PELARGOS JAPAN ALPHA FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
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FUND INFORMATION

REGISTERED OFFICE	WTC, E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands www.pelargoscapital.com
MANAGER	Pelargos Capital B.V. WTC, E-Tower, 7th Floor Prinses Margrietplantsoen 43 2595 AM The Hague The Netherlands
DEPOSITARY	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
LEGAL OWNER	Stichting Pelargos Japan Alpha Fund c/o: IQ EQ Custody B.V. (formerly SGG Custody B.V.) Amerika Building Hoogoorddreef 15 1101 BA Amsterdam The Netherlands
ADMINISTRATOR	The Bank of New York Mellon SA/NV WTC Building, Podium Office, B-Tower Strawinskylaan 337 1077 XX Amsterdam The Netherlands
PRIME BROKERS	UBS AG London Branch 5 Broadgate London EC2M 2QS United Kingdom Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom
LEGAL ADVISOR	De Brauw Blackstone Westbroek N.V. Claude Debussylaan 80 1082 MD Amsterdam The Netherlands
INDEPENDENT AUDITOR	PricewaterhouseCoopers Accountants N.V. Fascinatio Boulevard 350 3065 WB Rotterdam The Netherlands
FINANCIAL REPORTING TO DNB	Solutional Financial Reporting B.V. Arentsburghlaan 3 2275 TT Voorburg The Netherlands

FUND PROFILE

Pelargos Japan Alpha Fund
The Pelargos Japan Alpha Fund (the "Fund") is an open-ended investment fund. Issue and redemption of units of participation is possible as per instruction of the Participant as described in the Prospectus. Date of commencement of the Net Asset Value ("NAV") calculation was 10 July 2008.

Key Features Document ("Essentiële Beleggersinformatie") and Prospectus
The Fund's Key Features Document applies containing Fund information related to its costs and risks. The Key Features Document and Prospectus are available on www.pelargoscapital.com.

Investment objective
The Fund's objective is to achieve capital appreciation through investing in long and short positions in equities related to Japanese enterprises. The Fund seeks to limit the downward risk and aims for returns that have a low correlation with the returns of the market index. To achieve the Fund's objective, the Manager may use leverage. Potentially increasing the return of the Fund through derivative positions and securities borrowing as well as increasing the exposure of the Fund by borrowing cash are regarded as leveraging techniques.

Dividend
In principle the Fund does not pay dividends. The Manager is, however, authorised to pay part of the profit available for distribution to the Participants.

Manager
Pelargos Capital B.V. (the "Manager") is the Manager of the Fund and as such is responsible for determining and implementing the investment policy. Pelargos Capital B.V. is registered at the Netherlands Authority of the Financial Markets (AFM). The Pelargos Japan Alpha Fund does not employ any personnel, as all services are provided by the Manager.

The Manager was incorporated on 4 March, 2008 and has its registered office in The Hague. The directors of the Manager are Orange Dragon Company B.V. (represented by R.A. (Richard) Dingemans), M. (Michael) Kretschmer and P. (Pieter) van Putten.

Depositary
The Manager has appointed The Bank of New York Mellon SA/NV in Amsterdam, trading as The Bank of New York Mellon SA/NV, Amsterdam Branch, as Depositary of the Fund.

Stichting Pelargos Japan Alpha Fund ("Stichting") is the legal owner of the assets of the Fund. The Manager of the "Stichting" is IQ EQ Custody B.V. (formerly SGG Custody B.V.).

Administrator
The Bank of New York Mellon SA/NV, Amsterdam Branch, is the administrator of the Fund and is listed in the trade register held by the Amsterdam Chamber of Commerce under number 34363596. Certain administration services are being outsourced to BNY Mellon Fund Services (Ireland) Designated Activity Company (DAC) in Dublin, Ireland. The Administrator was incorporated under Irish law on 31 May 1994 and is registered under number 218007 with the Companies Registration Office in Ireland. Furthermore, certain services in relation to transfer agency are being outsourced to The Bank of New York Mellon Luxembourg SA/NV which is registered with the Luxembourg Trade and Companies Register under number B 105.087.

Prime Brokers
The Prime Brokers (the "Prime Brokers") of the Fund are Goldman Sachs International and UBS AG.

SUMMARY OF FINANCIAL INFORMATION

	2019	2018	2017	2016	2015
	€ '000	€ '000	€ '000	€ '000	€ '000
Class A (€)	35	(31)	22	18	29
Class B (€)	14,435	(8,628)	5,932	5,223	8,944
Class C ($)	2,627	(335)	180	-	-
Class A (¥)	-	-	-	-	12
Class A ($)	-	-	-	-	13
Income/(loss)	**17,097**	**(8,994)**	**6,134**	**5,241**	**8,998**
Class A (€)	(1)	(14)	(13)	(12)	(12)
Class B (€)	(3,824)	(3,510)	(3,175)	(3,274)	(3,185)
Class C ($)	(442)	(408)	(158)	-	-
Class A (¥)	-	-	-	-	(2)
Class A ($)	-	-	-	-	(3)
Expenses and withholding taxes	**(4,267)**	**(3,932)**	**(3,346)**	**(3,286)**	**(3,202)**
Class A (€)	34	(45)	9	6	17
Class B (€)	10,611	(12,139)	2,757	1,949	5,759
Class C ($)	2,185	(743)	22	-	-
Class A (¥)	-	-	-	-	10
Class A ($)	-	-	-	-	10
(Decrease)/increase	**12,830**	**(12,927)**	**2,788**	**1,955**	**5,796**
Net assets (€ '000)	**131,733**	**90,867**	**98,759**	**93,585**	**90,623**
Number of units of participation					
Class A (€)	236.27	236.27	236.27	236.27	236.27
Class B (€)	74,501.74	56,193.96	56,177.52	59,944.95	59,246.86
Class C ($)	15,329.87	15,329.87	9,415.81	-	-
Net asset value per unit of participation					
Class A (€)	1,348.50	1,202.05	1,395.81	1,360.27	1,336.48
Class B (€)	1,567.07	1,389.86	1,605.87	1,555.82	1,524.25
Class C ($)	1,073.78	930.72	1,047.80	-	-
Performance					
Class A (€) (in %)	12.18	(13.88)	2.61	1.78	5.81
Class B (€) (in %)	12.75	(13.45)	3.22	2.07	6.36
Class C ($)	15.37	(11.17)	4.80	-	-
Class A (¥) (in %)	-	-	-	-	4.92
Class A ($) (in %)	-	-	-	-	4.91

MANAGER'S REPORT
For the year ended 31 December 2019

Performance

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Class A EUR	1.00%	-0.04%	0.47%	0.94%	-0.09%	0.52%	1.50%	0.85%	-1.50%	3.39%	2.31%	2.29%	12.18%
Class B EUR	1.05%	0.00%	0.51%	0.98%	-0.04%	0.56%	1.54%	0.90%	-1.46%	3.43%	2.35%	2.34%	12.75%
Class C USD	1.33%	0.25%	0.75%	1.29%	0.45%	0.87%	1.82%	0.43%	-1.19%	3.77%	2.36%	2.36%	15.37%

Source: BNY Mellon Fund Services.

In 2019, the Pelargos Japan Alpha Fund returned +12.18% for Class A EUR, 12.75% for Class B EUR and 15.37% for Class C USD units. Class C is denominated in USD. A currency forward is used to hedge the currency exposure. The performance between EUR and USD unit classes was mainly due to different levels of interest rates between USD and EUR. This brought the inception-to-date performance of Class B units to 56.71%, which translates into an annualised return of 4%.

