

# **ANNUAL REPORT**

**Privium Sustainable Impact Fund**

**Year ended 31 December 2020**

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## General information

### Registered office

Privium Sustainable Impact Fund  
Symphony Towers 26/F  
Gustav Mahlerplein 3  
1082 MS Amsterdam  
The Netherlands

### Fund Manager

Privium Fund Management B.V.  
Symphony Towers 26/F  
Gustav Mahlerplein 3  
1082 MS Amsterdam  
The Netherlands  
[www.priviumfund.com/strategies\\_amsterdam/](http://www.priviumfund.com/strategies_amsterdam/)  
<https://www.psif.nl/>

### Legal Owner

Stichting Juridisch Eigendom Privium  
Sustainable Impact Fund  
Woudenbergseweg 11  
3953 ME Maarsbergen  
The Netherlands

### Delegate/Investment Advisor

ABN AMRO Investment Solutions SA  
3 Avenue Hoche  
75008 Paris  
France

### Administrator

Circle Investment Support Services B.V.  
Smallepad 30F  
3811 MG Amersfoort  
The Netherlands

### Legal and Tax Counsel

Van Campen Liem  
J.J. Viottastraat 52  
1071 JT Amsterdam  
The Netherlands

### Custodian

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

### Independent Auditor

Ernst & Young Accountants LLP  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands

### Depositary

Darwin Depositary Services B.V.  
Barbara Strozziilaan 101  
1083 HN Amsterdam  
The Netherlands

## Key figures

	2020	2019	2018	2017	2016
<b>Total for the Fund</b>					
(all amounts in EUR x 1,000)					
Net Asset Value at 31 December	500,998	377,064	602,934	324,077	288,111
Result from investments	9,931	6,263	10,382	5,560	4,922
Changes in value	(23,764)	15,946	(5,508)	(11,936)	3,448
Other results	3,758	2,374	(555)	2,074	(330)
Costs	(2,381)	(1,839)	(3,201)	(1,569)	(1,463)
<b>Net result for the year</b>	<b>(12,456)</b>	<b>22,744</b>	<b>1,118</b>	<b>(5,871)</b>	<b>6,577</b>
Outstanding participations at 31 December	4,641,932	3,385,660	5,828,749	3,061,794	2,620,223
<b>Per participation<sup>1</sup></b>					
(in EUR x 1)					
Net Asset Value at 31 December	107.93	111.37	103.44	105.85	109.96
Result from investments	2.14	1.85	1.78	1.82	1.88
Changes in value	(5.12)	4.71	(0.94)	(3.90)	1.31
Other results	0.81	0.70	(0.10)	0.68	(0.12)
Costs	(0.51)	(0.54)	(0.55)	(0.51)	(0.56)
<b>Net result</b>	<b>(2.68)</b>	<b>6.72</b>	<b>0.19</b>	<b>(1.91)</b>	<b>2.51</b>

### Dividend payment

During the year 2020, no dividend (2019: None) was distributed by the Fund to the Participants.

<sup>1</sup> The result per participation is calculated using the number of outstanding participations as per the end of the period.

## Fund Manager report

### PSIF 2020 return lower than reference index

The Privium Sustainable Impact Fund (hereafter referred to as the fund or PSIF) started on 31 August 2014 and currently consists of alternative impact investments in financial inclusion, renewable energy and student loans. The reference index for the fund is the Euro cash 3-month yield index + 2% and this index yielded +1.5% in 2020. PSIF's return for 2020 was -3.1% and so the fund underperformed after an outperformance in 2019. This underperformance was caused by the lower return from the financial inclusions and renewable energy funds in the PSIF portfolio. They all were hit by the negative economic consequences of the Covid-19 pandemic.

### Expansion with four British renewable energy funds in PSIF

The investments in renewable energy have been expanded this year with four in the investment funds in the United Kingdom. The new funds are the Triple Point Efficiency Infrastructure Company, Gresham House Energy Storage Fund, Downing Renewable & Infrastructure Trust and Ecofin US Renewables & Infrastructure Trust. This brings the total number of renewable energy holdings to 12 funds, 11 in the United Kingdom funds and the Dutch Triodos Renewables Europe Fund. The assets invested in these funds increased from € 154 million to € 226 million. The percentage of invested capital in renewable energy thus rose from 40% to 45%. This higher percentage reflects the positive outlook that the Fund Manager expects for the (sustainable) energy sector. The new funds increase PSIF's impact on the Sustainable Development Goals 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure) and 13 (Climate Action). Below we will discuss the new funds in somewhat more detail.

The Triple Point Energy Efficiency Infrastructure Company (TEEC) invests in energy efficiency projects. This fund was bought in October and distinguishes itself from the other renewable energy funds in which PSIF had invested so far. The GBP 100 million proceeds from the first share sale will be invested in insulating social housing, district heating, combined heat and power, LED lighting, rooftop solar panels and small-scale hydropower plants. These projects receive their income from governments, housing associations and large companies and therefore have a relatively low risk. The contracts also have a long term. Two other investments of the fund are combined heat and power and CO<sub>2</sub> utilization projects on the Isle of Wight. Gas turbines generate heat and electricity. The CO<sub>2</sub> is used for greenhouse cultivation of tomatoes, the heat for the greenhouse heating and the electricity supplied to the grid. The projects with inflation-indexed income will run for another 16 years. The expected return on the entire TEEC portfolio is 7-8% per annum. PSIF has bought TEEC shares for € 6.7 million.

The second new fund is UK's Gresham House Energy Storage Fund (GRID) which was bought in November. This fund invests in energy storage projects and therefore distinguishes itself from the other renewable energy funds in which PSIF had invested so far. GRID has sold GBP 120 million worth of new shares that will be invested in new UK and Irish battery projects with a total capacity of 485MW. These large-scale batteries are used to keep the electricity grid stable. This allows the varying production of renewable energy to be used longer and on a larger scale. Previously, gas-fired power stations were used for this. Batteries can do this stabilization cheaper and without CO<sub>2</sub> emissions. The revenues from the batteries are also less dependent on current power prices. The selling price of the new shares was well below the stock market price. PSIF has bought new shares of GRID for € 8.5 million.

The third new fund was the Downing Renewables & Infrastructure Trust (DORE) which PSIF bought for an amount of € 5 million in December. This recently established fund invests in Iceland, Ireland, the United Kingdom and the Scandinavian countries. Wind, sun, water and geothermal energy will be included in the final portfolio. Downing is an experienced asset manager with GBP 1.1 billion in assets under management. The fund made its first investment in 8 Swedish hydropower plants for € 64.5 million. The addition of geothermal energy and a broad range of European countries has a diversifying effect on the PSIF portfolio.

The fourth and last new renewables fund that was added during 2020, was the Ecofin U.S. Renewables Infrastructure Trust in which PSIF has invested € 6 million. This fund was also bought in December. The fund will invest in mid-sized US renewable energy projects. Ecofin is an experienced investor with USD 7 billion in assets under management. The fund made its first investment in one solar rooftop project of 4.8 MW and a ground mounted solar park of 7.1 MW for a total of USD 10.9 million. As the fund solely

focuses on US projects it broadens the geographical scope as the other renewables funds in the portfolio mainly invest in the UK, Ireland and Europe.

