

Theta Fund Management B.V.

Amsterdam

Annual Report 2019

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DIRECTOR'S REPORT

Theta Fund Management B.V.
Concertgebouwplein 19
1071 LM AMSTERDAM

Amsterdam, the 30th of June, 2020

1 GENERAL

1.1 Incorporation

Theta Fund Management B.V. is a 100% subsidiary of Theta Capital Management B.V. ("Theta"), an independent hedge fund investment specialist based in Amsterdam, The Netherlands, incorporated on May 9, 2001. Both Theta Capital Management B.V. and Theta Fund Management B.V. are regulated by the Dutch Financial Markets Authority ("AFM" Autoriteit Financiële Markten).

Theta is a specialist in the management of portfolios in hedge funds both discretionary and on an advisory basis. Theta Fund Management B.V. is the investment manager of the Legends Fund. The primary objective of Theta is to increase the wealth of its clients over the long term, while limiting losses along the way, by composing well-diversified portfolios of hedge funds.

Theta does not act as a single hedge fund manager and has no affiliations to other financial institutions.

1.2 Related party transactions

Theta Fund Management B.V. ("Fund") is a 100% subsidiary of Theta Capital Management B.V. ("Theta"). Theta charges expenses to the subsidiary based on the total costs of Theta and allocated to Fund based on the share in total consolidated gross fee income.

Theta also received a loan from Fund on which she pays 1.5% interest (ECB's Refi interest rate - 0.0% - + 1.5%). Fund receives a fee from Theta Legend Fund for services she rendered.

1.3 Business Register Chamber of Commerce

Theta Fund Management B.V. is registered in the Business Register of the Chamber of Commerce under number 27198870

1.4 Appropriation of the net result 2018

In accordance with the proposition from the Board of Directors, the appropriated profit is approved by the General Meeting for the year 2018 on June 28, 2019. The result for the year 2018 was added to the other reserves.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

MANAGEMENT REPORT

Profile

Theta Fund Management B.V. is a 100% subsidiary of Theta Capital Management B.V. and acts as the investment manager of the Legends Fund. Legends Fund was launched in 2010 and offers unique access to a select number of renowned hedge funds. The fund has a listing on the Euronext Amsterdam stock exchange.

Theta Capital Management B.V. was formed in 2001 with the purpose of investing in hedge funds on behalf of its clients. Next to the Legends Fund, the company manages bespoke portfolios of hedge funds for large investors including family offices, endowments and wealthy individuals. It is allowed to do so under a permit granted to it by the AFM.

Important events 2019

Legends Fund achieved gains in 2019 that were ahead of its benchmark, the HFRX Global Hedge Fund Index. Despite the decent investment result, assets in the fund dropped significantly as the largest investor decided to exit hedge funds overall.

Outlook

As we write this report, the COVID-19 pandemic has been having its initial effect on financial markets. While Legends Fund did register losses for the first quarter of 2020, it outperformed most other strategies by a decent margin. More importantly, we believe the pandemic has set off a new investment regime with higher volatility and significant downside risks to markets. We believe this environment offers a good backdrop for Legend Fund as we made a big effort to steer the portfolio away from general market risk. We believe the new investment environment will offer large, more idiosyncratic, opportunities for our managers to capitalize on. We also expect that investors will look beyond (private) equity and bond markets to achieve a good investment result in this environment. This should make Legends Fund an attractive alternative.

Remuneration policy

Theta Capital Management 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 Capital 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 € 574.151 (2018: € 418.823), split into € 478.495 (2018: € 320.042) for Theta Capital Management B.V. and € 95.656 (2018: € 98.781) for Theta Fund Management B.V. The variable component of the personnel cost amounted to € 76.906 (2018: € 65.000), split into € 64.093 (2018: € 49.669) for Theta Capital Management B.V. and € 12.813 (2018: € 15.331) for Theta Fund Management B.V.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

Company risks in 2019 and in the future

In this management report Theta Fund Management B.V. describes the measures which are taken to manage and mitigate the risks which are applicable for the entity. Theta Fund Management B.V. identified the following risk-areas which are divided into Strategic, Operational, Financial and Compliance. For each risk-area the applicable risks are identified and per risk the measurements for the entity are disclosed.

Strategically

1. Loss of key client relationships

A multi-year agreement with the largest client is in place and the asset base well spread out over clients beyond this relationship.