The MSCI Japan gained 16% in 2019. The Fund size increased to €131.7mln, which is the result of a combination of net inflows into the Fund and performance. Further growth in assets under management is expected for 2020.

Market review 2019

The United States Central Bank, the Federal Reserve (the "Fed"), had been increasing short term interest rates from late 2015 up until December 2018. The incremental withdrawal of US dollar liquidity had negative repercussions for risk assets and caused two major volatility events in 2018. After the market collapse in the fourth quarter of 2018 the Fed quickly turned around and aimed to reassure market participants that the tightening cycle is over. The Japanese equity market followed global markets and recovered sharply in the first quarter and consolidated these gains into the summer. The global economy remained weak and recession risks substantially increased as the Sino-US trade war escalated, adding uncertainty to global manufacturing supply chains during the first half of 2019. Long dated interest rates collapsed, signaling renewed deceleration in economic activity. Against this backdrop of increased uncertainty, the earnings outlook of listed Japanese companies were revised down, and most corporates published rather conservative guidance, putting a lid on share prices. Japanese equities only started to recover from September onwards, after the US Fed had cut interest rates several times, the US-Sino trade war came to a truce with a partial trade deal and tentative signs of bottoming out in capital goods orders and industrial activity picking up.

Over 2019, the MSCI Japan index recorded a gain of 16% in yen terms and 17.1% when measured in US dollars. Defensive sectors such as Utilities, Energy and Consumer Staples underperformed. Telecom, Industrials and the IT-sector performed strongly as more evidence of a cyclical recovery emerged.

Investment policy and attribution

As underlying economic data was and remained disappointing, the net exposure remained limited throughout most of 2019. At the beginning of the year the futures adjusted net exposure stood at 38%, and remained largely in a range around those levels until the fourth quarter, when we started covering shorts and adding to corporate governance related long positions. This resulted in a net exposure of 62% at the end of December. As such, despite a significant increase in the net exposure, the gross exposure has not changed meaningfully at 144%, again taking futures hedges into account. The long book offers tremendous valuation support and therefore a higher net exposure was warranted. The long book had a strong tilt towards high quality small caps with large exposure to recurring domestic revenues. On the other side, the short book consists of either extremely overvalued Consumer Staples with earnings risk and structurally impaired business models facing cyclical earnings downgrades. The five largest positive contributors on a single stock level were all long positions and were deep value situations with a corporate governance angle that started to re-rate.

In decreasing order they were: Toshiba Plant Systems (take-over bid by parent Toshiba Corp.), Hitachi High Tech (SPE recovery and holding under review by parent Hitachi), Heiwa Real Estate (steep discount to NAV receding as some of the corporate governance short comings are being addressed), Toshiba Tec (holding under review by parent Toshiba Corp.) and Advantest (benefitting from 5G investment and DRAM recovery). We will highlight the top 3 below:

MANAGER'S REPORT (continued)
For the year ended 31 December 2019

Investment policy and attribution (continued)

We first invested in Toshiba Plant Systems ("TPS") in 2009, as we were attracted to its attractive business model centered around stable, domestic, recurring service revenues in combination with very attractive valuations due to an overcapitalized balance sheet. We had regular, at least quarterly, communication with the company for the past several years. Early October, the Toshiba board of directors (the "BoD") went for the first time on record, mentioning its stance on reviewing Toshiba Corp.'s ("TOB") capital structure, including its approach to its subsidiaries. We have written extensively about a potential rearrangement of TPS shareholder structure, including a likely buy-out by its parent company Toshiba Corp. On November 13, Toshiba Corp. announced its takeover-bid to acquire TPS at JPY2,670 per share, which was far below our fair value estimate. Unfortunately, most investors accepted the offer despite various efforts to convince the Toshiba Corp. and TPS board of directors to increase the TOB price, Toshiba Corp. got itself a bargain at JPY2,670.

Over the past 10 years, we owned Hitachi High Tech ("HHT") on four occasions and each time had sizable contributions to the fund. The stock used to be extremely undervalued and even after the recent rally, we still see double digit upside to fair value. The reason for the strong performance was increased speculation that its parent company Hitachi Ltd. might acquire its subsidiary. In our opinion, such scenario is highly likely, since Hitachi Ltd. is reviewing all strategic options with regards to its listed subsidiaries and, in our opinion, the medical part of HHT provides tremendous benefits to the parent whilst a suitable buyer will be found for HHT's semi business.

Heiwa Real Estate's share price appreciated strongly in 2019. The position was initiated in April 2016. The stock price was massively disconnected from the true value of its underlying business, which are buildings in the best locations of Tokyo. The cheap stock price reflected astonishing poor governance, but we took the view that the governance revolution is for real and that the current management board would have to address many of the issues raised by investors. Fast forward three years, the management announced another buyback, redesigned its board and most important increased rents to related parties, which used to be far below market rents.

The five largest negative contributors were mainly short positions except for Okamoto, and in increasing order: Sharp (reversal from big gains on short position in 2018), Okamoto (earnings remained lackluster), Nippon Building Fund (hedge position to the inexpensive REITs in our long book), KDDI and ZOZO Inc.

Outlook

Global risk assets had a good year in 2019. However, the Japanese equity market only recovered what had been lost in 2018. Despite closing at the highs of the year, the MSCI Japan still ended below the January 2018 highs. The generational low was in 2012, and we believe the bull market will resume in 2020. Central bank liquidity has become increasingly abundant, as all major central banks have stepped up their monetary easing policies. The rally in Japan only started in the fourth quarter of 2019 and we expect it will carry through to at least the AGM season in June. From a cyclical perspective, earnings expectations will rebound and buybacks will continue. Japanese assets are still extremely inexpensive and corporate balance sheet overcapitalized. At the same time, foreigners remain massively underweight Japanese equities and the Bank of Japan ("BOJ") is on the buy side. Besides all this market talk, we expect some fantastic corporate governance related action. We will engage with an increasing number of corporates and aim to reform board structures, enhance capital allocation policies and align incentives with those of shareholders. With the right incentives in place, we will see an acceleration of dividend hikes, buybacks, buy-outs, spin-offs, MBOs, and take-overs in 2020, for which we will be well positioned.

The main risk factors are primarily external and include political uncertainty due to the US presidential election in November 2020, escalation of trade disputes and a global economic recession that will likely be caused by the coronavirus outbreak in China. Therefore, we have tilted our Fund towards companies that are largely insensitive to external events, mainly in domestic demand related companies with very strong balance sheets, and where improvements in corporate governance warrant a significant rerating of their significantly undervalued share prices.

We have devised a prudent risk management framework that is appropriate to the nature, scope and complexity of the activities deployed. Where relevant and possible the proportionality principle is applied when implementing applicable laws and regulations with regards to hierarchical and functional separation between risk management and other functions within Pelargos Capital B.V., establishing and managing risk limits as well as regards risk measurement and risk management.

MANAGER'S REPORT (continued)
For the year ended 31 December 2019

Outlook (continued)

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019, and has now developed into a global pandemic. The impact of Covid-19 has had relatively little impact on the operations of Pelargos Capital. The BCP ("Business Continuity Plan") was activated and all staff started working from home with no disruptions in daily work procedures. Performance of the Fund was strong during the first months of 2020, and the Fund saw a net inflow of assets as a result.

Pelargos Capital will continue to monitor the situation around Covid-19 and take action where necessary. Although the outbreak of the coronavirus can result in redemptions from investors, Pelargos believes these will be limited. It does not foresee a material uncertainty around the future of the Fund, and we have therefore written this report with the assumption of a continuation of normal business.