Despite their high dividend yield, the funds were not immune to the negative effects of the Covid-19 pandemic. This caused share prices to fall, especially in the first and third quarter. On balance, the prices of the renewable energy funds fell by a few percent over the year.

The most important non-financial impact of sustainable energy funds is the clean energy production of their investments. This sustainable impact is also stated in the PSIF's impact report on the website, [www.psif.nl](http://www.psif.nl). For the PSIF portfolio during 2020, the sustainable impact was equal to the electricity consumption of 92,000 homes or a reduction in CO2 emissions equal to that of 67,500 cars.

### **New Symbiotics Microfinance Fund**

In April 2020, PSIF invested EUR 20 million in the newly launched ABN AMRO Symbiotics Emerging Markets Impact Debt fund. The fund invests in loans to microfinance institutions in emerging countries. Symbiotics is one of the largest managers of microfinance portfolios, in total the company manages or advises USD 2.4 billion in investments. Symbiotics does not have its own funds but manages and advises portfolios for other market parties. For this fund Symbiotics cooperates with ABN AMRO Investment Solutions which also acts as the fund manager. In addition to financial resources, Symbiotics also provides technical support to microfinance institutions. The non-financial impact concerns UN SDGs 1 (No Poverty), 4 (Quality Education), 5 (Gender Equality), 8 (Decent Work and Economic Growth), 10 (Reducing Inequality) and 13 (Climate Action). During 2020, PSIF made a number of additional investments into the fund and at December 31 the total holdings represent EUR 39 million or 7.8% of the total portfolio. At the end of 2020, 85% of the Symbiotics assets were invested in 45 microfinance funds spread over 18 countries and 8 currencies. India is the largest country holding with over 10%, followed by Cambodia and Costa Rica. The investments of the fund reach more than 14,000 loan clients, 40% of whom are from rural areas and 45% are women. It is estimated that this involves nearly 26,000 jobs. Institution Satin India is in the fund and this Indian company mainly finances women who have a small (farming) business. Almost all loans are group loans with an average size of approximately USD 300.

The financial inclusion (microfinance) funds on balance achieved a negative return last year. The Triodos Microfinance Fund lagged the most with a -4.3% decline. Especially their investments in the equity capital of the financial institutions declined. These investments were marked down by the negative consequences of the Covid-19 pandemic. During the year some additions to the holdings of the financial inclusion funds were made. At year end the total holdings in these funds amounted to 43% of the total portfolio. Over 100,000 entrepreneurs were financed with these investments by the funds in portfolio. In addition to this indicator, we also measure how many borrowers live in rural areas and the percentage of female borrowers. These correspond to millennium goals 10 and 5. We report on this in the annual impact report published on the PSIF website.

### **Outlook – a continued constructive view**

As the economic outlook brightens, we continue to prefer equity investments and takes a neutral stance towards bonds. While the world remains under the threat of a global pandemic, its grip on the health of individuals and economies is relaxing. Even as deaths from the coronavirus hover around the 500,000 mark in the US, the economic recovery there has been much stronger than anticipated. This is largely thanks to huge fiscal stimulus in the third quarter of 2020, resilient consumer spending and economic surprises that have been mainly positive. Economic lockdowns across the US were also less strict and less widespread than in Europe. The coronavirus health crisis continues to dominate economic developments in the eurozone. But the good news in terms of financial markets is that the economic contraction during the second wave of the pandemic is much more limited than the collapse in activity during the first wave. We expect growth will bounce back sharply in the second half of 2021. An important difference between the economic impact of the first wave of the pandemic and the second is that global trade and the global industrial sector have continued to recover since the spring of 2020, making up for the losses during the first wave in the early months of that year.

Even though equity valuations appear stretched and investors are positioning in favour of equity markets, the Fund Manager believes that there is still room for further upward potential. The favoured allocation continues to reflect a preference for stocks and a neutral stance toward bonds. Our constructive view for stocks is based on the expectation for a broad and synchronised recovery of the world economy in 2021, supported by significant fiscal and monetary stimulus programmes and successful vaccination programmes, which will lead to economies reopening. In terms of equity regions, emerging markets are in favour given the potential for stronger international trade and the effect of a Biden presidency on US foreign policy. Within developed markets, the US market is preferred over Europe.

Very low interest rates have bedevilled the bond market for some time, suppressing returns in many bond segments. Most investment-grade bond segments, such as core European government bonds, have negative yields. The asset purchase programmes of central banks, however, are supporting markets and overall investment sentiment. Bond segments associated with more risk, such as high yield and emerging-markets debt, are preferred.

While it is now possible to imagine the end of the coronavirus pandemic and the lifting of lockdowns around the world, the course to the expected recovery in 2021 will likely include twists and turns. We therefore continue to be cautious even in the midst of an investment environment characterised by positive economic developments, low interest rates, fiscal stimulus measures and supportive central banks. Two potential risks that could stand in the way of the 2021 recovery are the possible inefficiency of current vaccines due to virus mutations and inflation rising faster than expected.

**Risk management and willingness to take risks**

There have been no risk breaches during the year 2020. The risk profile of the Fund hasn't changed during the reporting period. Neither did the investment objective (s) or any of the investment restrictions of the Fund changed during the reporting period.

Reference to the investment objective (s), risk profile and the investment restrictions of the Fund is made in the Prospectus of the Fund and the Key Investor Information Document.

In the table below we list the various risk 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's.

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Impact on 2020 NAV	Expected impact on 2021 NAV if risk materializes	Adjustments made or expected adjustments to risk management in 2020 or 2021
Price/Market Risk	No	The fund maintains a number of long only equity investments. This includes the listed Renewable Energy Funds. Strong bottom-up company analysis is a very important item in mitigating risks during the holding period of a position. However price fluctuations due to general equity market movements during the holding period can't be mitigated or avoided in full by conducting company analysis. This risk is inherent when securities like equities are traded.	The Privium Sustainable Impact Fund lost -3.1% in 2020. The Fund does not have an official benchmark but the fund's performance is compared with a reference index only. This includes Euribor + 2%. The index gained +1.5% in 2020.	Investments are selected after a thorough due diligence process but the occurrence of this risk will also largely depend on general market circumstances.	No
Manager Risk	No	The Fund maintains a number of investments in other investment funds. These are mostly Micro Finance funds or other impact funds. These funds are mostly managed by external Fund Management companies. An exception is the FMO Privium Impact Fund. A rigid due diligence process is in place when investment funds are selected.	The Fund underperformed most global equity and bond indices. Global Equities, measured by the MSCI World Index (EUR) gained +5% in 2020, bonds measured by the Vanguard Global Bond Index Fund gained +4.8% in 2020. The Fund also underperformed the reference index.	Much will depend on the actual positioning of the underlying investment funds. However we expect that the the selected investments funds will perform better than general equity markets over the long term on a risk adjusted basis.	No
Emerging Market risk	No	A significant weight of the portfolio is allocated to micro finance investments and impact funds. These investments are mainly made in Emerging Markets. This risk is partially mitigated by having rigid selection criteria in place by the underlying Fund Managers.	None	This will depend on general market circumstances.	No
Interest rate risk	No	The Fund maintains a number of positions in Funds which invest in interest bearing securities but these are mostly floating rate positions. An additional explanation on interest rate risk can be found in the risk paragraph of the annual accounts.	This has been limited.	Much will depend on the actual positioning of the underlying investment funds.	No
Foreign Exchange risk	No	The fund has the possibility to hedge direct currency risks in full.	As of December 31, 2020 over 40% of the portfolio was allocated to EUR denominated investments. This includes cash. The Fund also maintained investments denominated in USD and GBP. Foreign FX exposure was fully hedged.	Direct FX exposures are hedged in full.	Yes
Liquidity risk	No	Liquidity risk mostly has been mitigated by investing in positions that offer sufficient liquidity. However some of the underlying investments of PSIF, predominantly the Micro Finance Funds, may have a liquidity mismatch between the liquidity which is offered to investors and the liquidity of the underlying investments of those funds. When these funds receive large redemptions from investors the underlying Fund Managers may decide to gate redemptions. When at the same time PSIF is having large redemptions from investors as well, the Fund Manager may suspend redemptions to protect the remaining investors of PSIF.	None	We would not expect a negative NAV impact if this risk would materialize.	No
Credit risk	No	Spare cash is maintained at ABN AMRO. ABN AMRO has an A credit rating (S&P credit rating) and we would reconsider the position if this changes.	None	None	No
Operational risk	No	This risk is mostly mitigated by having rigid operational procedures in place. Next to that duties and responsibilities are clearly divided between Privium employees. The same is applicable at the service providers of the several Privium Funds.	None	None	No
Counterparty Risk	No	This risk is mostly mitigated by selecting and maintaining relationships with top tier counterparties and service providers.	None	None	No
Leverage Risk	No	The Fund is not utilizing any borrowings to take positions. Because the Fund is hedging direct FX risk by using FX forwards, the fund is utilizing implied leverage. As of December 31, 2020 the leverage calculations according to the Gross method and Commitment method are as follows: Gross method: 161.8% and Commitment method: 100%.	None	None	No