2. Ending of relationship with Banque Privée Edmond de Rothschild (BPER)

The relationship with BPER has proven to be mutually beneficial and has evolved over several years.

Operationally

3. Unsatisfactory investment returns

While the business is profitable absent of performance fees, disappointing investment results could lead to the loss of key client relationships (for measures, see above).

4. Operational failures, most notably incorrect trade instructions

The scope of operational failures is limited as the business is straightforward and the amount of trade instructions are limited. Detailed procedures are in place to avoid such failures and we work with best-in-class service providers in the key operational areas, most prominently Northern Trust.

5. ICT Reliance

There is little to no direct reliance on ICT to carry out our main functions. We work in the cloud as well as locally limiting our reliance on infrastructure while having backups readily available.

Financially

6. Insufficient cash flows

Our business is profitable, also in a scenario with no performance fees. Would this change in the future we have sufficient room to reduce costs to deal with a significantly lower asset base.

Compliance

7. Being non-compliant with applicable laws

We have an extensive internal compliance function that is actively monitored both internally and by an external compliance consultant.

The strategic, compliance, nor operational risks have manifested themselves in 2019. Financially, with the hiring of another team member, we have to walk a finer line in order to remain profitable on management fees only. However, we expect that with the hiring the assets under management over time will increase.

Amsterdam, the 30th of June, 2020

J.T. van Marle
Director

R.J.M. Smets
Director

FINANCIAL STATEMENTS

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

1 BALANCE SHEET

(after appropriation of the result)

| | | December 31, 2019 | | December 31, 2018 | |
|--|-----|-------------------|------------------|-------------------|------------------|
| | | € | € | € | € |
| <u>ASSETS</u> | | | | | |
| FIXED ASSETS | | | | | |
| Financial fixed assets | (1) | | | | |
| Other securities | | | 0 | | 0 |
| CURRENT ASSETS | | | | | |
| Receivables, prepayments and accrued income | (2) | | | | |
| Receivables from group companies | | 1.232.810 | | 1.209.793 | |
| Other receivables, deferred assets | | <u>37.626</u> | | <u>74.768</u> | |
| | | | 1.270.436 | | 1.284.561 |
| CASH | (3) | | 122.840 | | 108.105 |
| | | | | | |
| | | | <u>1.393.276</u> | | <u>1.392.666</u> |

| | | December 31, 2019 | | December 31, 2018 | |
|--------------------------------------|-----|-------------------|-------------------------|-------------------|-------------------------|
| | | € | € | € | € |
| <u>EQUITY AND LIABILITIES</u> | | | | | |
| EQUITY | (4) | | | | |
| Issued share capital | | 18.000 | | 18.000 | |
| Share premium reserve | | 208.891 | | 208.891 | |
| Other reserves | | <u>1.166.337</u> | | <u>1.165.762</u> | |
| | | | 1.393.228 | | 1.392.653 |
| CURRENT LIABILITIES | (5) | | | | |
| Creditors | | 48 | | 0 | |
| Other liabilities | | <u>0</u> | | <u>13</u> | |
| | | | 48 | | 13 |
| | | | | | |
| | | | <u><u>1.393.276</u></u> | | <u><u>1.392.666</u></u> |

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

2 PROFIT AND LOSS STATEMENT

| | | 2019 | | 2018 | |
|---------------------------------------|------|----------------|-------------------|----------------|----------------------|
| | | € | € | € | € |
| Fee income | (6) | <u>178.109</u> | | <u>241.920</u> | |
| Net fee income | | | 178.109 | | 241.920 |
| Operating expenses | | | | | |
| Personnel costs | (7) | 95.656 | | 98.781 | |
| Depreciation of tangible fixed assets | | 1.193 | | 2.195 | |
| Other operating expenses | (8) | <u>99.502</u> | | <u>115.839</u> | |
| | | | <u>196.351</u> | | <u>216.815</u> |
| Net income | | | -18.242 | | 25.105 |
| Financial income and expenses | (9) | | <u>19.167</u> | | <u>16.966</u> |
| Result before tax | | | 925 | | 42.071 |
| Taxes | (10) | | <u>-350</u> | | <u>-8.660</u> |
| Result after tax | | | <u><u>575</u></u> | | <u><u>33.411</u></u> |