Risk management

In Compliance/Risk, Directors and Portfolio Management meetings, risks are reviewed, identified and previously identified risks are monitored.

Risk management is considered an integral part of the investment and the operational process. Risk management supports decision making in order to minimise unexpected losses and achieve the absolute return objective. Financial risk management encompasses all elements of our investment process from idea generation, implementation of trades, performance measurement reporting and attribution analysis. A number of risk management systems allow us to notice any deviations to intended positioning and targets. The portfolio managers are continuously monitoring financial risks. In addition, the investment guidelines as described in the prospectus are monitored by the risk manager.

Operational risk management recognises the four areas of potential losses; processes, systems, people and external events. With these sources of risk in mind, processes and controls are developed, documented and monitored by the risk manager.

Exposures to markets, currencies or countries are described in Note 11 of the financial statement. The most important risks are described below; a more extensive list of risks is described in the Prospectus.

Risks
Volatility of securities held
Many factors can affect the market value of the securities invested by the Fund. Not only can factors inherent to the pertinent issuing company or the sector in which it operates influence that value; geopolitical, national developments and macro economic factors may have an effect.

The performance of the Fund largely depends on the decisions that the Manager takes as part of the investment process, leading from identification to the implementation of investment opportunities. Investments may be geared towards an expected upswing or downswing in the value of a security; if the security moves adversely, the value of the Fund may be negatively affected.

Market risk is mitigated by the allocation of appropriate capital resources, which are determined on the basis of stress testing, sensitivity testing and modelling. Concentration risk is mitigated by diversification and an adequate number of holdings in the portfolio. The liquidity policy is aimed at maintaining assets in such proportion that it will at all times enable the manager to meet its liabilities as they arise.

Short selling
The Fund may sell equities with the purpose of buying them back later. These are borrowed, as the Fund does not hold those equities. The cost for borrowing varies and influences the return realized on the pertinent position. Conceivably, borrowed equities may need to be returned to the lender at an earlier than expected date. The value of the borrowed amount is limited to a maximum of 175% of the Net Asset Value of all (Sub) Classes of Participations.

MANAGER'S REPORT (continued)
For the year ended 31 December 2019

Risk management (continued)

Loans
Loans provided by the prime brokers enable the fund to enhance its gross exposure. This increases the Fund's risk profile in terms of price volatility and interest rate volatility. Theoretically, holdings purchased with borrowed funds could drop to a value that is less than the amount borrowed. The value of the loan amount is limited to a maximum of 250% of the Net Asset Value of all (Sub) Classes of Participations.

Counterparty risk
The Fund is susceptible to the risk of counterparties of the Fund defaulting on their obligations as a result of inter alia a moratorium of payment or involuntarily liquidation.

Such counterparties include the Prime Brokers. A Prime Broker is entitled to pledge assets of the Fund to third parties to secure financing to the Fund (rehypothecation). In case of involuntary liquidation of the Prime Broker, the Fund ranks as a general creditor in respect to the value of the rehypothecated assets, with the risk that this value may not be reclaimed. The amount of rehypothecation of long assets is limited to 140% of the net indebtness of the Fund. The risk manager is monitoring periodically this limit independently from the portfolio managers.

Pelargos works with a panel of high quality counterparties, and although a downgrading of one or more of them remains a possibility during the crisis resulting from the Covid-19 outbreak, Pelargos believes that the current mix of counterparties does not offer unnecessary credit risk to the Fund's investors.

Derivatives
The Fund may utilise investment instruments such as exchange-traded futures, OTC options and other derivative contracts. Depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss that is high in proportion to the amounts of the funds actually placed as initial margin or premium paid. Because OTC transactions are not executed via an exchange, pricing may be less transparent. Additionally, OTC transactions may involve counterparty risk with respect to the unrealised profit value within the contract. Liabilities or receivables following from the OTC CFD contracts are taken into account in the overall margin requirement calculation which takes the total exposure into account. Thus, when positive unrealised results under the CFD contract leads to a receivable, no specific collateral for that purpose is to be received but it will increase the equity part in the margin calculation.

Risk appetite

The risk appetite as defined by the Manager acts as the main guidance in setting the boundaries within which the Manager is willing to take certain risks in pursuit of its strategic objectives. The recent outbreak of Covid-19 has had no impact on the Manager's risk appetite. The Manager reviews the extent to which it is prepared to accept these risks, as explained in following key risk areas:

Strategic risks
The Manager is willing to accept certain risks as it endeavors to achieve its objectives. Objectives are formulated in terms of organic growth, or in terms of activities which are adjacent to current activities.

Financial risks
The Manager manages its financial risks in order to provide unitholder return based on cash flow performance whilst at the same time ensuring that it maintains sufficient liquidity and solvability to secure the growth of the Fund and comply with Internal Capital Adequacy Assessment Process ("ICAAP") requirements.

Operational risks
With an integrated approach to quality, the Manager has a minimal appetite to a loss of assets in the execution of any of its activities. All key operational risks are documented and mitigating measures are formulated. Rationale for outsourcing like Fund administration may also be the minimisation of operational risk.

Compliance risks
In its pursuit of continued outstanding governance and compliance, the Manager has strong policies and controls in place to support the policy of the Fund's Compliance Manual and any applicable laws and regulations. Legal risks relating to the Fund and the Manager are minimised.

MANAGER'S REPORT (continued)
For the year ended 31 December 2019

Risk management (continued)

Risk appetite (continued)

Portfolio investment risks
Security price risks
We consider risk management as an integral part of managing the investment portfolio. In striving for an attractive trade-off between risk and return, the Fund seeks and accepts certain levels of certain types of investment risks. Risk exposures are taken on general market movements as managed by net (Beta adjusted) exposures, stock movements as managed by stock exposures, leverage risk as managed by gross exposures.

A set of tolerance levels are defined for these exposures. Various metrics are used to manage and monitor ex post and ex ante risks, as formulated in the Fund‘s internal portfolio risk guidelines policy. Total volatility is monitored and target maxima are set at ex ante levels for the variance of returns and VAR levels. We do not support unwarranted exposure to significant concentration risk, and mitigate by defining maxima to country, sector and stock exposure level.

We have a minimal appetite for liquidity risk. Liquidity is measured in terms of average daily volumes, and is a crucial factor for a security to be admitted to the investment universe. Portfolio liquidity is managed in adhering to the redemption requirements, as described in the Fund's prospectus.

We do not consider currency risk as a direct source for Japan Alpha Fund, and mitigate to minimal significant levels taking cost efficiency into account.

Financing risks (repayments, interest rates, short borrow rates) are monitored and taken into account in determining a favorable risk return trade off of individual positions or total (net/gross) exposures. Credit risk (equal to Counterparty risk of the prime brokers) is not a source of alpha and is monitored and mitigated as far as possible.

Covid-19
The outbreak of Covid-19 has created additional uncertainties for the operations of the Fund. On one side market volatility has increased substantially, and on the other side the operations of the Manager are impacted as staff are working from home. The Manager is taking appropriate action to mitigate these risks, and as a result we have assumed a going concern scenario in writing this annual report.

Liquidity Risk
Pelargos Japan Alpha Fund invests in a mix of liquid (listed) equity instruments as well as some short term derivative instruments. As a result, participants in the fund are sufficiently protected against liquidity risk.

