

Legends Fund

The Netherlands

ANNUAL REPORT

for the year ended 31 December 2019

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General information

Fund Manager	Theta Fund Management B.V. Concertgebouwplein 19 1071 LM Amsterdam The Netherlands
Administrator	Apex Fund Services (Netherlands) B.V. Van Heuven Goedhartlaan 935A 1181 LD Amstelveen The Netherlands
Legal Title Holder	Stichting Bewaarbedrijf Legends XL Fund Concertgebouwplein 19 1071 LM Amsterdam The Netherlands
Independent Auditor	Ernst & Young Accountants LLP Wassenaarseweg 80 2596 CZ, The Hague The Netherlands
Legal and Tax Counsel	Greenberg Traurig, LLP Hirsch Building, Leidseplein 29 1017 PS Amsterdam P.O. Box 75306 1070 AH Amsterdam The Netherlands
Payment Bank	ABN AMRO Bank N.V. Daalsesingel 71 3511SW Utrecht The Netherlands
Custody Bank	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Listing Agent and Liquidity Provider	NIBC Bank N.V. Carnegieplein 4 2517 KJ The Hague The Netherlands
Depositary	Darwin Depositary Services B.V. Barbara Strozilaan 101 1083 HN Amsterdam The Netherlands

General information *(continued)*

ENL - Agent and Principal Paying Agent

ABN AMRO Clearing Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Historical multi-year overview

Key figures

	2019	2018	2017	2016	2015
<i>(All amounts in EUR)</i>					
Equity	24,229,363	31,794,888	36,042,621	30,870,303	25,445,409
Number of participations					
Class A	255,792	350,151	367,488	320,867	246,876
Class B	-#	174	174	174	174
Class B Afbouwfase	165#	-	-	-	-
Equity per participation					
Class A	94.65*	90.75*	98.03	96.15	102.98
Class B	-#	90.76	98.03	96.15	102.98
Class B Afbouwfase	99.86#	-	-	-	-
Ongoing charges ratio	1.36%	1.40%	1.44%	1.61%	1.54%
Ongoing charges ratio (including underlying funds)	3.33%	2.53%	3.97%	%	%
Turnover ratio	25.07%	32.24%	31.97%	24.18%	13.92%
Performance of the Fund	4.30%	(7.43%)	1.96%	(6.63%)	(0.91%)
Weighted average number of participations					
	291,053	363,588	340,106	274,703	243,220
Net profit/(loss)					
Investment income	62,915	97,734	1,668	385	9,007
Indirect investment result	1,695,539	(2,191,860)	1,082,477	(1,137,117)	111,527
Expenses	(377,610)	(492,146)	(471,496)	(439,115)	(395,485)
Net profit/(loss)	<u>1,380,844</u>	<u>(2,586,272)</u>	<u>612,649</u>	<u>(1,575,847)</u>	<u>(274,951)</u>
Net profit/(loss) per participation					
Investment income	0.22	0.27	-	-	0.04
Indirect investment result	5.82	(6.03)	3.19	(4.14)	0.46
Expenses	(1.30)	(1.35)	(1.39)	(1.60)	(1.63)
Net profit/(loss) per participation	<u>4.74</u>	<u>(7.11)</u>	<u>1.80</u>	<u>(5.74)</u>	<u>(1.13)</u>

* The Class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. The market price as at 31 December 2019 is €94.03 (31 December 2018: €90.00).

Class B participations Afbouwfase were issued at €100.00 on 30 December 2019 to the holders of the previous Class B participations by way of an exchange at market value to facilitate distributions to the holders of those participations in future years.

Fund Manager Report

For the full year 2019, performance for Legends Fund was +4.30%, which compares to +3.44% for the index.

Last year we commented on the fact that we thought that we were at a crossroads, whereby the prospects for hedge fund returns looked good. Legends Fund returns are driven more by idiosyncratic events than by general market moves. As a result, returns tend to be uncorrelated as the timing for these events to play out is less dictated by general market moves and more by specific events. This leads to more predictable returns; rather than being at the whims of the market, our managers pick their bets meticulously, only taking directional risks in situations where they believe they have a real edge in predicting and often steering the outcomes. We think of this in terms of 'quality of returns' as we prefer our results to be achieved with more certainty and with less downside risk.

With ever increasing valuations in equity- and bond markets, we believe this focus on high quality returns is becoming more and more relevant. At the same, such opportunities for achieving high quality returns are becoming much more prevalent when prices depart from fundamentals on either side and are typically abundant at both the end and the beginning of a cycle.

Results in 2019 were largely driven by such events, with the severe price dislocation in Argentine bond prices that resulted from the indiscernible market panic in August, being a clear example. Two of our managers were able to uncover some fundamentally strong credits trading at deeply distressed prices. Buying bonds from forced sellers at 35cts on the dollar with an expectation of full repayment while earning 20%+ USD coupons, is a clear example of what we mean with high quality returns.

As we write this report – the Coronavirus (“Covid-19”) has started to take hold across the globe and countries are moving into “lock down” mode. There have been significant effects on all markets and assets. The length and depth of the market sell off is yet to be determined. Whilst 6 months ago a new regime in markets was taking over with central banks withdrawing liquidity – they are now injecting emergency liquidity to stave off a global economic crisis of a magnitude not seen before.

Liquid equity / bond portfolios are also feeling the brunt of this sell off and investors will want to reallocate to new opportunities, especially given the massive increase in asset dispersion. We have seen some manager's profit well from this sell off and others not so well. However, we do feel they are all able to take advantage of opportunities going forward – indeed opportunities that have not been around for several years.

This environment is starting to offer a great amount of highly compelling investment opportunities to our managers. We encourage investors to look beyond the results of the past few years and to think about where they are going to achieve attractive positive returns going forward. With a significant share of the fund being our own capital, be assured that our interests are fully aligned with our investors' interests. We encourage investors to read our monthly reports available on our website for a full overview of the underlying managers and to stay abreast of market updates. Most of the underlying funds in the portfolio are denominated in USD. We consistently hedge this risk back to euros.

This has been a significant drag on performance with an interest rate differential of 3% between Europe and the United States. Fortunately, this interest rate differential has reduced and hopefully will not be such a drag on performance in the future.

We hope our investors stay safe through-out this period and that we all manage to successfully navigate these extreme times.

Theta Fund Management BV

April 2020

Fund Manager Report (*continued*)

Risk management and willingness to take risks

In the table below we list the various risks to which investors in the Fund are exposed and we discuss the measures applied to manage these risks and their potential impact on the Fund's NAV.