## **Risk management**

Privium Fund Management B.V. has a clear and elaborate Risk Management framework, in line with current legislation, such as the Alternative Investment Fund Manager Directive (AIFMD). The Risk Management function within Privium is performed by an independent Risk Manager. Privium has a Risk Management Committee which meets at least on a monthly basis.

The Risk Management framework consists of several individual components, whereby Risk Monitoring is being performed on an ongoing basis.

Under the AIFM Directive, the Fund Manager is required to establish and maintain a permanent risk management function. This function should have a primary role in shaping the risk policy of each Alternative Investment Fund ("AIF") under management by the Fund Manager, risk monitoring and risk measuring in order to ensure that the risk level complies on an ongoing basis with the AIF's risk profile.

The risk management function performs the following roles:

- Implement effective risk management policies and procedures in order to identify, measure, manage and monitor risks;
- Ensure that the risk profile of an AIF is consistent with the risk limits set for the AIF;
- Monitor compliance with risk limits; and
- Provide regular updates to senior management concerning:
  - 1: The consistency of stated profile versus risk limits;
  - 2: The adequacy and effectiveness of the risk management process; and
  - 3: The current level of risk of each AIF and any actual or foreseeable breaches of risk limits.

As described by the AIFM Directive quantitative risk limits are, where possible, constructed for various risk categories: market risk, liquidity risk, credit risk, counterparty risk and operational risk. These risk limits should be in agreement with the risk profile of the fund.

The risk management function is fully independent from the portfolio management function of the Fund Manager. The risk manager has full authority to close positions or the authorization to instruct the closing of positions on his behalf in case of a risk breach.

To ensure that all risk management tasks are executed correctly and timely, the Fund Manager uses an automated system that registers all risk tasks, keeps a list of all pending risk tasks, and escalates risk tasks that have not been executed or report a violation of a risk rule. The system produces an audit log that can be verified by the internal auditor, the external auditor, the management board, the regulator or other stake holders. Not all risk variables have limits but to identify any new relevant risks, every variable that is reported in the system flows through a sanity check. The sanity check will raise an exception if the variable falls outside its "normal" boundaries. The Risk Manager is notified of these exceptions and will make an assessment whether the situation is stable or whether further escalation is needed.

The positions of the fund are administered and reconciled by using a professional portfolio management system. Risk reports such as Value at Risk and Stress Scenarios are run using Bloomberg.

The Fund Manager uses an API-based system in which positions and/or risk exposures are synced from the Portfolio Manager's Excel (or alternative software) to a central database.

The CM system is responsible for monitoring of the pre-defined risk limits. The limits can either be configured as notification limits, soft limits or hard limits. In case of a breach of any of the limits, the escalation procedures are followed as described in the Risk Management Procedures (Annex 17) of the Privium Handbook.

The reoccurring risk tasks are:

- Weekly risk report by risk management, including Value at Risk.
- Monthly reporting by portfolio management
- Quarterly Operational risk management
- Monthly stress scenarios. On ad hoc basis extra stress scenarios can be done.

On a monthly basis the Risk Committee of the Fund Manager meets to discuss the performances and risks of the Fund. Any breaches are discussed. On a yearly basis a Risk Evaluation and Product Review is conducted.

In 2016 Privium's senior management team decided to engage an external party in the annual evaluation of the internal processes. This audit primarily focusses on risk management and compliance processes. In Q4 2020 this audit was executed for fifth time and the findings were reported to Privium's management. The audit did not demonstrate any material deviations.

### **General principles of remuneration policy Privium Fund Management B.V. ( 'Privium' )**

Privium Fund Management B.V, Fund Manager of various funds, has a careful, controlled and sustainable remuneration policy which meets all the regulatory requirements as included in the Alternative Investment Fund Managers Directive (AIFMD), the guidelines on sound remuneration policies under the AIFMD (ESMA Guidelines) and the Sustainable Finance Disclosure Regulation. The remuneration policy is consistent with and contributes to a sound and effective risk management framework and does not encourage risk taking beyond what is acceptable for Privium Fund Management B.V.

The Board of Privium is responsible for establishing the Remuneration policy. The Board of Privium reviews the Remuneration policy at least once a year and the policy may be amended if circumstances warrant that. Remunerations at Privium may consist out of a fixed remuneration (this may include a payment to cover certain expenses of staff members) and a variable remuneration.

Privium may reclaim all or part of the variable remuneration paid 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 Privium.

### **Remuneration policy 2020**

This policy is based on the situation as of December 31, 2020. The financial year of Privium ends on December 31 of any year. For some of the funds the compensation consists of both a management and a performance fee. Amounts reflect remuneration related to funds managed by Privium, for the time Privium was the Fund Manager of those funds.

The two tables below offer an overview of the remuneration at the level of Privium. The first table shows the remuneration overview as of December 31, 2019 and the second table shows the remuneration overview as of December 31, 2020.

Information per fund is not available. The Board of Privium is being described as Identified Staff in senior management roles. All other staff members are categorized as identified staff outside senior management roles.

Overview as December 31, 2019

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	2	33	35
Total fixed remuneration	€ 161,214	€ 5,323,500	€ 5,484,714
Total variable remuneration	€ 20,000	€ 4,339,313	€ 4,359,313
<b>Total remuneration</b>	<b>€ 181,214</b>	<b>€ 9,662,813</b>	<b>€ 9,844,027</b>

Overview as December 31, 2020

	Identified staff in senior management roles	Identified staff outside senior management roles	Total staff
Number of staff	2	34	36
Total fixed remuneration	€ 148,421	€ 4,839,700	€ 4,988,121
Total variable remuneration	€ 35,000	€ 5,331,064	€ 5,366,064
<b>Total remuneration</b>	<b>€ 183,421</b>	<b>€ 10,170,764</b>	<b>€ 10,354,185</b>

Privium has delegated certain portfolio management duties of some of its funds to outside investment advisers ('delegates'). Remuneration of identified staff of delegates is not included in the table. The delegates are subject to regulatory requirements on remuneration policies and disclosures that are comparable with the requirements applicable to Privium. Reference to the remuneration of the delegates is included in the Prospectus and annual report of the funds concerned.