Other information

Risk control
We have assessed several aspects of operational management throughout the past financial year. We have noticed nothing in our assessments that would lead us to conclude that the description of the structural aspects of operational management within the meaning of article 121 of the Bgfo failed to meet the requirements as specified in the Wft and related regulations. Based on these findings we, as Manager of the Fund, declare that Pelargos has established a governance framework that meets the requirements of the Dutch Financial Supervision Act [Wet op het financieel toezicht, 'Wft'] and the Dutch Market Conduct Supervision of Financial Enterprises Decree [Besluit gedragstoezicht financiële ondernemingen, 'Bgfo']. We therefore declare with reasonable assurance that operational management has been effective and has functioned as described throughout the reporting year. The framework includes the separation of managerial, execution and oversight functions, and relates to the firms' strategy, conduct of business standards, investment portfolio risks, financial risks and operational risks. Risk management is considered an integral part of the investment and the operational process. Systems and procedures are in place for risk inventory and evaluation, to define risk mitigating measures and to monitor the working of those measures.

MANAGER'S REPORT (continued)
For the year ended 31 December 2019

Other information (continued)

Personnel

The Fund does not employ any personnel and will not employ any personnel for the foreseeable future.

Investment

The Fund aims to achieve capital appreciation through investing in long and short positions in equities related to Japanese enterprises. The Fund seeks to limit the downward risk while keeping correlation with the returns of relevant market indices low. (Please note that the value of the investments may fluctuate. Past performance is not necessarily a guide to future performance. The value of the product is (among others) subordinated to the developments on financial markets and, if applicable, other markets.)

Research Fees

During the year ended 31 December 2019, research fees were charged to the Fund to pay for investment research. As at 31 December 2019, the Fund had been charged research fees in line with the research expense that had incurred.

Remuneration

Senior management relates to the three statutory directors. Other personnel include portfolio managers and all other (non- investment) staff. All employees are eligible to receive variable pay, and for all employees deferral of at least 40% of variable applies. At the end of 2019, the company had 8.6 FTE employed (2018: 8.5). Though the portfolio managers and analysts have specific areas to focus on, Pelargos Capital B.V. works as one team with two consistent investment policies for the two funds managed. Therefore, the presentation of the allocation of FTE, Positions and remuneration to the funds is based on a pro rata division of the assets under management in 2019.

There is no personnel at Pelargos Capital B.V. with a total remuneration of EUR 1 million or more in 2018 and in 2019.

MANAGER'S REPORT (continued)
For the year ended 31 December 2019

REMUNERATION

2019	Positions	FTE	Variable remuneration €	Salary €
Pelargos Japan Alpha Fund	1.5	1.4	€ 110,298	€ 234,534
Pelargos Asia Alpha Fund	1.3	1.3	€ 95,950	€ 204,025
Pelargos Japan Long Short Value Fund (non AIF)	0.1	0.1	€ 7,786	€ 16,555
Senior management	2.9	2.8	€ 214,034	€ 455,114
Pelargos Japan Alpha Fund	5.7	3.0	€ 31,338	€ 236,251
Pelargos Asia Alpha Fund	4.9	2.6	€ 27,262	€ 205,519
Pelargos Japan Long Short Value Fund (non AIF)	0.4	0.2	€ 2,212	€ 16,677
Other personnel	11.0	5.8	€ 60,812	€ 458,447
Pelargos Japan Alpha Fund	7.2	4.4	€ 141,636	€ 470,785
Pelargos Asia Alpha Fund	6.3	3.9	€ 123,212	€ 409,543
Pelargos Japan Long Short Value Fund (non AIF)	0.5	0.3	€ 9,998	€ 33,232
Total all personnel	14.0	8.6	€ 274,846	€ 913,560

2018	Positions	FTE	Variable remuneration €	Salary €
Pelargos Japan Alpha Fund	1.3	1.2	€ 38,874	€ 177,431
Pelargos Asia Alpha Fund	1.5	1.4	€ 47,790	€ 218,126
Pelargos Japan Long Short Value Fund (non AIF)	0.2	0.2	€ 6,610	€ 30,168
Senior management	3.0	2.8	€ 93,274	€ 425,726
Pelargos Japan Alpha Fund	4.6	2.4	€ 30,321	€ 224,021
Pelargos Asia Alpha Fund	5.6	2.9	€ 37,275	€ 275,402
Pelargos Japan Long Short Value Fund (non AIF)	0.8	0.4	€ 5,155	€ 38,090
Other personnel	11.0	5.7	€ 72,751	€ 537,513
Pelargos Japan Alpha Fund	5.8	3.6	€ 69,194	€ 401,453
Pelargos Asia Alpha Fund	7.2	4.4	€ 85,065	€ 493,528
Pelargos Japan Long Short Value Fund (non AIF)	1.0	0.6	€ 11,765	€ 68,258
Total all personnel	14.0	8.6	€ 166,024	€ 963,239

The Hague, 8 May 2020

R.A Dingemans,
On behalf of Orange Dragon Company B.V.
Director Pelargos Capital B.V.

P. van Putten,
Director Pelargos Capital B.V.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019	2018
		€	€
Current assets			
Financial assets at fair value through profit or loss	3,11	135,560,322	71,145,772
Amounts due from brokers	6	1,238,617	71,639
Dividends receivable		321,073	338,373
Margin accounts	5	47,349,451	27,135,874
Cash and cash equivalents	4	182,206	37,002,285
Total current assets		**184,651,669**	**135,693,943**
Current liabilities			
Financial liabilities at fair value through profit or loss	3,11	44,206,219	36,581,091
Bank overdraft	4	6,038,783	-
Amounts due to brokers	6	2,333,659	7,942,622
Dividends payable		71,442	173,537
Management fee payable	7	109,321	72,051
Performance fee payable	7	62,632	-
Interest payable		2,772	127
Research fee payable		2,824	-
Accrued expenses	8	90,987	57,623
Total current liabilities (excluding net assets attributable to holders of redeemable units of participation)		**52,918,639**	**44,827,051**
Net assets attributable to holders of redeemable units of participation		**131,733,030**	**90,866,892**

Class A - Euro	**2019**	**2018**	**2017**
Number of units of participation (Note 13)	236.27	236.27	236.27
Net asset value per unit of participation	€ 1,348.50	€ 1,202.05	€ 1,395.81
Class B - Euro			
Number of units of participation (Note 13)	74,501.74	56,193.96	56,177.52
Net asset value per unit of participation	€ 1,567.07	€ 1,389.86	€ 1,605.87
Class C – US Dollar			
Number of units of participation (Note 13)	15,329.87	15,329.87	9,415.81
Net asset value per unit of participation	$1,073.78	$930.72	$1,047.80
Net asset value per unit of participation (Euro Equivalent)	€ 956.60	€ 814.17	€ 872.59
Total Net Asset Value	**€ 131,733,030**	**€ 90,866,892**	**€ 98,759,430**

