and Actelion / Johnson & Johnson (J&J). In addition to these situations, one manager profited by shorting the Cabela's /Bass Pro Shops merger, which ran into difficulties with the acquirer of its financing unit.

More specifically, J&J made a US$30 billion cash tender offer for Swiss biotech company Actelion, which was a premium of over 23% in January. Two of our managers were well positioned for such an offer, but the deal also included an added benefit: shares in Actelion spinout Idorsia. Idorsia is Actelion's drug discovery and early clinical pipeline business and was seeded with US$1 billion. The market misunderstood this valuable asset as the deal traded at a small discount to the offer price, providing the opportunity to receive the shares and cash on balance sheet of Idorsia for free when the deal closed in March.

It was a busy quarter for shareholder activism for several of our event-driven managers. One manager disclosed a 15% stake in network software maker Gigamon in May and a strategic review process which prompted an 18% jump in the shares. Other new activist positions taken during the quarter include a campaign at E&P company Energen, a Permian basin operator that our manager believes is an attractive acquisition target, NRG Energy, which our manager believes is undermanaged and in July announced US$4 billion in asset sales, and CenturyLink, which is acquiring Level 3 and pursuing a new strategy.

Several managers are invested in Yahoo's successor Altaba, which suffered selling pressure in June with its removal from the S&P 500, widening the gap to the value of its publicly traded holdings Alibaba and Yahoo Japan to over 35%. This technical dynamic created a mark-to-market loss for the quarter, but also the opportunity for our managers to add at an even more favourable discount which is expected to close as these holdings begin to be sold.

M&A activity remains robust despite a small decline in dollar volume compared to last year: global M&A through the first half of the year totalled US$1.35 trillion, a 6.1% decline. However, the number of transactions is up 10% to 1,893. Manager expertise remains critical to profiting in merger arbitrage, as the environment of heightened regulatory and political risk continues. For example, our managers avoided Rite Aid, which was hurt as its US$7 billion merger with Walgreens broke apart. In current positions, Bayer is expected to rerate higher with its acquisition of Monsanto, which is pending regulatory approval. The Time Warner / AT&T merger is attractive as it remains at a wide spread considering its high likelihood of closing. During the quarter, one manager profited on Tropicana Entertainment as it traded up 33% following a Dutch tender offer by Carl Icahn.

Managers continue to expect an abundant opportunity set in event-driven equities, as corporate merger and spinoff activity is expected to remain strong and management teams continue to be responsive to the proposals of large shareholders.

Long/Short Equity
So far in 2017 our long-short equity managers were almost all in positive territory, with some producing strong returns that matched or exceeded the S&P 500. This result is particularly compelling given the extremely low price movement environment that persisted for stocks. The market also experienced a rotation from the fourth quarter, with growth stocks strongly outperforming value in both the first and second quarters. Good stock selection, strong earnings growth, and an elevated level of dispersion in the market (differences in individual stocks' returns) contributed to the good results.

Despite the market's strong performance, one of our managers found that low tax-rate companies in the S&P 500 have outperformed high tax-rate companies since the Presidential election, suggesting that the potential for tax reform has yet to be priced in the market.

Managers on the whole kept their gross and net exposures stable over the quarter, but differentiated their exposures in the latter second quarter, with some reducing gross and net exposure significantly, one keeping it stable, and another increasing exposures with a bullish outlook. Strong performers included HRG Group, SS&C Technologies, Lowe's, Apple, and Chemours on the long side, as well as a short position in Signet Jewelers. Detractors included short positions such as Tesla as well as long positions in Hess, Dollar General, LKQ, Rite Aid and energy names, as despite OPEC's production cuts the price of oil fell as oil inventories remained higher than at the start of the year due to growing non-OPEC production.

Saltus Partners LLP
Date: 23 August 2017.

INDEPENDENT REVIEW REPORT TO ACENCIA DEBT STRATEGIES LIMITED
For the six months ended 30 June 2017

Introduction
We have been engaged by the Company to review the Unaudited Condensed set of Financial Statements in the half-yearly report for the six months ended 30 June 2017 which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Changes in Shareholders' Equity, the Condensed Statement of Financial Position, the Condensed Statement of Cash Flows and related notes 1 to 13.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

Directors' Responsibilities
The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the Annual Audited Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. The Unaudited Condensed set of Financial Statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the Unaudited condensed set of Financial Statements in the half-yearly report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect to half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement, or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Condensed set of Financial Statements in the half-yearly report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of matter – going concern
In forming our conclusion on the Unaudited Condensed set of Financial Statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 of the Unaudited Condensed set of Financial Statements which explains, that whilst the Directors cannot be certain of the outcome of the 2017 Winding-up Resolution, that they expect that the winding up resolution will be passed. As a consequence, the Unaudited Condensed set of Financial Statements have therefore been prepared on a basis other than that of a going concern.