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Expected impact on 2020 NAV if risk materializes	Impact on 2019 NAV	Adjustments to risk management in 2019 or 2020?
Price risk	No	Portfolio risk management as described in "Investment objective, policy and processes" is being applied and is expected to limit the price risk to a degree in line with the objective of achieving an annual return of Euribor +5%	As return volatility implies, we expect a 95% chance of NAV not declining by more than 12% (2 standard deviations below the mean) in a given year	The risk was comparable and the ultimate year result as well as the monthly results remained well within the expected range.	No
Interest rate risk	No	The fund has no interest bearing financial instruments except for cash at bank which is limited to a couple of percent max. Therefore, the Fund is not exposed to significant interest rate risk.	None	None	No
Foreign Exchange Risk	Yes	3 month forwards	Negligible	Negligible	No
Liquidity Risk	No	Liquidity risk is mitigated by investing in hedge funds that offer sufficiently liquid redemption terms and that we expect to be able to meet those terms at all times	We would not expect an NAV impact if this risk would materialize. It could trigger the fund gate delaying the redemption window for exiting participants	No impact	No

Fund Manager Report *(continued)*

Risk management and willingness to take risks *(continued)*

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Expected impact on 2020 NAV if risk materializes	Impact on 2019 NAV	Adjustments to risk management in 2019 or 2020?
Credit Risk	No	The fund has a credit facility with ABN Amro but limits the amount of credit to bridging purposes for new positions and FX settlements. ABN Amro has an A credit-rating and we would reconsider the arrangement should this change.	In theory the fund could lose the amount under the credit facility which, again in theory, could be as high as 20%. In practice we expect to keep credit limited to a couple of percent of NAV at any time.	Minor	No
Operational Risk	No	This risk is mitigated by having strict operational procedures in place to address identified operational risk items, by employing clear segregation of duties amongst all identified staff and selecting service providers to the Fund with operational procedures to mitigate the operational risks identified.	Negligible	No impact	No
Legal Risk	No	This fund has a detailed plan in place to meet those identified obligations.	Negligible	No impact	No

Fund Manager Report (*continued*)

General principles of remuneration policy :

Theta Fund Management B.V. maintains a careful, controlled and sustainable remuneration policy. The remuneration policy is consistent with and contributes to a sound and effective risk management and does not encourage risk taking beyond what is acceptable for Theta Fund Management B.V. or the funds under management.

The remuneration policy consists of a fixed and variable component that is at the discretion of management. The aggregate personnel cost for employees totaled EUR 106,100. The variable component of the personnel costs amounted to EUR 14,212.

Control Statement

We declare as the manager of Legends Fund to have an AO/IB that meets the requirements of the “Wet op het Financiële Toezicht” and the “Besluit gedragstoezicht financiële ondernemingen (“Bgfo”)”.

During 2019 we assessed the various aspects of Legends Fund’s operations as outlined in this AO/IB. We have not identified any internal control measures that do not meet the requirements of article 115y of the Bgfo and as such we declare that the operations in the year 2019 functioned effectively as described.

We expect no significant changes to the AO/IB for the year 2020.

Theta Fund Management B.V.

Investment objective, policy and processes

INVESTMENT OBJECTIVE

Legends Fund (the “Fund”) aims to provide individuals and institutional investors with an investment vehicle which targets average returns of approximately Euribor + 5% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures which employ diverse investment styles and strategies.

INVESTMENT POLICY

The Fund focuses on hedge funds that have an outstanding investment history and proven adaptiveness to changing market environments through various economic cycles. Many of these hedge funds have a minimum investment amount of more than EUR 10 million and therefore are not easily accessible for private investors. It is expected that a Fund Manager of an investment fund will have a track record of at least 10 years.

The Fund aims to achieve consistent high absolute returns on investment, irrespective of the direction of comparable publicly traded securities, i.e. to have limited correlation to general market risks. The Fund’s portfolio will contain shares in between 10 and 20 hedge funds with typically no single investment in a fund representing 20% or more of the book value of the Fund’s assets. Diversification is sought through the underlying market, securities, investment strategies, trading styles and regions, rather than the number of hedge funds.

The Fund invests primarily in investment funds based in established onshore and offshore financial centers, but will retain the flexibility to invest in funds established in other developing hedge fund markets if and when suitable opportunities arise. The Fund intends, in principle, to invest in investment funds established by hedge fund managers with strong and consistent track records.

The overall success of the Fund depends on (i) the ability of the Fund Manager in selecting hedge fund managers and to build a diversified investment portfolio amongst them, (ii) the hedge fund managers’ ability to be successful in their strategies.

Below is a summary of investment strategies that fit into the profile of the Fund.

- Long-Short Equity Strategy;
- Event-Driven Strategy;
- Global Macro Strategy; and
- Relative Value and Credit Strategy.

INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS

In its investment process, the Fund Manager takes a predominantly bottom-up approach reflecting its belief that hedge fund managers are well equipped to capitalise on varying market conditions. In other words, the Fund Manager does not actively manage its portfolios according to pre-formulated return expectations for the different hedge fund investment strategies. Rather, the Fund Manager strives to select managers that have proven the ability to successfully exploit investment opportunities across various market environments and aims to compose portfolios of hedge funds with fundamentally different risk-return profiles to maximise the benefit of diversification. This approach endeavours to provide the Fund investors with capital appreciation and downside protection, at all times.

Investment objective, policy and processes (*continued*)

INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS (*CONTINUED*)

Manager Selection and Due Diligence

The objective of the Fund Manager's selection process is to identify hedge fund managers with superior investment skills that have proven to operate successfully through different market environments. The selection process entails three levels of analysis, each with its own information requirements, documents and criteria. The selection process is supported by several databases, a qualitative information system and various tools (some proprietary) for quantitative fund analysis and stress-testing.

In the qualitative due diligence process the Fund Manager focuses on:

- independent mind, potential to generate uncorrelated returns, flexibility of investment approach;
- competitive edge in investment strategy, trading style;
- investment process;
- risk management; and
- background and experience.

The objective of performing quantitative analysis of a hedge fund track record is twofold: risk analysis and relative return analysis. To allow for the dynamism inherent in a fund's investment strategy, quantitative techniques cannot be applied in a strict and rigid manner, but a healthy dose of common sense and expert judgement is required.

The objective of the Fund Manager's operational due diligence process is to provide a transparent overview of the infrastructure supporting the trading strategy in terms of:

- People & organisation;
- Processes & systems; and
- Involvement of third party service providers.

Crucial elements in the operational risk assessment are reference checks, evaluation of portfolio marking-to-market and net asset value ("NAV") calculations, administrators and prime brokers.