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019	2018
		€	€
Income			
Interest income	9	66,360	170,313
Gross dividend income	10	2,640,160	2,183,921
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	3	14,306,850	(8,728,984)
Net foreign exchange gain/(loss) on cash and cash equivalents	3	83,355	(2,619,707)
Total income/(loss)		**17,096,725**	**(8,994,457)**
Expenses			
Dividend expense on securities sold short	10	(985,269)	(900,252)
Performance fees	7	(62,632)	-
Management fee	7	(916,279)	(913,660)
Interest expense and borrowing fee	9	(1,162,484)	(1,094,974)
Research fee	7	(512,893)	(501,064)
Audit fee	7	(43,667)	(34,485)
Administration fee	7	(104,680)	(104,326)
Depositary fee	7	(35,254)	(35,542)
Legal fee	7	(8,000)	(2,500)
Costs of supervision	7	(20,005)	(12,000)
Trustee fee	7	(14,100)	(13,850)
Other expenses	7	(21,701)	(24,817)
Total expenses		**(3,886,964)**	**(3,637,470)**
Profit/(loss) before taxation		**13,209,761**	**(12,631,927)**
Withholding taxes		(379,654)	(294,928)
Profit/(loss) after taxation		**12,830,107**	**(12,926,855)**
Increase/(decrease) attributable to holders of redeemable units of participation		**12,830,107**	**(12,926,855)**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	2019	2018
	€	€
Cash flows from operating activities		
Increase/(decrease) attributable to holders of redeemable units of participation	**12,830,107**	**(12,926,855)**
Adjustment for net foreign exchange (gain)/loss - cash and cash equivalents	(83,355)	2,619,707
Adjustment for interest income	(66,360)	(170,313)
Adjustment for dividend income	(2,640,160)	(2,183,921)
Adjustment for interest expense and borrowing fee	1,162,484	1,094,974
Adjustment for dividend expense	985,269	900,252
Adjustments to reconcile increase/(decrease) attributable to holders of redeemable units of participation to net cash (used in)/provided by operating activities:		
(Increase)/decrease in financial assets at fair value through profit or loss	(64,414,550)	16,666,497
Decrease/increase in financial liabilities at fair value though profit or loss	7,625,128	(8,200,681)
(Increase)/decrease in margin cash	(20,213,577)	5,191,004
Increase in bank overdraft	6,038,783	-
Increase/(decrease) in management fee payable	37,270	(8,991)
Increase/(decrease) in performance fee payable	62,632	(553,772)
(Decrease)/increase in amounts due to brokers	(5,608,963)	7,851,900
(Decrease)/increase in amounts due from brokers	(1,166,978)	2,301,226
Increase in research fee	2,824	-
Increase/(decrease) in accrued expenses	33,364	(16,423)
(Decrease) in equalisation credit payable	-	(10,554)
Cash (used in)/provided by operating activities	**(65,416,082)**	**12,554,050**
Interest received	66,360	170,313
Interest paid	(1,159,839)	(1,098,717)
Dividend received	2,657,460	2,104,214
Dividend paid	(1,087,364)	(881,631)
Net cash (used in)/provided by operating activities	**(64,939,465)**	**12,848,229**
Cash flows from financing activities		
Proceeds from issue of redeemable units of participation	28,061,000	5,023,815
Payments from redemptions of redeemable units of participation	(24,969)	(52)
Cash flow related to equalisation credit previous year	-	10,554
Net cash flow provided by financing activites	**28,036,031**	**5,034,317**
Net (decrease)/increase in cash and cash equivalents	(36,903,434)	17,882,546
Net foreign exchange gain/(loss) - cash and cash equivalents	83,355	(2,619,707)
Cash and cash equivalents at the beginning of the year	37,002,285	21,739,446
Cash and cash equivalents at the end of the year	**182,206**	**37,002,285**

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS OF PARTICIPATION

For the year ended 31 December 2019

	Note	Number of units	2019 €
Balance at the beginning of the year		**71,760**	**90,866,892**
Increase attributable to holders of redeemable units of participation resulting from operations for the year		-	12,830,107
Issue of redeemable units of participation during the year	13	18,326	28,061,000
Proceeds from redeemable units of participation during the year	13	(18)	(24,969)
Net assets attributable to holders of redeemable units of participation at the end of the year		**90,068**	**131,733,030**

For the year ended 31 December 2018		Number of units	2018 €
Balance at the beginning of the year		**65,830**	**98,759,430**
Decrease attributable to holders of redeemable units of participation resulting from operations for the year		-	(12,926,855)
Issue of redeemable units of participation during the year	13	5,918	5,023,815
Proceeds from redeemable units of participation during the year	13	-	(52)
Redemption related to equalisation deficit previous year	13	12	10,554
Net assets attributable to holders of redeemable units of participation at the end of the year		**71,760**	**90,866,892**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. FUND INFORMATION

General
The Pelargos Japan Alpha Fund (the "Fund") is an open-ended investment fund incorporated on 19 June 2008. The Fund was incorporated with its registered office in The Hague on 21 April 2008 and is listed in the trade register held by the The Hague Chamber of Commerce under number 27317679. The registered office is WTC E-Tower, 7th Floor, Prinses Margrietplantsoen 43, 2595 AM The Hague, The Netherlands. The first trade date for Class B (Euro) units of participation was on trade date 11 July 2008. Initial subscriptions for Class A (Euro) units of participation were received on trade date 27 January 2009. On 11 May 2017, Class C units of participation were introduced. The Class C units of participation may be issued in two subclasses denominated in US Dollars and in Euro. The first trade date for the Class C (USD) units of participation was on trade date 3 July 2017. The Fund is not listed on any stock exchange. The units of participation are registered per investor.

The Fund will, under certain conditions, be able to issue and purchase units of participation. Issue and redemption of units of participation is possible on a dealing date, which is the first business day of each month. The Manager holds the right to suspend redemptions in case of extreme market circumstances in case of a significant size of the redeemed amount. The right to suspend redemptions is explained in more detail in the Prospectus of the Fund.

The Fund is a Fund for Joint Account, which means that there is a contractual obligation among the Manager, the Legal Owner and the Participant. The Manager has an Alternative Investment Fund Managers Directive (AIFMD) license and is regulated by the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank. The AIFMD license has an extension for the following investment services which may be provided to professional investors on: (i) individual portfolio management, (ii) investment advice and (iii) receiving and transmitting investment orders.

The Bank of New York Mellon SA/NV, Amsterdam Branch, provides administration and transfer agency services to the Fund. Certain administration services are being outsourced to BNY Mellon Fund Services (Ireland) DAC in Dublin, Ireland. BNY Mellon Fund Services (Ireland) DAC is a licensed entity, authorised and regulated by the Central Bank of Ireland. Furthermore, certain services in relation to transfer agency are being outsourced to The Bank of New York Mellon (Luxembourg) S.A.

The Fund's objective is to achieve capital appreciation through investing in long and short positions in equities related to Japanese enterprises. The Fund seeks to limit the downward risk and aims for returns that have a low correlation with the returns of the market index. To achieve the Fund's objective, the Manager may use leverage. Potentially increasing the return of the Fund through derivative positions and securities borrowing as well as increasing the exposure of the Fund by borrowing cash are regarded as leveraging techniques. The Fund may use leverage to achieve the return targets or for liquidity reasons in case units of participation are redeemed. Assets will predominantly be invested in Japanese securities.

Classes of Participations
The assets of the Fund are divided into several Classes of Participation, with a specific fee structure, and if applicable lock-up period, for each Class of Participation. The underlying investments and risk profile of the various Classes of Participation are identical. Each Class of Participation may be further segmented in subclasses of participation, each such subclass of participation to be denominated in a different currency.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation
The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and the Dutch Financial Supervision Act and Title 9 book 2 Dutch Civil Code.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss which have been measured at fair value. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Fund's financial statements for the year ended 31 December 2018, except for the adoption of new standards, amendments and interpretations effective from 1 January 2019.

The financial statements are presented in Euros (€).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)
The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Manager believes that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

The Fund's functional and presentation currency is the Euro. As most holders of units of participation, the Manager and the Legal Owner are based and operate in Euro markets, the Fund's performance is evaluated and its liquidity is managed in Euro.