BDO Limited
Chartered Accountants
Place du Pré, Rue du Pré, St Peter Port, Guernsey

Date: 23 August 2017.

ACENCIA DEBT STRATEGIES LIMITED
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (unaudited) US$	Six months ended 30 June 2016 (unaudited) US$
Net gains on investments at fair value through profit or loss	5	3,291,992	974,062
Foreign currency gains/(losses)		945	(6,667)
		3,292,937	967,395
Income			
Interest receivable		1,651	2,134
Expenses			
Net management fees	6	118,160	121,379
Administration fees	6	(53,259)	(57,376)
Directors' fees	6	(52,369)	(58,070)
Custodian fees	6	(21,411)	(20,666)
Other expenses	6	(161,681)	(170,116)
		(170,560)	(184,849)
Net expenses		**(168,909)**	**(182,715)**
Operating profit		**3,124,028**	**784,680**
Profit for the financial period		**3,124,028**	**784,680**
Total comprehensive income		**3,124,028**	**784,680**
Basic and diluted earnings per Ordinary Share	8	**6.05c**	**1.46c**
Weighted average number of Ordinary Shares outstanding	8	**51,658,415**	**53,782,992**

The accompanying notes on pages 15 to 20 form an integral part of the Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended 30 June 2017

	Notes	Distributable Reserve US$	Accumulated Losses US$	Translation Reserve US$	Total Equity US$
Six months ended 30 June 2017 (unaudited)					
At 31 December 2016		**199,659,120**	**(44,016,712)**	**(71,855,493)**	**83,786,915**
Total comprehensive income:					
Profit for the financial period		-	3,124,028	-	3,124,028
Total comprehensive income for the period		**-**	**3,124,028**	**-**	**3,124,028**
Transactions with owners:					
Dividends paid	3	-	(1,467,099)	-	(1,467,099)
Total transactions with owners		-	**(1,467,099)**	-	**(1,467,099)**
At 30 June 2017		**199,659,120**	**(42,359,783)**	**(71,855,493)**	**85,443,844**

	Notes	Distributable Reserve US$	Accumulated Losses US$	Translation Reserve US$	Total Equity US$
Six months ended 30 June 2016 (unaudited)					
At 31 December 2015		**203,075,335**	**(46,498,112)**	**(71,855,493)**	**84,721,730**
Total comprehensive income:					
Profit for the financial period		-	784,680	-	784,680
Total comprehensive income for the period		**-**	**784,680**	**-**	**784,680**
Transactions with owners:					
Ordinary Shares acquired and cancelled during the period	9	(1,000,331)	-	-	(1,000,331)
Dividends paid	3	-	(1,469,144)	-	(1,469,144)
Total transactions with owners		**(1,000,331)**	**(1,469,144)**	**-**	**(2,469,475)**
At 30 June 2016		**202,075,004**	**(47,182,576)**	**(71,855,493)**	**83,036,935**

The accompanying notes on pages 15 to 20 form an integral part of the Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	Notes	30 June 2017 (unaudited) US$	31 December 2016 (audited) US$
Assets			
Investments at fair value through profit or loss	5	83,636,655	80,344,663
Prepayments		35,982	24,930
Other receivables		91,918	173,897
Cash and cash equivalents		1,807,158	3,460,864
Total assets		85,571,713	84,004,354
Liabilities			
Other payables		127,869	217,439
Total liabilities		127,869	217,439
Net assets		**85,443,844**	**83,786,915**
Equity			
Distributable reserve	10(a)	199,659,120	199,659,120
Accumulated losses	10(b)	(42,359,783)	(44,016,712)
Translation reserve	10(c)	(71,855,493)	(71,855,493)
Total equity		**85,443,844**	**83,786,915**
Net asset value per Ordinary Share	11	**165.40c**	**162.19c**
Number of Ordinary Shares	9	**51,658,415**	**51,658,415**

The Financial Statements on pages 11 to 20 were approved by the Board of Directors and authorised for issue on 23 August 2017. They were signed on its behalf by:-