Variable payments to both identified staff members in senior management roles and identified staff outside senior management depend e.g. on the profitability of the company, the performance of the funds, extraordinary commitment to the firm, customer satisfaction, work according best practice ethical standards, and/or other performance/non-performance related criteria. In 2020 no variable payments regarding the Privium Sustainable Impact Fund have been paid to any Identified Staff of Privium. Privium Fund Management B.V., the Fund Manager of the various funds, does not charge any employee remuneration fees to the funds, except for the Supermarkt Vastgoed Fund.

Employee remuneration is paid out of the management and performance fees (if applicable). In total 36 staff members were involved during (some part of) the year 2020 (2019: 35), including consultants and including both part-time and full-time staff.

One staff member, active in portfolio management, has earned more than EUR 1,000,000 in relation to the performance results during the year 2020 (2019: one).

### **Remuneration Investee Funds**

The Privium Sustainable Impact Fund invests, among other securities, in other Investee Funds. These Funds are managed by other Investment Managers. These Investment Managers are regulated and need to comply with the local legislation in the countries in which they are regulated.

The Investment Objective and Investment Strategy of the Investee Funds are guided by a clear framework and should avoid any excessive risk taking. The Investment Managers of the Investee Funds each have remuneration policies in place as required by law. This both includes fixed and variable remuneration. In the audited financial statements of the Investee Funds these remuneration policies are explained in greater detail. Also on the websites of the Investment Managers these remuneration policies have been published.

### **Control Statement**

The Board of Privium Fund Management B.V. declares to have an AO/IB (Handbook) that meets the requirements of the “Wet op het financieel toezicht and the ‘Besluit gedragstoezicht financiële ondernemingen (‘Bgfo”)”. During 2020 we assessed the various aspects of the Privium operations as outlined in the AO/IB (Handbook). We have not identified any internal control measures that do not meet the requirements of Article 121 of the Bgfo and as such we declare that the operations in the year 2020 functioned effectively as described. During 2020 a number of independent service providers have conducted checks on Privium’s operations as part of their ongoing responsibility and investor demand. No errors have been signaled.

Privium is updating its AO/IC (Handbook) on a regular basis as required by law. The 2020 update was completed in November 2020. During the fourth quarter of 2020 the external audit officer performed its annual due diligence on a number of internal procedures at the Fund Manager These are mostly related to Compliance and Risk Management. The external audit officer has reported his findings to the Fund Manager in a report. No meaningful errors have been signalled.

### **Introduction Sustainable Finance Disclosure Regulation (SFDR)**

As per 10 March 2021 the EU Sustainable Finance Disclosure Regulation (SFDR) has come into force. In the context of the SFDR, the Fund is classified as an Article 9 fund. Additional SFDR related disclosures can be found in the Prospectus of the Fund.

## Financial statements

### Balance sheet as at 31 December

(all amounts in EUR)	Notes	2020	2019
<b>Assets</b>			
<b>Investments</b>			
Investment funds	1	440,113,997	317,189,016
Bonds		30,509,208	27,663,384
Forward contracts		-	21,068
<b>Total of investments</b>		<b>470,623,205</b>	<b>344,873,468</b>
<b>Receivables</b>			
Due from broker	2	-	30
<b>Total of receivables</b>		<b>-</b>	<b>30</b>
<b>Other assets</b>			
Cash	3	33,417,839	33,613,516
<b>Total of other assets</b>		<b>33,417,839</b>	<b>33,613,516</b>
<b>Total assets</b>		<b>504,041,044</b>	<b>378,487,014</b>
<b>Liabilities</b>			
<b>Net asset value</b>			
Participations paid in surplus	4	492,023,618	355,633,817
Undistributed income prior years		21,430,528	(1,313,749)
Result current year		(12,456,099)	22,744,277
<b>Total net asset value</b>		<b>500,998,047</b>	<b>377,064,345</b>
<b>Investments</b>			
Forward contracts	1	1,542,239	1,270,008
<b>Total of investments</b>		<b>1,542,239</b>	<b>1,270,008</b>
<b>Other liabilities</b>			
Subscriptions received in advance		1,250,000	-
Other liabilities	5	250,758	152,661
<b>Total other liabilities</b>		<b>1,500,758</b>	<b>152,661</b>
<b>Total liabilities</b>		<b>504,041,044</b>	<b>378,487,014</b>

**Profit and loss statement**

(For the year ended 31 December)

(all amounts in EUR)	Notes	<u>2020</u>	<u>2019</u>
<b>Investment result</b>			
Dividend income	6	8,679,354	5,395,107
Interest income	7	1,251,589	867,583
<b>Total investment result</b>		<b><u>9,930,943</u></b>	<b><u>6,262,690</u></b>
<b>Revaluation of investments</b>			
Realised results	8	8,843,889	(10,250,112)
Unrealised results		(32,607,483)	26,196,276
<b>Total changes in value</b>		<b><u>(23,763,594)</u></b>	<b><u>15,946,164</u></b>
<b>Other results</b>			
Foreign currency translation	9	3,701,012	2,227,382
Other income	10	56,833	146,562
<b>Total other results</b>		<b><u>3,757,845</u></b>	<b><u>2,373,944</u></b>
<b>Operating expenses</b>			
Management fee	11	(1,290,543)	(943,431)
Administration fees	12	(145,759)	(107,264)
Custody expenses	13	(115,411)	(85,827)
Depositary fees	14	(69,326)	(64,742)
Interest expenses	16	(294,502)	(340,110)
Brokerage fees and other transaction costs		(152,809)	(98,151)
Audit fees	17	(15,263)	(15,263)
Legal fees		-	(3,506)
Supervision fees		(56,531)	(26,632)
Tax advisory fees		(24,401)	(38,434)
Other expenses		(9,227)	(17,692)
		<b><u>(2,173,772)</u></b>	<b><u>(1,741,052)</u></b>
<b>Result for the year before tax</b>		<b><u>(12,248,578)</u></b>	<b><u>22,841,746</u></b>
Withholding tax	19	(207,521)	(97,469)
<b>Net result for the year after tax</b>		<b><u>(12,456,099)</u></b>	<b><u>22,744,277</u></b>

**Cash flow statement**

(For the year ended 31 December)