Standards and amendments to existing standards effective 1 January 2019
There are no standards and amendments to existing standards that are effective on 1 January 2019, that have had a material effect on the financial statements of the Fund.

New standards, amendments and interpretations effective after 1 January 2019
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been adopted in preparing these financial statements. None of these have had a material effect on the financial statements of the Fund.

(b) Financial instruments
Financial assets and liabilities at fair value through profit or loss
For Net Asset Value ("NAV") purposes, the valuation of financial assets and liabilities is calculated in accordance with the Prospectus. For financial statements purposes, financial assets and liabilities have been valued in accordance with IFRS using the policies outlined below.

At 31 December 2019 and 31 December 2018, there are no material differences between these valuation methods.

In accordance with IFRS 9, the Fund classified its financial assets and liabilities at initial recognition into the categories of financial assets and financial liabilities as discussed below.

Classification
A financial asset and liability are measured at fair value through profit or loss if:

i. its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
ii. it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
iii. at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund classifies its investments as financial assets or financial liabilities at fair value through profit or loss at inception.

Initial measurement
Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out ("FIFO") method. Financial instruments categorised at fair value through profit or loss are measured initially at fair value. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transactions costs, when incurred, are immediately recognised in 'net gain or loss on financial assets and liabilities at fair value through profit or loss.'

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)
Subsequent measurement
After initial measurement, the Fund measures financial instruments, which are classified as at fair value through profit or loss, at their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded in active markets is based on their quoted market prices or sourced from a data vendor, at the Statement of Financial Position date without any deduction for estimated future selling costs. Financial assets are priced at their current bid prices, while financial liabilities are priced at their current offer price.

For all other financial instruments not traded in an active market and if a quoted market price is not available from a data vendor, the fair value of the financial instruments may be estimated by the Manager using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Subsequent changes in the fair value of financial instruments at fair value through profit of loss are recognised in the Statement of Comprehensive Income.

Where the Fund has assets and liabilities with offsetting market risks it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or offer price to the net position as appropriate.

(c) Recognition
The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(d) Derecognition
The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expired or it transfers the financial asset and the transfer qualifies for derecognition.

The Fund derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

(e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realised the asset and settle the liability simultaneously.

(f) Forward foreign currency contracts
The fair value of open forward foreign currency exchange contracts is calculated as the difference between the contracted rate and the current forward rate that would close out the contract on the Statement of Financial Position date. Gains or losses on open forward foreign currency exchange contracts are included in the 'net gain/(loss) on financial assets and liabilities at fair value through profit or loss' in the Statement of Comprehensive Income.

(g) Contract for difference
A contract for difference ("CFD") is an agreement between two parties to exchange the difference between the opening and closing value of a position in a specific financial instrument, such as quoted securities, index and foreign exchange. The daily changes in contract value are recorded as unrealised gains or losses and the Fund recognises a realised gain or loss when the contract is closed. Unrealised gains and losses on CFDs are recognised through 'net gain/(loss) on financial assets and liabilities at fair value through profit or loss' in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Other derivative contracts
For open futures contracts and options, changes in the value of the contract are recognised as unrealised gains or losses by "marking to market" the value of the contract at the Statement of Financial Position date. When the contract is settled, the difference between the proceeds from (or cost of) the closing transactions and the original transaction is recorded in the net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

(i) Redeemable units of participation
The Fund currently has three classes of redeemable units of participation in issue, Class A (Euro) units, Class B (Euro) units, and Class C (USD) units which are redeemable at the Participant's option. Class A units, Class B units, and Class C units differ from each other with respect to management fees, whereas Class A units differ from Class B units and Class C units with respect to performance fees. Redeemable units of participation can be put back to the Fund at any Dealing day for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class.

Units of participation are redeemable monthly. The redeemable units of participation are carried at the redemption amount that is payable at the Statement of Financial Position date if the holder exercised the right to put the unit of participation back to the Fund.

(j) Subscription and redemption fees
A fee could be charged upon each issue, transfer or redemption of a unit of participation of up to 1.0%. The actual fee charged is set by the Manager, is credited to the Fund and is charged to cover transaction related costs.

(k) Interest income/expense and borrowing fee
Interest income and interest expense are recognised on an accruals basis in line with the contractual terms. The majority of the interest expense in the Statement of Comprehensive Income includes cash interest and borrowing fee. Borrowing fee is paid fee related to stock loan activities.

(l) Expenses
Expenses are recognised in the Statement of Comprehensive Income on an accrual basis accounted in the year that the costs are incurred.

(m) Dividend income and expense
Dividends are credited to the Statement of Comprehensive Income on the dates on which the relevant securities are listed as "ex-dividend". Income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income, and net of any tax credits. Dividend expense relating to equity securities sold short is recognised when the unitholders' right to receive the payment is established.

(n) Statement of Cash Flows
The Statement of Cash Flows is prepared according to the indirect method. For the purposes of the Statement of Cash Flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of units of participation of the Fund.

(o) Foreign currency translation
Functional and presentation currency
Items included in the Fund's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Euro, which reflects the Fund's domicile. The currency of subscriptions into and redemptions out of the Fund is Euro.

Foreign currency transactions
Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the closing rates of exchange at each year-end. Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in 'gain/ (loss) on cash and cash equivalents' in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Foreign currency translation (continued)
Foreign currency transactions (continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(p) Cash and cash equivalents
Cash consists of cash at bank and bank overdrafts. Cash equivalents consist of short-term investments available to the Fund with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash is held with Goldman Sachs International and UBS AG.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

(q) Taxation
The Fund is organised as a fund for joint account ("Fonds voor Gemene Rekening") as defined in article 2 paragraph 2, of the Dutch Corporate Income Tax Act ("CITA") ("Wet op de vennootschapsbelasting 1969") and qualifies as a tax exempt investment fund ("Vrijgestelde Beleggingsinstelling") within the meaning of article 6a, CITA. Consequently, the Fund will be fully exempt from corporate income tax in The Netherlands.

All payments by the Fund under the participations can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

The issuance or transfer of a participation, and payments under a participation, will not be subject to value added tax in The Netherlands.

The subscription, issue, placement, allotment, delivery or transfer of a participation, will not be subject to registration tax, stamp duty or any other similar tax or duty payable in The Netherlands.

In some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income.

The Fund presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income. For the purpose of the Statement of Cash Flows, cash inflows from investments are presented net of withholding taxes, when applicable.

(r) Significant accounting estimates and judgment in applying accounting policies
Application of the accounting policies in the preparation of the Fund financial statements may require the Manager to apply judgment involving assumptions and estimates concerning future results and other developments including the likelihood, timing or amount of future transactions or events.

The Fund has no significant accounting estimates that require complex estimates or significant judgment in applying its accounting policies.

(s) Short sales
The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security. Short sales are classified as financial liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Amounts due from/(to) brokers
Amounts receivable from and payable to brokers include cash balances with the Fund's Prime Brokers and amounts receivable or payable for securities transactions that have not settled at the year-end. Certain amounts of this cash results from the proceeds of trading securities sold short and may therefore be subject to withdrawal restrictions until such time as the securities are purchased by the Fund. The Fund has also purchased securities on margin and the related margin balances are secured on certain of the Fund's investments in securities.

(u) Transaction costs
The costs charged by brokers in relation to the purchase or sale of financial instruments form the main component of the cost of a transaction. In addition, transaction-related taxes and duties such as registration tax and stamp duties may apply. Transaction costs incurred with an opening position in equities and are included in the net consideration. Transaction costs incurred with the closing of a position in equities and are included in the net consideration. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss.