W Scott
Director

R Battey
Director

The accompanying notes on pages 15 to 20 form an integral part of the Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (unaudited) US$	Six months ended 30 June 2016 (unaudited) US$
Cash inflows/(outflows) from operating activities			
Operating profit for the period		3,124,028	784,680
Adjustment for:			
Movement in unrealised gains on investments	5	(3,291,992)	(447,027)
Realised gains on investments	5	-	(527,035)
Decrease/(increase) in prepayments and other receivables		70,927	(58,785)
(Decrease)/increase in other payables		(89,570)	34,722
		(186,607)	(213,445)
Sales of investments	5	-	3,000,000
Net cash (outflow)/inflow from operating activities		**(186,607)**	**2,786,555**
Cash outflows from financing activities			
Ordinary Shares acquired and cancelled	9	-	(1,000,331)
Dividends paid	3	(1,467,099)	(1,469,144)
Net cash outflow from financing activities		**(1,467,099)**	**(2,469,475)**
Net (decrease)/increase in cash and cash equivalents		**(1,653,706)**	**317,080**
Cash and cash equivalents at beginning of period		**3,460,864**	**1,673,152**
Cash and cash equivalents at end of period		**1,807,158**	**1,990,232**

The accompanying notes on pages 15 to 20 form an integral part of the Financial Statements.

1. GENERAL INFORMATION

The Company was incorporated as a company with limited liability in Guernsey on 13 October 2005 and is an authorised closed-ended investment scheme domiciled in Guernsey. The Ordinary Shares are premium listed on the London Stock Exchange.

The Company invests in a portfolio consisting primarily of debt-oriented hedge funds. The Company's investment strategy is to provide annual returns in excess of 3-month US Dollar LIBOR plus 5% over a rolling 3 year period and annual standard deviation of under 5%.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation & Statement of Compliance

Statement of compliance

These Unaudited Condensed Financial Statements (the "Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union. They do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's Annual Audited Financial Statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

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.

Significant Accounting Policies

The accounting policies applied by the Company in these Unaudited Condensed Financial Statements are the same as those applied by the Company in its Audited Annual Financial Statements for the year ended 31 December 2016.

Estimates

There have been no material revisions to the nature and amount of changes in estimates reported in the 2016 annual financial statements.

Going concern

The Board's assessment of the Company's position as at 30 June 2017 and the factors impacting the forthcoming year are set out in the Chairman's Statement and the Sub-Manager's Report on pages 5 to 9.

The financial position of the Company and its cash flows are set out on pages 11 to 14 of the Financial Statements.

The Directors shall call a general meeting of Shareholders in September 2017 at which the 2017 Winding-up Resolution shall be proposed to be effective from 31 December 2017. In the event the 2017 Winding-up Resolution is passed, the Company has and will place such redemption notices as necessary ahead of the possible winding-up date of 31 December 2017 to ensure the Company has the ability to fulfil its obligations of a winding up. As the Directors intend to serve protective notice on service providers and with almost 100% of the Company's total assets being represented either by cash or by investments which are expected to be realisable on normal terms at their then stated current net asset values, no adjustments were required to the fair values of net assets in these interim Financial Statements as a result of preparing them on a basis other than that of a going concern.

Although the Directors cannot be certain what the results of the 2017 Winding-up Resolution will be, it is expected that the resolution will be passed. Accordingly the Directors have adopted the non-going concern basis in preparing these Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Standards, interpretations and amendments adopted

The Directors considered all new relevant standards and amendments that are effective for the first time for periods beginning on or after 1 January 2017 and determined that none will have a material effect on the Company.

At the date of approval of these Financial Statements, the following standards and interpretations applicable to the Company, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 9, published in July 2014, will replace 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.

Due to the current application in these Financial Statements of IAS 39 for the measurement of its investments at fair value through profit or loss, the Company has assessed the impact of IFRS 9. Based on the current method of valuing investment at fair value through profit or loss and with the positions of the investment portfolio at 30 June 2017, the Directors do not expect IFRS 9 to have a material impact on the Financial Statements of the Company.

The Directors believe that the Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which they relate and do not omit any matter or development of significance.

3. DIVIDENDS

The Company's dividend policy is detailed on page 1.