(all amounts in EUR)	Notes	<u>2020</u>	<u>2019</u>
<b>Cash flow from operating activities</b>			
Purchases of investments		(278,920,208)	(158,376,825)
Proceeds from sales of investments		129,679,138	67,908,296
Dividend received		8,471,833	5,395,307
Interest received		1,251,589	867,583
Interest paid		(273,801)	(340,110)
Operating expenses paid		(1,801,874)	(1,466,546)
Other income received		56,833	146,562
<b>Net cash flow from operating activities</b>		<b><u>(141,536,490)</u></b>	<b><u>(85,865,733)</u></b>
<b>Cash flow from financing activities</b>			
Proceeds from subscriptions to redeemable shares		176,458,883	130,098,474
Payments for redemption of redeemable shares		(38,819,082)	(378,711,994)
<b>Net cash flow from financing activities</b>		<b><u>137,639,801</u></b>	<b><u>(248,613,520)</u></b>
<b>Net cash flow for the year</b>		<b><u>(3,896,689)</u></b>	<b><u>(334,479,253)</u></b>
Cash at beginning of the year		33,613,516	365,865,387
Foreign currency translation	9	3,701,012	2,227,382
<b>Cash at the end of the year</b>	<b>3</b>	<b><u>33,417,839</u></b>	<b><u>33,613,516</u></b>

## Notes to the financial statements

### General information

Privium Sustainable Impact Fund (the "Fund") is an open ended investment fund ("beleggingsfonds") and a fund for joint account (fonds voor gemene rekening) organized and established under the laws of The Netherlands. The Fund was incorporated, its predecessor the Privium Sustainable Alternatives Fund, was incorporated on July 18, 2014.

The Fund is not a legal entity but a contractual agreement sui generis between the Fund Manager, the Legal Owner and each of the Participants separately, governing the assets and liabilities acquired or assumed by the Legal Owner for the account and risk of the Participants. In view of its legal form of fund for joint account the Fund is not eligible for registration in the Trade Register (handelsregister) of The Netherlands.

Fund Manager is in possession of an AFM license as referred to in article 2:65 (1)(a) FSA, and as a consequence may offer the Fund to professional and non-professional investors within The Netherlands.

The Fund's office address is that of the Fund Manager, being Gustav Mahlerplein 3, 26th floor, 1082 MS Amsterdam, The Netherlands.

The Fund's objective is to achieve long term capital growth by making Sustainable impact investments. To achieve the Fund's objective, the strategy of the Fund is to invest in a diversified portfolio of listed and unlisted Investment Funds, Investee Companies and fixed income instruments. The Fund will have exposure in both developed countries and emerging markets and shall be focused on Sustainable impact investments. The portfolio will be managed actively with a long term investment horizon and following a sustainability approach. Following the IFC definition, impact investing is defined as "investments made into companies, organizations, vehicles and funds with the intent to contribute to measurable positive social, economic and environmental impact alongside financial returns". Impact can be measured in terms such as CO2 emission avoided, renewable energy produced (in MW), number of jobs created and the number of people that got access to education.

### Subscription and redemption fee

In order to determine the total amount due by the subscriber to the Fund the total subscription price may at the sole discretion of the Fund Manager be increased by a surcharge in the event subscriptions on the applicable Subscription Note Date exceed redemptions on such day and the associated costs to the Fund are material. The surcharge shall not exceed 0.5% of the Total Subscription Price of the Participations subscribed for. The surcharge shall be for the benefit of the Fund. For 2020 the Fund has not applied any such surcharges.

In order to determine the net amount due by the Fund to a Participant in consideration for the redemption of Participations, the Total Redemption Price may at the sole discretion of the Fund Manager be reduced by a discount in the event redemptions on the applicable Redemption Note Date exceed subscriptions on such day and the associated costs to the Fund are material. The discount shall not exceed 0.5% of the relevant Total Redemption Price of the Participations redeemed. The discount shall be for the benefit of the Fund. For 2020 the Fund has not applied any such discounts.



## Accounting policies

### General

The financial statements are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. The accounting principles of the Fund are summarized below. These accounting principles have all been applied consistently throughout the financial year and the preceding period.

### Basis of accounting

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

### Measurement currency

The amounts included in the financial statements are denominated in euro, which is the functional and presentation currency.

### Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortized cost equal the face value. Possible provisions deemed necessary for the risk of doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

### Investments

#### Recognition and basis of measurement

All investment securities are initially recognized at cost.

#### Valuation

Investment securities are valued at the last reported sales price on the largest recognized market on which they are traded. For securities in which no trading took place on that date the securities are valued at the most recent official price. Securities which are neither listed nor quoted on any securities exchange or similar electronic system or if, being so listed or quoted, are not regularly traded thereon or in respect of which no prices as described above are available, will be valued at their probable realization value as determined by the Fund Manager (or Administrator as delegated party) in good faith having regard to its cost price. Investments in funds (fund-of-fund) will be valued on the basis of the latest available valuation of Investee Funds Interests provided by the administrators of the relevant Investee Fund. In the absence of quoted values or audited net asset value calculations, the valuation of the investments is based on the reported values of the respective funds in which the Fund has a position. Lacking any proper valuation, a fair price will be determined by the Fund Manager and Investment Advisor.

Cost of investment securities sold is determined on a FIFO method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### Gains and losses

Gains and losses are treated as realised for financial statement purposes on the trade date of the transaction closing or offsetting the open position against the historical cost price. Unrealised gains and losses are the difference between the value initially recognized and the fair value of open positions. All gains and losses are recognized in the profit and loss account.

#### Dividend and interest income

Dividends are recorded on the date that the dividends are declared, gross of applicable withholding taxes. Interest income is recognized on accrual basis.

### **Derivative financial instruments**

Derivative financial instruments including foreign exchange contracts, stock market indexes and interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices. All derivative financial instruments are carried in assets when amounts are receivable by the Fund and in liabilities when amounts are payable by the Fund. Changes in fair values of derivatives are included in the profit and loss statement.

### **Translation of foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rates of exchange prevailing at yearend. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the profit and loss account as foreign currency gains and losses except where they relate to investments where such amounts are included within realised and unrealised gains and losses on investments.

### **Brokerage/expenses**

Commissions payable on opening and closing positions are recognized when the trade is entered into the Fund. Expenses are recorded in the period in which they originate. Transaction costs are borne by the Fund and be brought at the charge of the Fund's profit and loss account. Expenses on disposal of investments are deducted from the proceeds of disposal.

### **Cash**

For the purpose of presentation in the balance sheet and the cash flow statement, cash is defined as cash at banks and brokers. The cash at bank and brokers is valued at face value. If cash is not freely disposable, then this has been taken into account upon valuation.

### **Cash flow statement**

The cash flow statement is prepared using the direct method. The cash flow statement shows the Fund's cash flows for the period divided into cash flows from operations and financing activities.

Due to the nature of the Fund's operations, cash flows related to the financial instruments are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of participations of the Fund.

Bank overdrafts that are repayable on demand form an integral part of the Fund's cash management and are a component of cash.

### **Ongoing charges figure (OCF)**

The ongoing charges figure contains all costs that have been charged to the Fund for the period 1 January 2020 until 31 December 2020 excluding the transaction costs, interest costs and performance fees. The ongoing charges figure is calculated by dividing all the costs of the period with the average net asset value. The average net asset value is calculated by adding all the monthly net asset values and divide them by the number of month's used (for this period the number of months is 12).

### **Turnover ratio (TOR)**

The turnover ratio is calculated the following way: the sum of all purchases of investments plus the sum of all the sales of investments minus the sum for the subscriptions and redemptions. The total of this number will be divided by the average net asset value of the Fund and multiplied by 100.