(v) Research fees
Research fees are paid from a separate research payment account ("RPA") managed by the Manager. This is funded by charges collected alongside transaction commissions on a research charge collection account ("RCA"), the "Transactional Method". The Manager has set up RCA's with several brokers. Research commission is collected by these brokers and twice monthly the surplus is transferred to the RPA.

(w) Other expenses
Other expenses are recognised on the Statement of Comprehensive Income on an accruals basis.

(x) Margin accounts
Cash collateral provided by the Fund is identified in the Statement of Financial Position as margin cash and is not included as a component of cash and cash equivalents. Margin accounts represent cash deposits with brokers, transferred as collateral against open futures or other securities.

(y) Other payables and accrued expenses
Expenses payable at year-end and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(z) Subscriptions received in advance
Subscriptions received in advance represent accepted subscriptions made during the post Statement of Financial Position period for which payment has been received by the Fund before year-end but for which redeemable units will only be issued in the next financial period. Subscriptions received in advance are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement schedule investments

Equity securities	**2019**	**2018**
	€	**€**
Beginning market value 1 January	34,317,629	43,093,449
Purchase	348,188,803	419,549,981
Sale	(308,121,043)	(419,046,454)
Revaluation	16,932,240	(9,279,347)
Ending market value 31 December	**91,317,629**	**34,317,629**

Forward foreign currency contracts	**2019**	**2018**
	€	**€**
Beginning market value 1 January	(77,171)	(62,952)
Purchase	214,566,197	141,487,628
Settlement of contracts	(215,245,031)	(142,399,534)
Revaluation	514,085	897,687
Ending market value 31 December	**(241,920)**	**(77,171)**

Futures	**2019**	**2018**
	€	**€**
Beginning market value 1 January	323,990	-
Purchase	2,339,039	(411,933)
Revaluation	(2,644,585)	735,923
Ending market value 31 December	**18,444**	**323,990**

Options	**2019**	**2018**
	€	**€**
Beginning market value 1 January	233	-
Purchase	1,166,575	1,382,040
Sale	(411,967)	(298,559)
Revaluation	(494,891)	(1,083,248)
Ending market value 31 December	**259,950**	**233**

Total	**2019**	**2018**
	€	**€**
Beginning market value 1 January	34,564,680	43,030,497
Purchase	566,260,614	562,007,716
Sale	(523,778,041)	(561,744,547)
Revaluation	14,306,850	(8,728,986)
Ending market value 31 December	**91,354,103**	**34,564,680**

Purchase and sale on forward foreign currency contracts, futures and options investments reflect only the realised gains and losses of closing transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As at 31 December 2019 and 31 December 2018, financial assets and liabilities at fair value through profit or loss were as follows:

	2019	2018
	€	€
Financial assets at fair value through profit or loss:		
Equity securities	135,281,927	70,821,530
Options	259,950	252
Futures	18,445	323,990
Financial assets at fair value through profit or loss	**135,560,322**	**71,145,772**
Financial liabilities at fair value through profit or loss:		
Equity securities	(43,964,298)	(36,503,901)
Options	-	(19)
Forward foreign currency contracts	(241,921)	(77,171)
Financial liabilities at fair value through profit or loss	**(44,206,219)**	**(36,581,091)**
Total financial assets and financial liabilities at fair value through profit or loss	**91,354,103**	**34,564,681**

In Note 11 risks associated with those financial instruments held are described.

As at 31 December 2019 and 31 December 2018, listed equity securities, forward foreign currency contracts, futures and options at fair value through profit or loss are recorded at fair value based on quoted market prices in active markets.

For years ended 31 December 2019 and 31 December 2018, the net gains and losses breakdown of net gain or loss on financial assets and liabilities at fair value through profit or loss was as follows:

	2019	2018
	€	€
Realised gains	17,747,993	18,369,370
Unrealised gains	24,707,424	14,969,439
Realised losses	(17,579,539)	(19,741,756)
Unrealised losses	(10,569,028)	(22,326,037)
Total	**14,306,850**	**(8,728,984)**

The financial assets and liabilities at fair value through profit or loss are classified under category 'assets and liabilities at fair value through profit and loss'.

4. CASH AND CASH EQUIVALENTS

Cash represents short-term funds available to the Fund.	2019	2018
	€	€
Cash at broker	182,206	24,624,220
Banks overdrafts	(6,038,783)	-
Money market fund	-	12,378,065
Total	**(5,856,577)**	**37,002,285**

Non restricted cash at broker relates to cash balances with the Fund's Prime Brokers, excluding margin requirements. Bank overdrafts related to negative cash balance with Fund's Prime Broker UBS, including the amount of margin requirements.

As at 31 December 2019, the Fund did not hold any money market fund ("MMF"). As at December 2018, the Fund held one MMF managed by Goldman Sachs International, which is the Goldman Sachs Euro Liquid Reserves Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

5. MARGIN ACCOUNTS

Margin accounts represent cash deposits with brokers, transferred as collateral against open futures or other securities.

The Prime Brokers calculate the maximum amount to be loaned on the basis of all long and short securities held at the Prime Broker; this is called the total margin requirement. The Fund does not provide individual securities as collateral for each individual short security transaction. The total short position is taken into account in the calculation of margin requirement. The total amount of margin requirements with the Fund's Prime Brokers was €42,725,677 (31 December 2018: €25,434,099) with Goldman Sachs International and €4,623,774 (31 December 2018: €1,701,775) with UBS AG.

	2019	2018
	€	€
Margin accounts	47,349,451	27,135,874
Total	**47,349,451**	**27,135,874**

6. AMOUNTS DUE TO BROKERS

Amounts receivable from and payable to brokers include cash balances with the Fund's Prime Brokers and amounts receivable or payable for securities transactions that have not settled at the year-end. Certain amounts of this cash results from the proceeds of trading securities sold short and may therefore be subject to withdrawal restrictions until such time as the securities are purchased by the Fund. The Fund has also purchased securities on margin and the related margin balances are secured on certain of the Fund's investments in securities.

As at 31 December 2019 and 31 December 2018, the following were held as amounts due to or from brokers:

	2019	2018
	€	€
Balances due from brokers	1,238,617	71,639
Balances due to brokers	(2,333,659)	(7,942,622)
Net amounts due to brokers	**(1,095,042)**	**(7,870,983)**

7. FEES AND EXPENSES

Management fee
The management fee is charged to the Fund and is credited to the Manager. The management fee is levied once a month.

The management fee is set as an annual percentage of 1.5% of the gross asset value (GAV) for Class A units of participation, 1.0% of the GAV for Class B units of participation and 0.5% of the gross asset value (GAV) for Class C units of participation (before deduction of the accrued performance fee).

The management fee is accrued on a monthly basis. The fee is payable, in arrears following the completion and finalization of each month end net asset value. Management fees of €916,279 (31 December 2018: €913,660) were incurred for the year ended 31 December 2019, of which €109,321 (31 December 2018: €72,051) was payable at 31 December 2019.

Performance fee
The performance fee is charged on a unit by unit basis and is credited to the Manager. The performance fee is calculated and accrued for in each net asset calculation as at each month end.