Portfolio construction and risk management

In its portfolio construction, the Fund Manager is driven by the concept that it can only set the level of portfolio risk, and the market will dictate returns. The Fund Manager does not apply top-down (tactical) allocation based on relative return expectations across the various hedge fund strategies but takes a bottom-up approach where risk parameters on the portfolio level determine the allocation across individual hedge funds. Allocation limits to certain strategies, managers and market risks are applied to control concentration risk. This approach to portfolio construction complements the manager selection process, where the Fund Manager strives to select managers that are able to produce positive returns in all market environments. The process embodies an optimisation of the portfolio in which the Fund Manager aims to minimise concentration risk by focusing on cross-correlations between fund managers and strategies. The Fund Manager believes this disciplined, quantitative approach enables it to engineer risk-return profiles that match the clients' needs and preferences.

Hedging Strategies

The Fund will make use of hedging strategies to hedge the currency risk arising from non-base currency investments in investment funds. All investments will be subject to the same investment objectives and strategy but will have a currency hedge strategy linked to the underlying currency of the investment. The related hedging costs and the gains and losses attributable to the hedging transactions will be credited or charged to the Class on behalf of which such transactions are effected.

Financial statements

BALANCE SHEET

(As at 31 December)

(After profit appropriation)

	Note	31 December 2019 EUR	31 December 2018 EUR
Assets			
Investments			
Investments in investment funds		25,576,485	33,349,335
Derivative financial assets		40,146	58,609
	3	<u>25,616,631</u>	<u>33,407,944</u>
Current assets			
Cash	4	100,439	-
Due from broker	4	-	146,104
Receivable for investment funds sold	5	10,309	272,893
Other receivables		-	724
		<u>110,748</u>	<u>374,721</u>
Total assets		<u>25,727,379</u>	<u>33,782,665</u>
Liabilities			
Current liabilities			
Due to bank (credit facility)	4	(1,354,654)	(1,825,511)
Derivative financial liabilities		(15,205)	-
Accrued expenses and other payables	6	(128,157)	(162,266)
		<u>(1,498,016)</u>	<u>(1,987,777)</u>
Total liabilities		<u>(1,498,016)</u>	<u>(1,987,777)</u>
Total assets minus total liabilities		<u>24,229,363</u>	<u>31,794,888</u>
Equity			
Participants equity		24,970,647	33,917,016
Unappropriated loss		(741,284)	(2,122,128)
Total equity	7	<u>24,229,363</u>	<u>31,794,888</u>

The accompanying notes are an integral part of these financial statements.

Financial statements

INCOME STATEMENT

(For the years ended 31 December)

	<i>Note(s)</i>	2019 EUR	2018 EUR
Investment result			
<i>Direct investment result</i>			
Dividend income	8	58,784	86,876
Interest income	9	4,131	10,858
		<u>62,915</u>	<u>97,734</u>
<i>Indirect investment result</i>			
Realised gains on investments in investment funds	3, 11	901,147	173,677
Realised (losses) on derivative financial instruments	3, 11	(1,123,314)	(1,960,904)
Unrealised gains/(losses) on investments in investment funds	3, 11	1,918,852	(235,001)
Unrealised (losses) on derivative financial instruments	3,11	(33,668)	(220,077)
Foreign currency gains on translation	10	32,522	50,445
		<u>1,695,539</u>	<u>(2,191,860)</u>
Total investment income/(loss)		<u>1,758,454</u>	<u>(2,094,126)</u>
Expenses			
Management fee	12, 13	(175,148)	(219,823)
Other operational costs	12	(66,006)	(91,724)
Administrator fees	12, 13	(47,750)	(48,726)
Depository fees	12, 13	(27,778)	(27,225)
Interest expense	12	(23,894)	(37,402)
Audit fee	12, 13	(21,659)	(17,545)
Custody fee	12, 13	(16,111)	(20,204)
Legal fee	12	(3,220)	(15,015)
Bank charges refunded/(paid)	12	3,956	(14,482)
Total expenses		<u>(377,610)</u>	<u>(492,146)</u>
Net profit/(loss)		<u>1,380,844</u>	<u>(2,586,272)</u>

The accompanying notes are an integral part of these financial statements.

Financial statements

STATEMENT OF CASH FLOWS (For the years ended 31 December)

	<i>Note</i>	2019	2018
		EUR	EUR
Cash flows from operating activities			
Purchase of investment in investment funds		(2,668,889)	(5,561,307)
Proceeds from sale of investment in investment funds		13,479,322	9,040,482
Net payments for derivative financial assets and liabilities		(1,123,314)	(1,960,904)
Change in balances held with brokers		146,104	(146,104)
Interest received		4,855	10,134
Interest paid		(25,638)	(41,686)
Dividend received		58,784	86,876
Management fee paid		(190,192)	(220,729)
Administrator fees paid		(46,151)	(48,938)
Audit fee paid		(19,239)	(17,545)
Custody fee paid		(16,770)	(24,977)
Legal fee paid		(720)	(4,515)
Bank charges refunded/(paid)		3,956	(14,482)
Other general expenses paid		(116,965)	(87,031)
Net cash flows provided by operating activities		9,485,143	1,009,274
Cash flows from financing activities			
Proceeds from sales of participations		-	308,487
Payments on redemptions of participations		(8,946,369)	(1,969,948)
Repayment or (drawdown) on credit facility		(470,857)	601,742
Net cash flows used in financing activities		(9,417,226)	(1,059,719)
Net increase in cash		67,917	(50,445)
Cash at the beginning of the year		-	-
Foreign currency translation of cash positions		32,522	50,445
Cash at the end of the year		100,439	-

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. GENERAL INFORMATION

Legends Fund (the “Fund”) is structured as a common contractual fund in the Netherlands, established on 22 February 2011. The Fund commenced operations in March 2011.

The Fund may issue participations in various Classes, each denominated in different currencies and listed on different exchanges. All Classes are subject to the same investment objectives and strategies but will have a different hedge strategy linked to the currency of the Class. As at 31 December 2019 Class A, Class B participations and Class B participations Afbouwfase have been issued by the Fund. The Class A, Class B participations and Class B participations Afbouwfase are denominated in Euro (“EUR”). The Fund Manager is entered at the commercial register of the Chamber of Commerce of the Netherlands under number 27198870.

The Class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The Class B participations and Class B participations Afbouwfase were created to facilitate “Pensioen Beleggen”.

The investment objective of the Fund is to generate average investment returns of approximately Euribor + 5% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures, which employ diverse investment styles and strategies. The Fund focuses on hedge funds that have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles.

The Fund and the Fund Manager are subject to the supervision of the Netherlands Authority for the Financial Markets (“AFM”) and the Dutch Central Bank (“DNB”).