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

3 CASH FLOW STATEMENT

| | 2019 | | 2018 | |
|--|-----------|---------------|----------------|----------------|
| | € | € | € | € |
| Cash flow from operating activities | | | | |
| Net income | 575 | | 33.411 | |
| Adjustments for: | | | | |
| Movement of short terms receivables and liabilities | | | | |
| Movement of account receivable | 14.125 | | 10.582 | |
| Movement of current liabilities (excluding short-term part of long term debts) | <u>35</u> | | <u>-1</u> | |
| Cash flow from operating activities | | 14.735 | | 43.992 |
| Cash flow from investment activities | | | | |
| Decrease other securities | <u>0</u> | | <u>716</u> | |
| Cash flow from investment activities | | <u>0</u> | | <u>716</u> |
| | | <u>14.735</u> | | <u>44.708</u> |
| Compilation of the cash | | | | |
| | | | 2019 | 2018 |
| | | | € | € |
| Cash as at January 1 | | | 108.105 | 63.397 |
| Movement of cash | | | <u>14.735</u> | <u>44.708</u> |
| Cash at December 31 | | | <u>122.840</u> | <u>108.105</u> |

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

4 NOTES TO THE FINANCIAL STATEMENTS

4.1 GENERAL

Registered address and Business Register Chamber of Commerce (CoC)

The registered and actual address of Theta Fund Management B.V. (CoC file 2719887019) is Concertgebouwplein 19 in Amsterdam.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

The financial statements are prepared on a basis consistent with generally accepted accounting principles in The Netherlands ('Dutch GAAP') in accordance with Title 9, Book 2 of the Dutch Civil Code.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value (historical costs), if not specifically stated otherwise. The balance sheet, income statement include references to the notes.

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

Functional currency

The financial statements are presented in EUR, which is the companies functional currency.

4.2 PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

4.2.1 Financial fixed assets

The other securities are valued at fair value (market value) through profit or loss by designation.

4.2.2 Receivables prepayments and accrued income

Upon initial recognition the receivables on and loans to group companies and other receivables are valued at fair value. Any provisions for the risk of doubtful debts are deducted. These provisions are determined based on individual assessment of the receivables.

4.2.3 Cash

The cash is valued at nominal value. If cash is not freely disposable, then this is disclosed in Note 5.3.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

4.2.4 Current liabilities

Upon initial recognition, the current liabilities recorded are stated at nominal value. After initial recognition current liabilities are recognised at the amortised cost price.

When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value.

4.3 PRINCIPLES FOR THE DETERMINATION OF THE RESULT

4.3.1 General

The result is defined as the difference between the revenue from investment management services (management of portfolios in hedge funds) performed on the one hand and, on the other hand, the costs and expenses for that year, valued at historical costs and recognised on an accrual basis. Profits are recorded in the profit and loss statement in the year they arise. Losses are recorded in the profit and loss statement as incurred or when they are foreseeable.

4.3.2 Fee income

Fee income consists of fees related to the management of the Legends Fund.

4.3.3 Amortisation and depreciation

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost based on the expected life cycle. Financial profit and losses on disposal of tangible fixed assets are recorded in the profit and loss statement in the year they arise, profit only to the extent that the profit is not deducted from replacement investments.

4.3.4 Financial income and expenses

Financial income and expenses are comprised of interest income and expenses for loans (issued and received) during the current reporting period.

4.3.5 Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to this annual report and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realisation is likely.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

5 NOTES TO THE BALANCE SHEET

ASSETS

FIXED ASSETS

| | <u>12/31/2019</u> | <u>12/31/2018</u> |
|-----------------------------------|-------------------|-------------------|
| | € | € |
| 1 Financial fixes assets | | |
| Other securities | | |
| Theta Multistar Fund | <u>0</u> | <u>0</u> |
| | <u>2019</u> | <u>2018</u> |
| | € | € |
| <u>Theta Multistar Fund</u> | | |
| Carrying amount as of January 1 | 0 | 716 |
| Sale | 0 | -716 |
| Adjustment | <u>0</u> | <u>0</u> |
| Carrying amount as of December 31 | <u>0</u> | <u>0</u> |

CURRENT ASSETS

| | <u>12/31/2019</u> | <u>12/31/2018</u> |
|--|-------------------|-------------------|
| | € | € |
| 2 Receivables, prepayments and accrued income | | |
| Receivables from group companies | | |
| Theta Capital Management B.V. | <u>1.232.810</u> | <u>1.209.793</u> |

This concerns a loan in current account.
An interest rate of 1,50% has been calculated.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

| | <u>12/31/2019</u> | <u>12/31/2018</u> |
|---|-------------------|-------------------|
| | € | € |
| Other receivables, deferred assets | | |
| Prepayments and accrued income | | |
| Accrued performance and management fees | <u>37.626</u> | <u>74.768</u> |
| 3 CASH | | |
| Bank accounts | <u>122.840</u> | <u>108.105</u> |

The cash is valued at nominal value. The cash available as per December 31, 2019 is freely available to the company.