## Notes to the balance sheet

### 1. Investments

(all amounts in EUR)

	<b>2020</b>	<b>2019</b>
Investment funds	440,113,997	317,189,016
Bonds	30,509,208	27,663,384
Forward contracts Long	-	21,068
Forward contract Short	(1,542,239)	(1,270,008)
<b>Position as per 31 December</b>	<b>469,080,966</b>	<b>343,603,460</b>

The market value of the investments is based on quoted market prices. The movement of the financial instruments is as follows:

<i>Investment funds</i>		
Opening balance	317,189,016	206,185,108
Purchases	150,234,584	86,512,407
Sales	(1,011,042)	(3,949,118)
Realised investment result	1,011,042	4
Unrealised investment result	(27,309,603)	28,440,615
<b>Balance at 31 December</b>	<b>440,113,997</b>	<b>317,189,016</b>
<i>Bonds</i>		
Opening balance	27,663,384	30,800,164
Purchases	128,685,624	71,864,418
Sales	(120,313,009)	(74,209,324)
Realised investment result	(522,210)	-
Unrealised investment result	(5,004,581)	(791,874)
<b>Balance at 31 December</b>	<b>30,509,208</b>	<b>27,663,384</b>
<i>Forward contracts</i>		
Opening balance	(1,248,940)	203,525
Sales and expirations	(8,355,057)	10,250,116
Realised investment result	8,355,057	(10,250,116)
Unrealised investment result	(293,299)	(1,452,465)
<b>Balance at 31 December</b>	<b>(1,542,239)</b>	<b>(1,248,940)</b>

### Portfolio breakdown to valuation methods

(all amounts in EUR)

	<b>2020</b>	<b>2019</b>
Quoted prices	280,319,884	171,139,646
Net Present Value calculations	188,761,082	172,463,814
<b>Balance at 31 December</b>	<b>469,080,966</b>	<b>343,603,460</b>

**2. Due from brokers**

The amount for due from broker consists of balances at brokers on which no restrictions on the use exist at 31 December 2020 and 31 December 2019.

**3. Cash**

At 31 December 2020 and 31 December 2019, no restrictions on the use of cash exist.

**4. Redeemable participations**

Redeemable participations are redeemable at the shareholders' option and are classified as financial liabilities.

On any Settlement Date, provided the requirements of the Terms and Conditions have been met, the Fund Manager may redeem Participations at the request of a Participant sent in writing to the Administrator.

The Fund Assets will be sufficiently liquid to, under normal circumstances, allow the Fund to redeem Participations as requested by its Participants for at least 10% of the assets managed.

Applications for the redemption of Participations should be submitted to the Administrator by means of a duly signed Redemption Notice specifying the details of the redemption. Redemption Notices are irrevocable once received by the Administrator.

The Redemption Price of a Participation redeemed, is equal to the Net Asset Value per Participation as at the Valuation Date of such Participation. The Total Redemption Price is the applicable redemption price multiplied by the number of redeemed Participations.

In order to determine the net amount due by the Fund to a Participant in consideration for the redemption of Participations (the "Total Redemption Amount"), the Total Redemption Price may at the sole discretion of the Fund Manager be reduced by a discount in the event redemptions on the applicable Redemption Notice Date exceed subscriptions on such day and the associated costs to the Fund are material. The discount shall not exceed 0.5% of the relevant Total Redemption Price of the Participations redeemed. The discount shall be for the benefit of the Fund.

Participants shall economically be treated as having redeemed on the Valuation Date of the Participations redeemed and accordingly shall not receive any distributions declared by the Fund during the period from such Valuation Date to the Settlement Date of the Participations redeemed.

**Movement schedule of net asset value**

(all amounts in EUR)

	<b>2020</b>	<b>2019</b>
<b>Participations paid in surplus</b>		
Opening balance	355,633,817	604,247,337
Subscriptions to redeemable shares	175,208,883	130,098,474
Redemption of redeemable shares	(38,819,082)	(378,711,994)
<b>Closing balance</b>	<b>492,023,618</b>	<b>355,633,817</b>
<b>Undistributed income prior years</b>		
Opening balance	(1,313,749)	(2,431,386)
Addition from undistributed result	22,744,277	1,117,637
<b>Closing balance</b>	<b>21,430,528</b>	<b>(1,313,749)</b>
<b>Undistributed result</b>		
Opening balance	22,744,277	1,117,637
Addition to undistributed income prior years	(22,744,277)	(1,117,637)
Result current year	(12,456,099)	22,744,277
<b>Closing balance</b>	<b>(12,456,099)</b>	<b>22,744,277</b>
<b>Total net assets value at 31 December</b>	<b>500,998,047</b>	<b>377,064,345</b>

**Movement schedule of participations**

(in number of participations)

	<b>2020</b>	<b>2019</b>
<b>Outstanding participations</b>		
Opening balance	3,385,660	5,828,749
Subscriptions to redeemable shares	1,614,474	1,208,664
Redemption of redeemable shares	(358,202)	(3,651,753)
<b>Outstanding participations at 31 December</b>	<b>4,641,932</b>	<b>3,385,660</b>

**5. Other liabilities**

(all amounts in EUR)

	<b>2020</b>	<b>2019</b>
Interest payable	20,701	-
Management fees payable	127,335	94,290
Audit fees payable	15,263	15,263
Reporting fees payable	2,859	3,138
AIFMD fees payable	336	330
Supervision fees payable	31,998	23,823
Administration fees payable	3,726	1,890
Custodian fees payable	10,364	8,641
Withholding tax payable	32,888	-
Other liabilities	5,288	5,286
<b>Balance at 31 December</b>	<b>250,758</b>	<b>152,661</b>

## Notes to the profit and loss statement

### 6. Dividend income

The dividend income have seen a rise compared to previous year due to more dividend distributions from securities.

(all amounts in EUR)	<b>2020</b>	<b>2019</b>
Dividend income	8,679,354	5,395,107
<b>Total dividend income</b>	<b>8,679,354</b>	<b>5,395,107</b>

### 7. Interest income

The interest income have seen an increase compared to previous year. The rise is attributable to one new Argentum bond (Student loans).

(all amounts in EUR)	<b>2020</b>	<b>2019</b>
Interest income	1,251,589	867,583
<b>Total interest income</b>	<b>1,251,589</b>	<b>867,583</b>

### 8. Revaluation of investments

(all amounts in EUR)	<b>2020</b>	<b>2019</b>
<i>Net realised result on financial assets and liabilities at fair value through profit or loss</i>		
Realised gains on investment funds	1,011,042	4
Realised gains on forward contracts	24,967,720	-
Realised losses on bonds	(522,210)	-
Realised losses on forward contracts	(16,612,663)	(10,250,116)
<b>Total realised result</b>	<b>8,843,889</b>	<b>(10,250,112)</b>
<i>Net unrealised result on financial assets and liabilities at fair value through profit or loss</i>		
Unrealised gains on investment funds	3,341,755	29,362,264
Unrealised gains on bonds	-	8,647
Unrealised losses on investment funds	(30,651,358)	(921,649)
Unrealised losses on bonds	(5,004,581)	(800,521)
Unrealised losses on forward contracts	(293,299)	(1,452,465)
<b>Total unrealised result</b>	<b>(32,607,483)</b>	<b>26,196,276</b>
<b>Total revaluation of investments</b>	<b>(23,763,594)</b>	<b>15,946,164</b>

### 9. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains (losses) on assets and liabilities other than financial instruments at fair value through profit or loss and amount to a gain of EUR 3,701,012 (2019: a gain of EUR 2,227,382).