The Fund’s investment activities are managed by Theta Fund Management B.V. (the “Fund Manager”), with the administration delegated to Apex Fund Services (Netherlands) B.V. (the “Administrator”).

The Fund had no employees during the year ended 31 December 2019 and 2018.

The financial statements have been authorised for issue by the Fund Manager 29 April 2020.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the reporting principles generally accepted in the Netherlands (“Dutch GAAP”) including the guidelines for annual reporting (RJ), including RJ 615 and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code. The financial statements have also been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”).

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

Below is a summary of the accounting policies of the Fund.

Functional currency

The financial statements are presented in Euro (“EUR”), which is the Fund’s functional currency.

Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

Expenses (including value added tax (“VAT”), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (*CONTINUED*)

Foreign exchange

Assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in the income statement.

Classification of participations

The participations of the Fund are classified as equity. These participations are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

Basis of valuation - policies in preparing the balance sheet

Financial investments and financial derivatives are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised gains on investments in investment funds and realised gains/(losses) on derivative financial instruments' or 'unrealised gains/(losses) on investments in investment funds and unrealised (losses) on derivative financial instruments'.

The Fund's investments in investment funds are valued based on the reporting received from the administrators of those funds. As at 31 December 2019, the value of investments in investment funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investment funds.

The profit or loss of the Fund on its investments in investment funds is the aggregate of the Fund's attributable share of the result of the investment funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the investment funds. No adjustments were made in the year ended 31 December 2019 and 2018.

Where an up-to-date value of an underlying investment fund is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value. As at 31 December 2019 and 2018, there were differences between the estimated and final valuations of certain underlying investment funds held by the Fund. The differences resulted in insignificant valuation differences as at 31 December 2019 and 2018 of EUR 25,346 and EUR 46,636 respectively in these financial statements. These immaterial valuation differences were not adjusted in these financial statements. The 31 December 2019 and 2018 figures are reported under the accounting treatment as per the prospectus and reflect the net asset value reported to shareholders at 31 December 2019 and 2018.

Forward currency contracts

The Fund may use forward currency contracts to hedge the currency exposure. Details of hedging, if any, are disclosed in the financial investments and associated risk note. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward currency contracts are valued by reference to the forward price at which a new forward currency contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price.

Receivables

The value of accounts receivable will be deemed to be the full amount unless it is unlikely to be paid or received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

Payables and accruals

Payables and accruals and deferred income are included at fair value.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (*CONTINUED*)

Cash

Cash comprises cash on hand and demand deposits. Cash also includes short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Statement of cash flows

The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the Fund's cash flows for the year divided into cash flows from operations and financing activities and how the cash flows have affected cash funds.

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

Principles for determining the result

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in value of investments in investment funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Dividend income is accounted for in the income statement on an accrual basis based on the dividend declaration date.

Interest income is accounted for in the income statement on the accrual basis.

Expenses are accounted for in the income statement on the accrual basis. Transaction costs in relation to investment funds are capitalised while transaction costs in relation to forward currency contracts are expensed immediately.

Tax position

The Fund is an exempt investment institution (*Vrijgestelde Beleggingsinstelling*) or "VBI" and as such Dutch tax authorities have issued a ruling confirming that VBI entities are tax exempt. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a participant) are not subject to dividend withholding tax.

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

3. Investments

Movement in schedule of investments

<i>(All amounts in EUR)</i>	31 December 2019	31 December 2018
Investments in investment funds		
As at 1 January	33,349,335	35,906,263
Purchases	2,668,889	5,561,307
Sales	(13,261,738)	(8,056,911)
Realised	901,147	173,677
Unrealised	1,918,852	(235,001)
As at 31 December	<u>25,576,485</u>	<u>33,349,335</u>
Derivative financial instruments		
As at 1 January	58,609	278,686
Purchases/ (sales)	1,123,314	1,960,904
Realised	(1,123,314)	(1,960,904)
Unrealised	(33,668)	(220,077)
As at 31 December	<u>24,941</u>	<u>58,609</u>
Total investments		
As at 1 January	33,407,944	36,184,949
Purchases	3,792,203	5,561,307
Sales	(13,261,738)	(6,096,007)
Realised	(222,167)	(1,787,227)
Unrealised	1,885,184	(455,078)
As at 31 December	<u>25,601,426</u>	<u>33,407,944</u>

The table below provides an analysis of the forward currency contracts as at 31 December 2019:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/01/2020	EUR	6,633,537	USD	7,461,661	1.12484	1.12335	(8,769)
31/01/2020	EUR	1,000,000	USD	1,124,839	1.12484	1.12335	(1,322)
28/02/2020	EUR	2,529,017	USD	2,802,000	1.10794	1.12529	39,001
28/02/2020	USD	241,083	EUR	270,000	1.11995	1.12529	1,145
31/03/2020	USD	6,226,761	EUR	7,027,000	1.12852	1.12759	(5,114)
Total unrealised gain on open forward currency contracts							<u>24,941</u>

* Showing the equivalent of 1 Euro.

The table below provides an analysis of the forward currency contracts as at 31 December 2018:

(All amounts in EUR)

Expiration Date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/01/2019	EUR	8,160,499	USD	9,335,000	1.14392	1.14956	39,987
28/02/2019	EUR	5,970,741	USD	6,851,500	1.14751	1.15226	24,616
29/03/2019	EUR	5,487,715	USD	6,332,000	1.15385	1.15525	6,631
31/01/2019	USD	1,070,500	EUR	943,853	1.13418	1.14956	(12,625)
Total unrealised gain on open forward currency contracts							<u>58,609</u>

* Showing the equivalent of 1 Euro.

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

3. Investments (continued)

The tables below provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value based on how that fair value is determined.

31 December 2019

	Total EUR	Quoted prices (unadjusted) in active markets EUR	Derived from broker quotes	Derived from administrator statements EUR
Investments in investment funds	25,576,485	3,319,993	-	22,256,492
Derivative financial assets	40,146	-	40,146	-
Total	25,616,631	3,319,993	40,146	22,256,492
Derivative financial liabilities	(15,205)	-	(15,205)	-
Total	(15,205)	-	(15,205)	-

31 December 2018

	Total EUR	Quoted prices (unadjusted) in active markets EUR	Derived from broker quotes	Derived from administrator statements EUR
Investments in investment funds	33,349,335	3,559,636	-	29,789,699
Derivative financial assets	58,609	-	58,609	-
Total	33,407,944	3,559,636	58,609	29,789,699

4. Cash and due from/to broker/credit facility

As at 31 December 2019, cash comprise of balances held with ABN AMRO Bank N.V. of EUR 100,439 (2018: EUR (Nil)). As at 31 December 2019, this account is restricted as to its use, which purpose is for the payment of Fund operating expenses.