Subsequent to the period end, the Directors have declared an interim dividend in relation to the six months ended 30 June 2017 of 2.89 cents per Ordinary Share which will be paid on 6 October 2017 to Shareholders on the register at 8 September 2017. The ex-dividend date will be 7 September 2017. In accordance with IAS 10, this dividend has not been included within these Financial Statements.

During the period, the Directors declared an interim dividend in relation to the year ended 31 December 2016 of 2.84 cents per share (30 June 2016: 2.74 cents per share in relation to the year ended 31 December 2015) which was paid on 19 May 2017, at a total cost of US$1,467,099 (30 June 2016: US$1,469,144).

4. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Company is organised into one main operating segment, which focuses on long term growth from investments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the Financial Statements of the Company as a whole.

In terms of the funds in which the Company invests, these are predominantly incorporated in the United States. The underlying investments in those funds however, may be in other countries.

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June 2017 (unaudited) US$	Year ended 31 December 2016 (audited) US$	Six months ended 30 June 2016 (unaudited) US$
Fair value through profit or loss investments			
Opening fair value as at beginning of period/year	**80,344,663**	**83,044,128**	**83,044,128**
Sales - proceeds	-	(8,527,034)	(3,527,035)
- realised (loss)/gains on sales	-	(132,081)	527,035
Movement in unrealised gains on investments	3,291,992	5,959,650	447,027
Closing fair value at end of period/year	**83,636,655**	**80,344,663**	**80,491,155**
Closing cost	71,170,297	71,170,297	76,829,412
Unrealised gains on investments	12,466,358	9,174,366	3,661,743
Closing fair value at end of period/year	**83,636,655**	**80,344,663**	**80,491,155**
Realised (losses)/gains on sales	-	(132,081)	527,035
Movement in unrealised gains on investments	3,291,992	5,959,650	447,027
Total net gains on investments designated at fair value through profit or loss	**3,291,992**	**5,827,569**	**974,062**

Further information and analysis of the investments is included in the Summary Information on page 3.

As at 30 June 2017, investment proceeds of US$nil were receivable (31 December 2016: US$nil and 30 June 2016: US$527,035).

Fair value measurement
Investments in quoted investment funds in a non-active market or unlisted investment funds ("investment funds") are valued based on the reported net asset value per share as provided by the investee fund's administrator or investment manager. Consideration of the Company's ability to redeem its investment in the investment fund on the reporting date at the reported net asset value per share, will determine whether the investee fund will be categorised within level 2 of the fair value hierarchy.

The Company's investments at fair value through profit or loss are all classified as level 2 in the fair value hierarchy, as they could all be redeemed at their reported net asset values at the reporting date.

The valuation and classification of the investments are reviewed on a regular basis. The Board determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between levels of the fair value hierarchy during the period ended 30 June 2017 (31 December 2016: US$ nil and 30 June 2016: US$ nil). The Company had no Level 3 investments at 30 June 2017 or 31 December 2016.

Valuation methodology
During the period, there have been no changes to the valuation methodologies used by the Company. These valuation methodologies have not changed from the last annual audited Financial Statements to 31 December 2016.

6. EXPENSES

	Six months ended 30 June 2017 (unaudited) US$	Six months ended 30 June 2016 (unaudited) US$
Management fees	428,230	413,315
Sandalwood management fee rebate	(546,390)	(534,694)
Net management fees receivable	**(118,160)**	**(121,379)**
Accounting, secretarial and administration fees	53,259	57,376
Directors' fees	52,369	58,070
Custodian fees	21,411	20,666
Other expenses:		
Marketing expenses	54,103	54,076
Auditor's remuneration for audit services	27,421	17,034
Legal and professional fees	5,230	9,202
Sundry expenses	74,927	89,804
	161,681	170,116
	288,720	**306,228**
Total expenses	**170,560**	**184,849**

There have been no changes in the nature or calculation methodology of the Sandalwood management fee rebate, the management fee, the performance fee, the administration fee, Directors' fees or the custodian fees in the period from that disclosed in the 2016 annual financial statements.

7. TAX STATUS

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200.

8. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per Ordinary Share are calculated by dividing profits for the period by the weighted average number of Ordinary Shares outstanding during the period.

	Six months ended 30 June 2017 (unaudited) US$	Six months ended 30 June 2016 (unaudited) US$
Weighted average number of Ordinary Shares	51,658,415	53,782,992
Profit for the financial period	US$3,124,028	US$784,680
Basic and diluted earning per Ordinary Share	6.05 cents	1.46 cents

The weighted average number of Ordinary Shares for the period ended 30 June 2017 is based on the number of Ordinary Shares in issue during the period, as detailed in note 9.