**10. Other income**

(all amounts in EUR)

	<b>2020</b>	<b>2019</b>
Other income	56,833	146,562
<b>Total other income</b>	<b>56,833</b>	<b>146,562</b>

Other income in 2020 consists of a received dividend tax reclaim of UK dividend tax.

**11. Management fee**

The Fund Manager is entitled to an annual Management Fee equal to 0,30% of the Net Asset Value (i.e. 30 basis points) excluding (i.e. before deduction of) the Management Fee, as at the last calendar day of each month, with a minimum of EUR 110,000 per annum, payable monthly in arrears out of the Fund Assets. Any changes to the Management Fee are subject to the prior approval of the Fund Manager and the Legal Owner.

The management fee for the year amounts to EUR 1,290,543 (2019: EUR 943,431). The Fund Manager has entered into a delegation agreement with ABN AMRO Investment Solutions (AAIS). Certain portfolio management responsibilities have been delegated to AAIS. A certain part of the management fee is paid to AAIS for their work.

**12. Administration fees**

The Fund has appointed Circle Investment Support Services BV as the administrator. The administrator is entitled to an annual administration fee of 0.031% of the Net Asset Value (3.1 basis points) of the Fund. The administration fee is payable quarterly in arrears and subject to an annual minimum of EUR 30,000.

**13. Custody expenses**

The Fund has appointed ABN AMRO Clearing Bank N.V. as custodian to the Fund. The administrator is entitled to a safekeeping fee of 2.5-3.0 bps of the value of the investments (depending on the type of investment). In addition, the custodian can charge a settlement fee, cash payment fee, corporate actions fee and proxy voting fee, all in accordance with their customary arrangements.

**14. Depositary fees**

The Fund has appointed Darwin Depositary Services B.V. as the depositary of the Fund. The depositary is entitled to an annual fee equal to 0.014% (1.4 basis points) of the Net Asset Value as of the last calendar day of each quarter. The depositary fee is payable quarterly in advance and subject to an annual minimum fee of EUR 30,000.

**15. Legal Owner fees**

CSC Governance B.V. has been appointed as Management Board of the Legal Owner. The remuneration consists of an annual fixed fee of EUR 3,500 and variable remuneration of 0.0125%. This fee has been capped at EUR 6,500 per annum. Any additional services being performed will be paid based on an hourly rate basis.

## **16. Interest expenses**

The interest expenses of EUR 294,502 have seen a slightly fall compared to previous year EUR 340,110. The interest expenses concern the interest on the brokers accounts of ABN Clearing N.V. and ABN AMRO Bank N.V. which have a negative interest rate.

## **17. Audit fees**

The Fund has appointed Ernst & Young Accountants LLP as the independent auditor of the Fund. The Independent Auditor's remuneration for the audit of the annual report amounts to EUR 15,263 (2019: EUR 15,263). The Independent Auditor does not provide any other audit or non-audit services to the Fund.

## **18. Related parties**

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 making financial or operational decisions.

All services rendered by the Fund from the Fund Manager therefore qualify as related party transactions. During the year, the Fund paid management fees of EUR 1,257,498 (2019: EUR 999,912) to the Fund Manager.

The Privium Sustainable Impact Fund maintains an investment in Class A of FMO Privium Impact Fund. The value of the investment as per 31 December 2020 amounts to EUR 54,555,017 (2019: EUR 48,368,996).

## **19. Income and withholding tax**

The Fund qualifies as a non-transparent or "opaque" fund for Dutch tax purposes, since Participations can be transferred to persons other than (i) the Fund itself and (ii) relatives connected by blood or affinity in the direct line of a Participant without the requirement to obtain (implicit) approval from all Participants. Consequently, pursuant to article 2(2) CITA the Fund qualifies as an 'open' fund for joint account and therefore a taxable entity. In principle, this would imply that the Fund is subject to the standard Dutch corporate income tax regime. However, pursuant to article 28 CITA, provided certain criteria are met, an investment fund (beleggingsfonds) is eligible for the status of a fiscal investment institution (fiscale beleggingsinstelling). The Fund has this status. During the year the average withholding tax rate incurred by the Fund was 2.39% (2019: 1.81%).



## Other notes

### Risk management

An investment in the Fund carries a high degree of risk. There can be no assurance that the Fund will achieve its Fund Objective or that Investee Funds' investment policy and the Investee Companies' activities will be successful. The value of the Fund's investments and the Participations may fall as well as rise and returns on past investments are no guarantee as to the returns on future investments. Accordingly, Participants may lose all or part of their investment in the Fund. An investment in the Fund requires the financial ability and willingness to accept for an indefinite period of time the risk and lack of liquidity inherent in the Fund. Due to the Investment Strategy, the Net Asset Value of Fund Assets can strongly fluctuate. Potential participants should consider, among others, the non-exhaustive list of risks mentioned below, review this Prospectus and its ancillary documents carefully and in their entirety, consult with their professional advisors and conduct and subsequently rely upon their own investigation of risk factors associated with the proposed investment. Participants should realize that the existence and occurrence of certain risks may contribute to the existence and occurrence of other risks.

### Market risk

Markets may rise and fall and the prices of financial instruments and other assets on the financial markets in general, and more specifically the prices of assets of the nature and type the Fund may invest in and hold, can rise and fall. A careful selection and spread of investments does not provide any guarantee of positive results.

As of 31 December 2020, the sector allocations of the Fund were as follows:

(in %)	<b>2020</b>	<b>2019</b>
Microfinance investments	67.7	68.1
Renewable energy investments	20.2	15.8
Education related investments	6.1	7.3
Sustainable real estate investments	0.0	0.2
Cash balances	6.0	8.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The total market risk that the Fund bears at 31 December 2020 is the total net financial assets and liabilities at fair value through profit or loss in the amount of EUR 469,080,966 (2019: EUR 343,603,460). If the prices had risen/fallen by 5%, the total financial assets and liabilities at fair value through profit or loss would have increased/decreased by EUR 23,454,048 (2019: EUR 17,180,173).

### Currency risk

The Net Asset Value of the Participations may be affected by exchange rate fluctuations.

As certain of the Fund Assets may be denominated in currencies other than EUR while the Fund's accounts will be denominated in EUR, returns on certain Fund Assets may be significantly influenced by currency risk. The Fund Manager however may hedge against a decline in the value of the Fund's non-EU denominated Fund Assets. Should the Fund Manager decide to hedge the risk of currency devaluations or fluctuations, it may be that the Fund Manager will not always succeed in realizing hedges under acceptable conditions and consequently the Fund may be subject to the risk of changes in relation to the EUR value of the currencies in which any of its assets are denominated.