Broker balances and credit facility are comprised the following:

Due from broker	2019	2018
		EUR
Due from broker	-	146,104
Total due from broker	-	146,104
Due to broker /(credit facility)	2019	2018
		EUR
Credit facility	(1,354,654)	(1,825,511)
Total due to broker /(credit facility)	(1,354,654)	(1,825,511)

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

4. Cash and due from/to broker/credit facility (continued)

Amounts due to broker comprise short-term debt balances that may be collateralised by certain of the Fund's securities held with the broker. There were no balance due to broker at 31 December 2019 or 2018.

ABN AMRO Clearing Bank N.V. has made available a credit facility for a total maximum net amount of EUR 4.5 million. The total credit facility drawdown may at no time exceed 15% of the financial instruments pledged by the Fund. The credit facility is interest bearing for debit balances in EUR at EONIA interest rate plus 140 basis points, and for USD debit balances at LIBOR plus 135 basis points. The Fund also pays ABN AMRO Clearing Bank N.V. a commitment fee per annum of 10 basis points over the approved credit facility, payable quarterly in arrears.

ABN AMRO Clearing Bank N.V. has made available to the Fund a treasury product facility. The treasury product facility may be used to enter into foreign exchange contracts and/or over the counter financial derivative transactions in order to cover foreign exchange risks and/or interest rate risks. The Fund may enter transactions in various currencies as agreed upon between the Fund and ABN AMRO Clearing Bank N.V. in a case by case basis. The maximum treasury product limit for foreign exchange contracts is EUR 2 million and the maximum transaction limit is EUR 20 million.

5. Receivable for investment funds sold

During 2017 and 2018 the Fund redeemed shares from investment funds that only make full final payment of redemptions upon completion of their audit of their fiscal year. On these redemptions the Fund received partial payment. Depending on the investment funds the partial payment represents generally 90% to 95% of the estimated redemption proceeds. The remaining proceeds will be paid to the Fund during 2020. As at 31 December 2019, receivable for shares redeemed from investment funds sold amounts to EUR 10,309 (2018: EUR (227,393)).

6. Accrued expenses and other payables

At 31 December 2019 and 2018, accrued expenses and other payables consist of the following:

<i>(All amounts in EUR)</i>	31 December 2019	31 December 2018
Management fee payable	(37,626)	(52,670)
Other payables	(20,506)	(45,512)
Audit fee payable	(19,965)	(17,545)
Regulator fees payable	(15,350)	(13,525)
Administration fee payable	(15,332)	(13,733)
Legal fee payable	(15,000)	(12,500)
Custody fee payable	(1,681)	(2,340)
Interest payable	(1,572)	(3,316)
Commitment fee	(1,125)	(1,125)
Total accrued expenses and other payables	(128,157)	(162,266)

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

7 Participations of the Fund

Structure of the Fund's participants equity

The Fund is organised as a common contractual fund and is subject to Dutch law. The Fund may issue participations in various Classes denominated in different currencies and with a different listing. As at 31 December 2019 and 2018, Class A, Class B participations and Class B participations Afbouwfase have been issued by the Fund. The Class A, Class B participations and Class B participations Afbouwfase are denominated in EUR.

The Class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The Class B participations were created to facilitate "Pensioen Beleggen". The Class B participations Afbouwfase were issued to the holder of the Class B participations on 30 December 2019 to facilitate managed distributions in accordance with Dutch pension regulations. The Class B participations aggregate market value did not change as a result of this exchange.

The movement of equity in the participations during the year is as follows:

<i>(All amounts in EUR)</i>	2019	2018
<i>Contributions of participants</i>		
Balance at the beginning of the year	33,917,016	35,578,477
Issue of participations – Class A	-	308,487
Issue of participations – Class B Afbouwfase	16,513	-
Redemption of participations – Class A	(8,946,369)	(1,969,948)
Redemption of participations – Class B	(16,513)	-
Total contributions at the end of the year	<u>24,970,647</u>	<u>33,917,016</u>
<i>Undistributed profit/(loss)</i>		
Balance at the beginning of the year	(2,122,128)	464,144
Net gain/(loss) for the year	<u>1,380,844</u>	<u>(2,586,272)</u>
Total undistributed loss at the end of the year	<u>(741,284)</u>	<u>(2,122,128)</u>
Equity at the end of the year	<u>24,229,363</u>	<u>31,794,888</u>

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

7. Participations of the Fund (continued)

Subscriptions and redemptions

The Class A participations were issued at an initial subscription price of EUR 100 per participation and thereafter at the NAV. Prospective participants will be informed about the actual subscription charge on the website of the Fund (<http://www.legendfund.nl>).

Unless otherwise determined by the Fund Manager, the minimum value of Class A participations which may be the subject of one subscription will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the Class).

Class A participations may be redeemed as of the last business day of each calendar month, pursuant to written notice, which must be received by the administrator at least 90 calendar days prior to the redemption day.

The Fund is not obliged to redeem more than 10% of the total of the participations in issue in any Class on a redemption day.

Redemptions are subject to a redemption charge with a maximum of 3% of the NAV at the redemption day, which is due and payable to the Fund. No redemptions were subject to a redemption charge during the year ended 31 December 2019 and 2018.

Unless otherwise determined by the Fund Manager, the minimum value of Class A participations which may be the subject of one redemption request will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the Class).

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the participations, the Fund has designated NIBC Bank N.V. as liquidity provider. The Fund has agreed, subject to certain limitations, to accept redemption of participations by the liquidity provider on each business day at the NAV for that business day.

The movement of the participations during the year ended 31 December 2019 is as follows:

	Participations at the beginning of the year	Participations issued	Participations redeemed/exchanged	Participations at the end of the year
Class A	350,151	-	(94,359)	255,792
Class B	174	-	(174)	-
Class B Abfouwfase	-	165	-	165
Total	350,325	165	(94,533)	255,957

The movement of the participations during the year ended 31 December 2018 is as follows:

	Participations at the beginning of the year	Participations issued	Participations redeemed	Participations at the end of the year
Class A	367,488	3,157	(20,494)	350,151
Class B	174	-	-	174
Total	367,662	3,157	(20,494)	350,325

Rights and obligations

Each participation of a certain Class is entitled to one vote in the meeting of participants of that Class. Each participation denominated in EUR gives without exception, an entitlement to one vote in a meeting of participants of the Fund. Participations denominated in a currency other than the EUR will have voting power in a meeting of participants depending on the relevant exchange rate against the EUR on the most recent business day prior to the day on which the votes are cast.