There are no instruments in issue that could potentially dilute earnings per Ordinary Share in future periods.

9. SHARE CAPITAL

Authorised Capital
The Company has the power to issue an unlimited number of shares of no par value at a premium which may be denominated in Sterling, Euro, US Dollars or any other currency. The Company only has US Dollar Ordinary Shares in issue at the date of this report.

Issued Capital	Ordinary Shares
Six months ended 30 June 2017 (unaudited)	
At 1 January 2017 and 30 June 2017	51,658,415
31 December 2016 (audited)	
At 1 January 2016	54,092,415
Ordinary Shares acquired and cancelled during the year	(2,434,000)
At 31 December 2016	**51,658,415**

The Company did not cancel any Ordinary Shares during the current period (30 June 2016: 733,000 Ordinary Shares at an average price of US$1.3647). As at 30 June 2017, there was US$nil outstanding payable in relation to Ordinary Shares acquired and cancelled by the Company (30 June 2016: US$nil).

Buy Back of Ordinary Shares and Authority to Buy Back Ordinary Shares
At the Annual General Meeting held on 19 May 2017, Shareholders renewed the authority for the Company to make market purchases of its own shares.

Unless previously varied, revoked or renewed by special resolution of the Company in general meeting, this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2018. At that meeting the Board intends to seek approval from Shareholders for a further renewal of the authority.

10. RESERVES

a) Distributable Reserve
Following the approval of the cancellation of the share premium by the Royal Court in 2005 and 2007 respectively, the share premium was transferred to a distributable reserve. This reserve may be applied in any manner in which the Company's profits available for distribution are able to be applied, including purchase of the Company's own Shares and the payment of dividends.

b) Accumulated Losses
Accumulated losses represents the accumulation of the total comprehensive income for each period.

c) Translation Reserve
The translation reserve comprises exchange differences arising on the conversion of the Company's presentation currency from Sterling to US Dollar during the prior year.

11. NET ASSET VALUE PER ORDINARY SHARE
The net asset value per Ordinary Share of US$1.654 (31 December 2016: US$1.6219) is based on the net assets at the period end of US$85,443,844 (31 December 2016: US$83,786,915) and on 51,658,415 Ordinary Shares (31 December 2016: 51,658,415), being the number of Ordinary Shares in issue at the period end.

12. RELATED PARTY TRANSACTIONS

The Investment Manager, the Sub-Manager and the Directors are regarded as related parties. The only material related party transactions are described below:

Management fees charged during the period were US$428,230 (30 June 2016: US$413,315) and the outstanding management fee balance payable at the end of the period was US$70,295 (31 December 2016: US$135,987). No performance fees were paid during the period and the outstanding performance fee payable at the end of the period was US$nil (31 December 2016: US$nil). Management fee rebates received by the Company during the period were US$546,390 (30 June 2016: US$534,694) and the management fee rebate receivable at the end of the period was US$91,918 (31 December 2016: US$173,897).

There were no direct transactions with the Sub-Manager during the year.

Directors and their families held the following interests in the Shares of the Company at 30 June 2017 and 31 December 2016:

	30 June 2017 (unaudited)		31 December 2016 (audited)	
Name	**No. of Ordinary Shares**	**Percentage**	**No. of Ordinary Shares**	**Percentage**
W Scott	5,173	0.01%	5,173	0.01%

During the period Directors received the following amounts as dividends:

	Six months ended 30 June 2017 (unaudited) US$	Six months ended 30 June 2016 (unaudited) US$
W Scott	147	142

Directors' fees paid during the period were US$52,369 (30 June 2016: US$58,070) and the outstanding Directors' fees payable at the end of the period were US$nil (31 December 2016: US$ nil).

13. POST YEAR END EVENTS

On 23 August 2017, the Board declared an interim dividend of 2.89 cents per Ordinary Share, representing 1.75% of the NAV per Ordinary Share on 30 June 2017. The dividend will be paid on 6 October 2017. The record date will be 1 September 2017 and the shares will go ex-dividend on 7 September 2017.

There were no other significant post year end events that require disclosure in these Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
MANAGEMENT AND ADMINISTRATION

Directors
W Scott (Independent non-executive Chairman)
R Battey (Independent non-executive Director)
W Simpson (Independent non-executive Director)

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Investment Manager
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Registrar
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