The cash is kept at ABN-AMRO Bank N.V in The Netherlands. This bank has since September 24, 2019 a credit rating of A/Stab/A-1 (Standard & Poor's).

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

EQUITY AND LIABILITIES

4 Equity

The company's issued and fully paid-up capital amounts to € 18,000, divided into 180 ordinary shares of € 100 each. The shares are owned by Theta Capital Management B.V.

| | Issued share capital | Share premium reserve | Other reserves | Total |
|---|----------------------------|-----------------------------|-------------------|------------------|
| | € | € | € | € |
| Carrying amount as of January 1, 2018 | 18.000 | 208.891 | 1.132.351 | 1.359.242 |
| Result financial year | | | 33.411 | 33.411 |
| Carrying amount as of December 31, 2018 | 18.000 | 208.891 | 1.165.762 | 1.392.653 |
| Result financial year | | | 575 | 575 |
| Carrying amount as of December 31, 2019 | <u>18.000</u> | <u>208.891</u> | <u>1.166.337</u> | <u>1.393.228</u> |

| | 2019 | 2018 |
|--|------------------|------------------|
| | € | € |
| Issued share capital | | |
| Subscribed and paid up - ordinary shares | <u>18.000</u> | <u>18.000</u> |
| The statutory share capital amounts to € 90,000. | | |
| Share premium reserve | | |
| Carrying amount as of January 1 | <u>208.891</u> | <u>208.891</u> |
| Carrying amount as of December 31 | <u>208.891</u> | <u>208.891</u> |
| Other reserves | | |
| Carrying amount as of January 1 | 1.165.762 | 1.132.351 |
| Allocation of net result financial year | <u>575</u> | <u>33.411</u> |
| Carrying amount as of December 31 | <u>1.166.337</u> | <u>1.165.762</u> |

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

5 Current liabilities

| | <u>12/31/2019</u> | <u>12/31/2018</u> |
|--------------------------|-------------------|-------------------|
| | € | € |
| Creditors | | |
| Creditors | <u>48</u> | <u>0</u> |
| Other liabilities | | |
| Financial costs | <u>0</u> | <u>13</u> |

Financial risk

The company is exposed to a small degree of credit risk which is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company. This arises from financial assets, cash, and other receivables. The risk is limited because the liquidity is kept with trustworthy parties at a day's notice. For other risks reference is made to the management report.

OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments

Fiscal Unity

The company is part of a fiscal unity consisting of Theta Capital Management B.V. and Theta Fund Management B.V. as of January 1, 2008 for the purpose of corporate income tax and is consequently jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

6 NOTES TO THE PROFIT AND LOSS STATEMENT

| | <u>2019</u> | <u>2018</u> |
|---------------------|----------------|----------------|
| | € | € |
| 6 Fee income | <u>178.109</u> | <u>241.920</u> |

Fee income consists of fixed fees related to the management of the Legends Fund.

7 Personnel costs

Other personnel costs

| | | |
|---|---------------|---------------|
| Personnel costs allocated to Theta Fund Management B.V. | <u>95.656</u> | <u>98.781</u> |
|---|---------------|---------------|

Staff

During the year 2019 Theta Capital Management B.V. and Theta Fund Management B.V. employed a combined average workforce of 3,0 full-time equivalents (2018: 2,04).

Alle expenses are charged by Theta Capital Management B.V. and allocated to Theta Fund Management B.V. based on the share in total consolidated fee income.

Depreciation of tangible fixed assets

| | | |
|--------------------|--------------|--------------|
| Depreciation costs | <u>1.193</u> | <u>2.195</u> |
|--------------------|--------------|--------------|

Alle expenses are charged by Theta Capital Management B.V. and allocated to Theta Fund Management B.V. based on the share in total consolidated fee income.