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

7. Participations of the Fund (continued)

Equity management

The Fund's objectives when managing participants' equity are to safeguard the Fund's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders and to maintain an optimal equity structure to reduce the cost of capital. In order to maintain or adjust the participants' equity structure, it is not expected that the Fund will declare any dividends. All earnings will normally be retained for investment. However, the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides.

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

8. Dividend income

Dividend income relates to dividends received or receivable from the investments in investment funds.

9. Interest income

Interest income relates to the interest on bank deposits.

10. Foreign currency gains on translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains and losses on assets and liabilities other than financial assets and liabilities.

For the year ended 31 December 2019, this amounted to gains of EUR 32,522 (2018: gains of EUR 50,445). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one euro is shown):

	2019		2018	
	Average	Closing	Average	Closing
<i>(Showing the equivalent of 1 euro)</i>				
United States Dollar	1.1095	1.1214	1.1809	1.1469

11. Investment return

<i>(All amounts in EUR)</i>	Profit	2019 Loss	Balance	2018 Balance
Investment funds				
Realised result	1,831,246	(930,099)	901,147	173,677
Unrealised result	2,928,467	(1,009,615)	1,918,852	(235,001)
	4,759,713	(1,939,714)	2,819,999	(61,324)
Derivative financial instruments				
Realised result	312,428	(1,435,742)	(1,123,314)	(1,960,904)
Unrealised result	-	(33,668)	(33,668)	(220,077)
	312,428	(1,469,410)	(1,156,982)	(2,180,981)
Total result	5,072,141	(3,409,124)	1,663,017	(2,242,305)

Notes to the financial statements

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

12. Expenses

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses for the years ended 31 December 2019 and 2018.

<i>(All amounts in EUR)</i>	2019	2018
Expenses accruing to Fund Manager		
Management fee	(175,148)	(219,823)
Other expenses		
Other operational costs*	(66,006)	(91,724)
Administration fee	(47,750)	(48,726)
Depositary fees	(27,778)	(27,225)
Interest expense	(23,894)	(37,402)
Audit fee	(21,659)	(17,545)
Custody fee	(16,111)	(20,204)
Legal fee	(3,220)	(15,015)
Bank charges refunded/(paid)	3,956	(14,482)
Total	<u>(377,610)</u>	<u>(492,146)</u>

* Other operational costs include regulator fees of EUR 16,612 (2018: EUR 15,713), liquidity provider fees of EUR 25,000 (2018: EUR 26,313), professional fees of EUR 10,507 (2018: EUR 16,854), listing fees of EUR 10,490 (2018: EUR 10,346), compliance fees of EUR 192 (2018: EUR 12,499), commitment fees of EUR 4,500 (2018: EUR 4,500), transfer agency fees of EUR 7,105 (2018: EUR 2,699) and Euronext fees (refunded)/paid of EUR (8,400) (2018: EUR 2,800).

The basis on which various expenses are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual expenses and the expenses disclosed in the Prospectus. During the financial year ended 31 December 2019 and 2018, all expenses actually charged to the Fund were in accordance with the expenses disclosed in the Prospectus.

During the year, the Fund also incurred the following expenses which are not detailed in the Prospectus such as custody fees of EUR 16,111 (2018: EUR 20,204), legal fees of EUR 3,220 (2018: EUR 15,015), depositary fees of EUR 27,778 (2018: EUR 27,225), bank charges (refunded)/paid of EUR (3,956) (2018: EUR 14,482) and other general expenses of EUR 4,500 (2018: EUR 6,000).

Notes to the financial statements

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

12. Expenses (continued)

Ongoing charges ratio

The ongoing charges ratio is the ratio of the total expenses to the average net assets of the Fund. The average net assets are based on the Fund's net assets at each calculation of the NAV i.e., daily.

For the year ended 31 December 2019, the ongoing charges ratio for the Fund is as follows:

	2019
Ongoing charges ratio including incentive fees	1.36%
Ongoing charges ratio excluding incentive fees	1.36%
Ongoing charges ratio including expenses of underlying funds	3.33%*
Ongoing charges ratio excluding incentive fees of the Fund and of the underlying funds	2.69%*

For the year ended 31 December 2018, the ongoing charges ratio for the Fund is as follows:

	2018
Ongoing charges ratio including incentive fees	1.40%
Ongoing charges ratio excluding incentive fees	1.40%
Ongoing charges ratio including expenses of underlying funds	2.53%*
Ongoing charges ratio excluding incentive fees of the Fund and of the underlying funds	2.33%*

*The ratio includes expenses of underlying funds reported as a component of realised and unrealised gains/losses on investment funds which is included in the indirect investment result.

Turnover factor

For the year ended 31 December 2019, the turnover factor for the Fund is 25.07% (2018: 32.24%). The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the daily average NAV.

13. RELEVANT CONTRACTS

Fund Manager

Management agreement

Theta Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 0.625% of the total NAV of a Class. The management fee accrues on each business day by reference to the NAV on that day and is payable quarterly in arrears on the last business day of March, June, September and December. Details of management fees charged for the year are disclosed in the income statement.

The Fund Manager is also entitled to an annual incentive fee calculated per Class equal to 5% of the amount by which the NAV at the end of the financial year of the Fund exceeds the High Water Mark (the "HWM").

In calculating the incentive fee in an absolute amount:

- 1) an equitable adjustment is made for participations subscribed and redeemed during the financial year; and
- 2) any distributions paid to participants during the financial year are added back.

The incentive fee is payable to the Fund Manager as to 90% of the estimated amount thereof one month after the end of the relevant financial year. The balance is payable within 14 days following completion of the audit of the accounts for the relevant financial year. On redemption of participations during the year an amount equal to the incentive fee accrued to the date of redemption in respect of such participations shall be due to the Fund Manager. No incentive fee is charged when the NAV, including distributions, at the end of a financial year is below the HWM.

Notes to the financial statements

13. RELEVANT CONTRACTS (CONTINUED)

Administrator

The Fund has entered into an administration agreement with Apex Fund Services (Netherlands) B.V.. The Administrator charges a fee based on 0.12% of the NAV of the Fund up to EUR 100 million, 0.10% of the NAV between 100 million and 200 million and 0.08% on the NAV above EUR 200 million. There is a minimum fee of EUR 40,000 per year. All fees are excluding VAT. Details of administration fees charged for the year are disclosed in the income statement.

Custody services

The current annual fee charged by ABN AMRO Clearing Bank N.V. equals 0.04% per annum. The Fund will be subject to a minimum fee of EUR 6,000 (excluding VAT) per annum.