The currency exposure of the Fund at 31 December 2020 is as follows (no lookthrough applied for investments in funds):

(all amounts in EUR)

	<b>2020</b>			
	<b>Gross fair value</b>	<b>Swaps</b>	<b>Net fair value</b>	<b>% NAV</b>
Pound sterling	172,825,544	(172,711,840)	113,704	0.02
US dollars	110,030,084	(109,887,861)	142,223	0.03
Australian dollars	539	-	539	-
Singapore dollars	3,171	-	3,171	-
Hong Kong dollars	108	-	108	-
<b>Total</b>			<b>259,745</b>	<b>0.05</b>

The currency exposure of the Fund at 31 December 2019 is as follows (no lookthrough applied for investments in funds):

(all amounts in EUR)

	<b>2019</b>			
	<b>Gross fair value</b>	<b>Swaps</b>	<b>Net fair value</b>	<b>% NAV</b>
Pound sterling	124,924,841	(125,560,260)	(635,419)	(0.17)
US dollars	51,973,395	(52,256,108)	(282,713)	(0.07)
Australian dollars	536	-	536	-
Singapore dollars	3,369	-	3,369	-
Hong Kong dollars	117	-	117	-
<b>Total</b>			<b>(914,110)</b>	<b>0.24</b>

### Interest rate risk

Interest rate risk refers to fluctuations in the value of, amongst others, fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of fixed-income securities will generally go down and vice versa. Financial assets and liabilities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. The Fund's income and operating cash flows are dependent on changes in market interest rates.

The Fund's exposure to market risk for changes in interest rates relates to the Fund's financial instruments at fair value through profit or loss. The Fund has interest bearing financial assets or financial liabilities except for cash at banks which are subject to normal market related short term interest rates. The Fund maintains a number of positions in Funds which invest in interest bearing securities but these are mostly floating rate positions.

**Credit risk**

The Fund could lose money if the issuer of an underlying fixed income security or money market instrument, the counterparty or clearing house of a derivatives contract or repurchase agreement, a Custodian at which a deposit or other assets are held, or the counterparty in a securities lending agreement does not honor his obligations. Issuers of fixed income instruments and other counterparties are subject to varying degrees of credit risks which are reflected in their credit ratings. The Fund's investment restrictions have been designed to limit the credit risk to any counterparty but this offers no guarantee that a credit event will not occur. The Fund is also exposed to credit risk on its cash which are held at ABN AMRO Bank N.V. The Standard & Poor's credit rating for ABN AMRO Bank N.V. is A (2019: A).

The Fund's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations at 31 December 2020 and 2019 in relation to the assets, is the carrying amount of EUR 63,927,047 (2019: EUR 61,276,930) as indicated in the statement of financial position.

**Custody risk**

The Fund's assets are held at ABN AMRO Clearing Bank N.V. All long positions and regular cash accounts are segregated and therefore their counterparty risk should be negligible. To manage the counterparty risk the credit rating of the custodian is monitored. The Standard & Poor's credit rating for ABN AMRO Clearing Bank N.V. is A (2019: A).

**Liquidity risk**

Some of the Fund Assets may be invested assets which are illiquid or may become illiquid under certain market conditions. Accordingly, it may not always be possible to purchase or sell those assets for their expected value or, if applicable, the prices quoted on the various exchanges. The Fund's ability to respond to market movements may be impaired and the Fund may experience severe adverse price movements upon liquidation of its Fund Assets.

**Capital management**

The Fund has no equity. The redeemable participations issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's participations in the Fund's net assets at each monthly redemption date and are classified as liabilities. For a description of the terms of the redeemable participations issued by the Fund, we refer to note 4. The Fund's objectives in managing the redeemable participations are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable participations is discussed in this note. The Fund is not subject to any externally imposed capital requirements.

**20. Ongoing charges figure (OCF)**

(all amounts in EUR)

	<b>2020</b>	<b>2019</b>
Average net asset value	429,967,116	314,398,462
Total ongoing expenses	1,726,461	1,302,790
<b>Ongoing charges figure</b>	<b>0,402%</b>	<b>0,414%</b>

For the calculation of the OCF, no lookthrough has been applied for investments in other investment funds.

The prospectus states that the total ongoing charges figure (excluding transactions costs, interest costs, and performance fees and assuming a net asset value of EUR 400,000,000) will be 0.41%.

**Comparison of 2020 expenses with the prospectus**

(all amounts in EUR)	<b>Expenses</b>	<b>OCF</b>	<b>Prospectus</b>
Management fee	1,290,543	0.300%	0.300%
Custody expenses	115,411	0.027%	0.030%
Administration	139,624	0.032%	0.030%
Depositary and legal owner	77,695	0.018%	0.010%
Organization fee	-	0.000%	0.010%
Audit & reporting fees	21,707	0.005%	0.010%
Other expenses	81,481	0.019%	0.020%
<b>Total</b>	<b>1,726,461</b>	<b>0.401%</b>	<b>0.410%</b>

**Comparison of 2019 expenses with the prospectus**

(all amounts in EUR)	<b>Expenses</b>	<b>OCF</b>	<b>Prospectus</b>
Management fee	943,431	0.300%	0.300%
Custody expenses	85,827	0.027%	0.030%
Administration	101,236	0.032%	0.030%
Depositary and legal owner	72,594	0.023%	0.010%
Organization fee	5,568	0.002%	0.010%
Audit & reporting fees	21,895	0.007%	0.010%
Other expenses	72,239	0.023%	0.020%
<b>Total</b>	<b>1,302,790</b>	<b>0.414%</b>	<b>0.410%</b>

**21. Turnover ratio (TOR)**

The turnover ratio for the Fund over the period 1 January 2020 until 31 December 2020 is: 45 (2019: (89))

**22. Core business and outsourcing**

The following key tasks have been outsourced by the Fund:

**Administration**

The administration has been delegated to Circle Investment Support Services B.V, who carries out the administration of the Fund, including the processing of all investment transactions, processing of revenues and expenses and the preparation of the NAV. It also states, under the responsibility of the Manager, the interim report and the financial statements of the Fund. For information on the fees of the Administrator refer to note 12.

**Investment advisor**

ABN AMRO Investment Solutions SA has been appointed as Investment Advisor/Delegate. For information on fees we refer to note 11.

**23. Events after balance sheet date**

There were no significant events after the balance sheet date.

**24. Personnel**

The Fund did not employ personnel during the year (2019: nil).

**25. Appropriation of the result**

The primary objective of the Fund is to achieve capital growth. Distributions of Net Proceeds (including profit distributions) will be made when (i) they are required in connection with the fiscal status of the Fund as a fiscal investment institution (fiscale beleggingsinstelling); or (ii) there are no sufficient suitable investment opportunities to achieve the Fund Objectives of the Fund. All distributions (including profit distributions) to the Participants will be made in July of each calendar year and pro rata to the number of Participations held by each Participant.

Any distribution (including profit distributions) to the Participants, including the amount, composition and manner of payment, shall be published on the Fund Manager's website.

In August 2021 the Fund will, if applicable, issue the FBI distribution to the Participants.

Amsterdam, 22 June 2021

Fund Manager  
**Privium Fund Management B.V.**

## **Independent Auditor's report**

The independent auditor's report is attached at the end of this report.

## Independent auditor's report

To: the management board of Privium Sustainable Impact Fund

### Report on the audit of the financial statements 2020 included in the annual report

#### Our opinion

We have audited the financial statements 2020 Privium Sustainable Impact Fund based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Privium Sustainable Impact Fund as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet as at 31 December 2020
- ▶ The following statements for 2020: profit and loss statement and cash flow statement
- ▶ 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 Privium Sustainable Impact 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.

### 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
- ▶ Key figures
- ▶ Fund Manager report
- ▶ 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 among others:

- ▶ 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, 22 June 2021

Ernst & Young Accountants LLP

signed by R.J. Bleijs