8 Other operating expenses

| | | |
|-----------------------------|---------------|----------------|
| Housing expenses | 10.218 | 14.144 |
| Office and general expenses | <u>89.284</u> | <u>101.695</u> |
| | <u>99.502</u> | <u>115.839</u> |

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|---------------|----------------|
| | € | € |
| Office and general expenses | | |
| Office expenses | 2.788 | 3.620 |
| Administrative expenses | 2.862 | 3.849 |
| Travel expenses | 4.716 | 2.783 |
| Insurance expenses | 127 | 179 |
| Audit expenses | 3.747 | 3.968 |
| Legal and service expenses | 419 | 1.335 |
| Representation expenses | 2.319 | 3.564 |
| Costs supervisors | 5.321 | 5.999 |
| Custody fees | 35.186 | 46.089 |
| Other general expenses | 31.799 | 30.309 |
| | <u>89.284</u> | <u>101.695</u> |

The expenses charged to the subsidiary are based on the total costs of Theta Capital Management B.V. (2019: € 1.050.903 - 2018: € 858.080) and allocated to Theta Fund Management B.V. (TFM) based on the in total consolidated gross fee income:

2019: total gross fee income € 890.940 - TFM € 178.109;

2018: total gross fee income € 1.025.716 - TFM € 241.920.

This year the expenses charged to subsidiary amount to € 175.085 (2018: € 202.381).

9 Financial income and expenses

| | | |
|-------------------------------|---------------|---------------|
| Interest and similar income | 19.519 | 17.300 |
| Result financial investments | 0 | -19 |
| Interest and similar expenses | <u>-352</u> | <u>-315</u> |
| | <u>19.167</u> | <u>16.966</u> |

Interest and similar income

| | | |
|--|---------------|---------------|
| Interest current account Theta Capital Management B.V. | <u>19.519</u> | <u>17.300</u> |
|--|---------------|---------------|

The interest rate of the current account Theta Capital Management B.V. is 1,50%.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

| | <u>2019</u> | <u>2018</u> |
|---|-------------|--------------|
| | € | € |
| Result financial investments | | |
| Result Theta Multistar Class A+B | <u>0</u> | <u>-19</u> |
| Interest and similar expenses | | |
| Bank charges | <u>-352</u> | <u>-315</u> |
| 10 Taxation on result from normal operations | | |
| Corporate income tax | <u>350</u> | <u>8.660</u> |

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes.

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|--------------|---------------|
| | € | € |
| The profit before tax amounts to: | <u>925</u> | <u>42.071</u> |
| | <u>2019</u> | <u>2018</u> |
| | % | % |
| The effective tax rate amounts to: | <u>37,84</u> | <u>20,58</u> |

Please refer to the fiscal statements on page 6 of the report of Theta Capital Management B.V. for a further explanation of the fiscal position.

11 Subsequent events

COVID-19

As we finalise this report – the Coronavirus (“Covid-19”) pandemic has started to ease. Over a period of 3 months, we have seen a complete change in outlook from when the pandemic started to affect the Western world. Throughout this period, we have been fully operational with only a few adjustments being made due to different working times and environments. We are well equipped to work remotely or from the office but at a distance. Normally, the start of a crisis like this bodes well for hedge fund managers, especially distressed debt managers, as they are usually able to manoeuvre better than traditional managers. However the speed at which equity markets have recovered does provide us with an element of uncertainty as our existing or potential investors may not believe that a distressed opportunity exists, which may limit our ability to attract new funds. However this situation is fluid and possible equity market sell-off may considerably open up the opportunities for us as investors in hedge funds and to raise new assets.

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

7 OTHER EXPLANATIONS

For the year 2018

The annual account for 2018 was adopted by the General Meeting. The General Meeting has determined the appropriation of the result as it was proposed. The profit was added to the other reserves.

For the year 2019

The board of directors proposes to add the 2019 result to the other reserves for an amount of € 575. The General Meeting of Shareholders will be asked to approve the appropriation of the 2019 result. This proposition is already recognised in the financial statements.

OTHER INFORMATION

THETA FUND MANAGEMENT B.V. AT AMSTERDAM

OTHER INFORMATION

1 Statutory profit appropriation

Based on article 17 of the articles of association the result is at disposal of the General Meeting.

2 Auditor's report

Reference is made to the auditor's report as included hereinafter.