Independent Auditor

The Fund appointed Ernst & Young Accountants LLP as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 21,659 (2018: EUR 17,545) audit fee (including VAT) for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

Depository

The Fund has entered into a depository agreement with Darwin Depository Services B.V. The Depository charges an annual fee of EUR 22,500 (excluding VAT), payable quarterly in advance, for depository services provided to the Fund. Details of depository fees charged for the year are disclosed in the income statement.

14. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

Fund Manager

The following transactions occurred between the Fund and the Fund Manager during the reporting years.

Transactions from 1 January 2019 to 31 December 2019 and balances as at 31 December 2019

	Paid	Balance
	EUR	EUR
Management fee	190,192	37,626

Transactions from 1 January 2018 to 31 December 2018 and balances as at 31 December 2018

	Paid	Balance
	EUR	EUR
Management fee	220,729	52,670

As per 31 December 2019, one of the Directors of the Fund Manager holds 10,690 (2018: 10,690) shares in the Fund.

Notes to the financial statements

15. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The investment funds, to which the Fund subscribes, may also indirectly expose the Fund to the financial risks as detailed above and because of this indirect exposure the financial risks discussed herein may not fully indicate the total exposure of the Fund.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, interest rate risk and currency risk. The Fund's exposure to market risk relates to the Fund's investments in investment funds. The Fund's market risk is managed through diversification of the investments in investment funds. For further explanation of the investment objectives, policies and processes, refer to pages 8 and 9 of this annual report.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at bank which is subject to normal market related short-term interest rates. Therefore, the Fund is not exposed to significant interest rate risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. At 31 December 2019, 31.6% of the investments in investment funds are denominated in EUR (2018: 42.9%) and 68.4% are denominated in USD (2018: 57.1%).

The Fund uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

The Fund uses forward currency contracts in order to manage the currency risk exposure of foreign currency positions. The forward currency contracts are settled on a gross basis and as such the Fund has a settlement risk of EUR 16.6 million (2018: EUR 18.7 million).

The currency exposure of the Fund at 31 December 2019 and 2018 is as follows:

		2019			2018	
	Net position EUR	Notional amount forwards EUR	Total Currency Exposure EUR	Net position EUR	Notional amount forwards EUR	Total currency exposure EUR
Currency						
United States Dollar	17,249,641	(16,630,398)	619,243	19,196,300	(18,675,103)	521,197

All forward contracts will mature within 3 months (2018: 3 months). The notional amounts represent the undiscounted cash flow at the maturity date.

Notes to the financial statements

15. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (*CONTINUED*)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from derivative financial assets, cash and other receivables. The carrying values of financial assets (excluding any investments in investment funds) best represent the maximum credit risk exposure at the reporting date and amount to EUR 110,748 (2018: EUR 373,997).

All transactions of the Fund are cleared by ABN AMRO Clearing Bank N.V. representing a concentration risk. Bankruptcy or insolvency of ABN AMRO Clearing Bank N.V. may cause the Fund's rights with respect to the cash and/or its investments to be delayed or limited. The Fund regularly monitors its risk by monitoring the credit quality of ABN AMRO Clearing Bank N.V. as reported.

As at 31 December 2019, the credit rating of both ABN AMRO Clearing Bank N.V. and ABN AMRO Bank N.V. is 'A' (2018: 'A'), as determined by Standard and Poor's. If the credit quality or the financial position of this entity deteriorates significantly the Investment Manager will deal with another provider.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Fund's Prospectus provides for the daily creation and monthly cancellation of participations and it is therefore exposed to liquidity risk of meeting participant's redemptions. To manage this liquidity risk the Fund has a 90 day notice period for the participants. In addition, the Fund is not obliged to redeem more than 10% of the total participations in a Class in issue on any dealing day.

The Fund is exposed to liquidity risk as the investments of the Fund in investment funds cannot immediately be converted into cash. The liquidity risk involved with the investment funds will be dependent on the redemption policies of the individual investment funds. Some of the investment funds may be or become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. The Fund's investments in such investment funds may not be readily realisable and their marketability may be restricted, in particular because the investment funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups and/or redemption fees.

The liquidity risk is significantly reduced because the Fund diversifies its investments across different investment funds.

The Fund Manager may borrow to meet its liquidity requirements (see note 4 for further details).

The Fund's other liabilities are short-term in nature.

Specific instruments

Derivative financial instruments

The notional amounts of certain types of derivative financial instruments including forward contracts provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

Notes to the financial statements

15. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

Specific instruments (continued)

Derivative financial instruments (continued)

As at 31 December 2019 and 2018, the Fund holds the following derivative financial instruments:

Forward contracts

- Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a future date for a specified price and may be settled in cash or another financial asset. Forward contracts are individually traded over-the-counter contracts and result in credit exposure to the counterparty.

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency, exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally related to contract sizes, a high degree of leverage may be typical of a forward trading account. As a result, a relatively small price movement in an underlying forward contract may result in substantial movements in the value of the contracts. Forward contracts are also subject to liquidity risk. See note 3 for an analysis of the forward currency contracts at 31 December 2019 and 2018.

16. SOFT DOLLAR ARRANGEMENTS

A 'soft dollar arrangement' applies when a (financial) service provider offers services and products (such as research and information services) to an asset manager in exchange for executing certain securities transactions. The Fund Manager had no soft dollar arrangements during the years ended 31 December 2019 and 2018.

17. SCHEDULE OF INVESTMENTS BY INVESTMENT STRATEGY

	2019 EUR	% of equity	2018 EUR	% of equity
Strategy				
Relative Value & Credit	13,601,881	56.1	14,233,325	44.8
Global Macro	5,971,477	24.7	9,370,127	29.5
Event Driven	3,796,660	15.7	4,361,315	13.7
Long/Short Equity	2,206,467	9.1	5,384,568	16.9
	<u>25,576,485</u>	<u>105.6</u>	<u>33,349,335</u>	<u>104.9</u>

18. PROVISION OF INFORMATION

This annual report and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund's website: <http://www.legendfund.nl>.

19. DATE OF AUTHORISATION

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 29 April 2020.

20. EVENTS AFTER THE BALANCE SHEET DATE

The Investment Manager is monitoring the recent outbreak of the novel coronavirus ("COVID-19") and its potential impact on the Fund. The outbreak of COVID-19 has increased volatility in financial markets. While the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and strategies in which the Fund may invest is uncertain at this point, the outbreak has the potential to adversely affect the value of the Fund's Portfolio.

No other material events occurred after the balance sheet date that could influence the transparency of the financial statements.

Notes to the financial statements

Investment portfolio as at 31 December 2019

Assets	Currency	Fair value EUR	% of equity
Investment funds			
Andurand Commodity Fund	USD	1,246,222	5.1
Autonomy Global Macro Fund	USD	2,872,770	11.9
Brevan Howard Fund Ltd.	EUR	1,852,485	7.6
Egerton Long Short Fund	EUR	2,206,467	9.1
King Street Capital Ltd.	USD	31,058	0.1
Millennium International Ltd.	EUR	4,031,859	16.6
Pantera Long-Term ICO Fund Ltd	USD	451,746	1.9
Pershing Square Holdings Ltd.	USD	2,168,528	9.0
Renaissance Global LP	USD	3,096,769	12.8
Third Point Offshore Investment	USD	1,151,465	4.8
Third Point Ultra Class D	USD	476,667	2.0
VR Argentina Recovery Offshore Fund II Ltd.	USD	904,173	3.7
VR Global Offshore Fund	USD	5,086,276	21.0
		25,576,485	105.6

Investment portfolio as at 31 December 2018

Assets	Currency	Fair value EUR	% of equity
Investment funds			
Andurand Commodity Fund	USD	1,477,206	4.6
Autonomy Global Macro Fund	USD	3,609,285	11.4
Brevan Howard Fund Ltd.	EUR	1,984,563	6.2
Egerton Long Short Fund	EUR	2,629,178	8.3
King Street Capital Ltd.	USD	45,808	0.2
Lansdowne Developed Markets Fund Ltd.	EUR	2,755,390	8.7
Millennium International Ltd.	EUR	4,634,731	14.6
Moore Global Investments Ltd.	EUR	2,299,073	7.2
Paulson Enhanced Ltd.	USD	410,989	1.3
Pershing Square Holdings Ltd.	USD	1,984,370	6.2
Renaissance Global LP	USD	4,358,769	13.7
Third Point Offshore Investment	USD	1,575,265	5.0
Third Point Ultra Class D	USD	390,691	1.2
VR Global Offshore Fund	USD	5,194,017	16.3
		33,349,335	104.9

Other information

Provisions of the Prospectus on distribution policy

The Fund Manager does not intend to distribute any income of the Fund to its participants. The Fund Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund.

Interests held by the Directors

As at 31 December 2019, one of the Directors of the Fund Manager holds 10,690 (2018: 10,690) shares in the Fund. The Directors also hold shares in the following underlying investment funds:

Asset Name	31 December 2019	31 December 2018
▪ Andurand Commodities Fund Class A	153.2050 shares	153.2050 shares
▪ Autonomy Global Macro Fund Limited General Series Shares	1,916.0236 shares	1,916.0236 shares
▪ Millenium International Fund Class FF	78.2492 shares	84.8727 shares
▪ Pantera Long Term ICO Fund	671.0000 shares	569.0750 shares
▪ Pershing Square Holdings Ltd.	19,431.0000 shares	19,317.0000 shares
▪ Renaissance Institutional Diversified Global Equities	317.1384 shares	-
▪ Renaissance Institutional Diversified Alpha Fund	355.5722 shares	355.5722 shares
▪ Third Point Ultra	11,369.9600 shares	435.9614 shares
▪ VR Argentina Recovery Fund Class A	385.0000 shares	-
▪ VR Global Offshore Fund Class A	513.5259 shares	18.0984 shares

General principles of remuneration policy

Theta Fund Management B.V. does not have any employees, all employees are employed by Theta Capital Management B.V. the parent company of Theta Fund Management B.V.

Theta Fund Management B.V. maintains a careful, controlled and sustainable remuneration policy. The remuneration policy is consistent with and contributes to a sound and effective risk management and does not encourage risk taking beyond what is acceptable for Theta Fund Management B.V. or the funds under management. The remuneration policy consists of a fixed and variable component that is at the discretion of management.

The Directors of Theta Capital Management B.V. are responsible for establishing the Remuneration policy. The Directors of Theta Capital Management B.V. review the Remuneration policy at least once a year and the policy may be amended if circumstances warrant that. Remuneration at Theta Capital Management B.V. may consist of a fixed salary and a variable remuneration. The remuneration policy consists of a fixed and variable component that is at the discretion of management. The aggregate personnel cost for employees allocated to Theta Fund Management B.V. (as managers of Legends Fund) based on management accounts totalled EUR 106.100. The variable component of the personnel costs amounted to EUR 14.212.

Theta Fund Management B.V. may reclaim all or part of the variable remuneration paid to ‘‘identified staff’’ if (i) this payment was made on the basis of incorrect information, (ii) in the event of fraud by the employee, (iii) in the event of serious improper behaviour by the employee or serious negligence in the performance of his tasks, or (iv) in the event of behaviour that has resulted in considerable losses for the fund or Theta Fund Management B.V.

Other information *(continued)*

General principles of remuneration policy *(continued)*

This policy is based on the situation as of December 31, 2019. The financial year of the Fund Manager ends on December 31 of any year. The Directors of Theta Capital Management B.V. is being described as Identified Staff in senior management roles. All other staff members are categorized as identified staff outside senior management roles. The numbers below relate to the full numbers of Theta Fund Management B.V.

	Identified Staff in senior management functions, control function	Identified Staff outside senior management roles	Total Staff
Number of Staff	2	2	4
Total Fixed Remuneration	46,788	45,111	91,889
Total Variable Remuneration	7,235	6,977	14,212
Total Remuneration	54,013	52,087	106,100

Variable payments to both identified staff members in senior management roles and identified staff outside senior management depend on the profitability of the company, the performance of the fund, extraordinary commitment to the firm, customer satisfaction, work according best practice ethical standards, and/or other performance/non-performance related criteria. There is a focus on working according to best practice ethical standards and performance related criteria such as risk and error mitigation.

Employee remuneration is paid out of the management and performance fees (if applicable). None of the staff members have earned more than EUR 1,000,000 or more during the year 2019.

AUDIT REPORT TO BE INSERTED AFTER THIS PAGE

Independent auditor's report

To: the participants and investment manager of Legends Fund

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Legends Fund, based in Amsterdam, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Legends Fund as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2019
- The profit and loss statement for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Legends Fund in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. Legends Fund is confronted with this uncertainty as well, that is disclosed in the Fund Manager Report on page 4 and in the disclosure about events after balance sheet date on page 27.

We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- General information
- Historical multi-year overview
- Fund Manager Report (the management board's report)
- Investment objective policy and processes
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The manager is responsible for the preparation of the other information, including the Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of the manager for the financial statements

The manager of the investment entity is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the manager is responsible for assessing the investment entity's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the investment entity or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the investment entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the

basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the investment entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Concluding on the appropriateness of the manager's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the investment entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an investment entity to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

The Hague, 29 April 2020

Ernst & Young Accountants LLP

Signed by M.J. Knijnenburg