The performance fee is equal to 20% of the annual increase in the net asset value of the capital of Class A units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class B units of participation. The performance fee is 15% of the annual increase in the net asset value of the capital of Class C units of participation. The performance fee will be calculated on the basis of an annual period from calendar year-end to calendar year-end. In a year of introduction of a new Class in a specific currency, the performance fee will be based on the period from introduction date to calendar year-end. A high watermark applies. Performance fees of €62,632 (31 December 2018: €Nil) were incurred for the year ended 31 December 2019, of which €62,632 (31 December 2018: € Nil) was payable at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

7. FEES AND EXPENSES (continued)

Performance fee (continued)
Performance fee – equalisation
The performance fee is calculated according to the "equalisation" method, which means that each participant pays a fee that truly corresponds to the increase in value of the units of participation that he/she holds. Participations are subscribed to against the gross asset value per unit of participation. If the subscription price exceeds the high water mark (HWM) on a dealing day, an equalisation credit is granted to the participant. Following the date of grant, the value of the equalisation credit fluctuates with the increase and decrease of the NAV. The equalisation credit will at no time turn into a negative value, and it will not increase beyond the value at the time of issue. By issuing participations against the value of the participant's equalisation credit at the ultimate valuation day of the financial year of the Fund, the credit will be finally settled. The equalisation credit as of 31 December 2019 and 31 December 2018 amounted to €Nil.

Conversely, a participant that acquires participations at a time that the HWM exceeds the NAV per participation, at which point in time the GAV equals the NAV as no performance fee is accrued, will build up an equalisation deficit from the moment that the NAV per participation exceeds the NAV at the time of issue. Any deficit will be finally settled by way of mandatory redemption of the equalisation deficit bearing participations. The Manager is entitled to the ensuing claim. Redemption will take place per the ultimate dealing day of the financial year of the Fund, or at redemption during the year. The equalisation deficit as of 31 December 2019 amounted to €122,996 (31 December 2018: Nil).

Other costs charged to the assets of the Fund

	2019	2018
	€	€
Administration fee	104,680	104,326
Audit fee	43,667	34,485
Costs of supervision	20,005	12,000
Depositary fee	35,254	35,542
Legal fee	8,000	2,500
Other expenses	21,701	24,817
Trustee fee	14,100	13,850
Total	**247,407**	**227,520**

Costs of supervision are fees charged by the supervising authorities AFM and the Dutch Central Bank.

The Depositary charges a fee as an annual percentage of 0.03% of the NAV at each month end, subject to a minimum fee of €25,000 per annum.

The Legal Owner receives a trustee fee of €11,000 on an annual basis, excluding VAT and indexation starting in 2015.

Other expenses

	2019	2018
	€	€
Miscellaneous expenses	832	1,500
Brokerage fee (excluded in Ongoing Charges Figure)	20,869	23,317
Total other expenses	**21,701**	**24,817**

Subscription and redemption fees
The Fund may upon issue and redemption of a unit of participation charge a fee up to 1.0% of the subscription and redemption amount. These costs may be charged in order to cover the costs incurred in transactions related to subscription and/or redemption and are credited to the Fund. During the year ended 31 December 2019, the Fund charged a fee of €Nil (31 December 2018: €Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

7. FEES AND EXPENSES (continued)

Ongoing Charges Figures
The Ongoing Charges Figure (OCF) is a ratio of the total ongoing costs to the average net assets value of the Fund. Ongoing costs include cost of investment management and administration, plus other costs of running the fund, such as fees for custodians, regulators and independent auditors. Transaction costs of investments, interest expenses and performance fee are excluded from the calculation. The OCF will be calculated once a year, the figure for year ended 31 December 2019 and 31 December 2018 is as follows:

Ongoing Charges Figure	Share Class	Share Class	Share Class
	A (EUR)	B (EUR)	C (USD)
2019	1.73%	1.23%	0.73%
2018	1.71%	1.21%	0.71%

Performance fee ratio
Performance fee ratio is a ratio of the total performance fee (including equalisation deficit) to the average net assets value of the Fund. This ratio will be calculated once a year. As of year ended 31 December 2019 and 31 December 2018 the ratio is as follows.

Performance Fee Ratio	Share Class	Share Class	Share Class
	A (EUR)	B (EUR)	C (USD)
2019	0.00%	0.12%	0.65%
2018	0.00%	0.00%	0.00%

Transaction costs
Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include execution fees and other charges like stamp duty and exchange fees paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in net gain or loss on financial assets and liabilities at fair value through profit or loss. During the year ended 31 December 2019, the transaction costs charged to the Fund amounted to €321,336 (31 December 2018: €433,986).

Research fees
The Fund holds Research Collection Accounts (RCA) at its executing brokers. The broker receives a commission for executing a transaction that is split into (1) an execution fee and (2) a research fee. The money received by the broker that is related to research is entered into a separate account with the broker, the RCA. Collected monies on the RCA are periodically transferred to the Research Payment Account (RPA) held by the Manager. The Manager makes use of the "Transactional Method" to fund its RPA. The Manager uses the received monies to procure research offered by research service providers, with the aim of improving the results of the Fund. The total amount of research fees during the year ended 31 December 2019 amounted to €512,893 (31 December 2018: €501,064).

Comparison realised costs versus costs included in Prospectus
Article 123 paragraph 1 sub j of the Decree on the Supervision Conduct of Financial Enterprises (Bgfo) requires a comparison between the actual costs for the reporting year and the costs as mentioned in the Prospectus.

31 December 2019	Actual Costs	Estimated costs Prospectus
Management fee	€916,279	% of GAV: Class A=1.5%, Class B=1.0% and Class C=0.5%
Performance fee	€62,632	% of annual increase GAV: Class A=20%, Class B=15% and Class C=15%
Administration fee	€104,680	+/- of 0.095% of NAV
Trustee fee	€14,100	Annual fee €11,000
Independent auditor's and advisor fee*	€71,672	Not Specified
Depositary fee	€35,254	0.03% of the NAV
Other costs**	€832	Not Specified

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

7. FEES AND EXPENSES (continued)

31 December 2018	**Actual Costs**	**Estimated costs Prospectus**
Management fee	€913,660	% of GAV: Class A=1.5%, Class B=1.0% and Class C=0.5%
Performance fee	-	% of annual increase GAV: Class A=20%, Class B=15% and Class C=15%
Administration fee	€104,326	+/- of 0.095% of NAV
Trustee fee	€13,850	Annual fee €11,000
Independent auditor's and advisor fee*	€48,985	Not Specified
Depositary fee	€35,542	0.03% of the NAV
Other costs**	€1,500	Not Specified

* Independent auditor's and advisor's costs include audit fee, legal fee and cost of supervision. Audit fee refers to services provided by the independent auditor and relate to the audit of the Financial Statements.
** Other costs include miscellaneous expenses.

Portfolio Turnover Rate
The Portfolio Turnover Rate indicates the turnover ratio of the Fund's portfolio. This rate is an indicator of how actively the investment portfolio is being altered as a consequence of investment decisions and is therefore a function of the investment policy and specifically gross exposure.

The Turnover Rate is calculated as follows:
[(Total 1 – Total 2) / X] *100
Total 1: the total amount of investment transactions (purchase and sale of all cash equity, CFD, options and futures investments)
Total 2: the total amount of subscriptions and redemptions by Participants
X: average net asset value of the Fund.

	2019	**2018**
	€	**€**
Securities purchase	396,703,142	445,033,818
Securities sale	356,656,895	452,464,427
Total securities transactions	**753,360,037**	**897,498,245**
Subscriptions Participants	28,061,000	5,043,815
Redemptions Participants	24,969	-
Total movement in participations	**28,085,969**	**5,043,815**
Average net asset value	100,919,395	97,030,042
Turnover Rate	**719%**	**920%**

8. ACCRUED EXPENSES

	2019	**2018**
	€	**€**
Administration fee	20,280	17,384
Audit fee	37,578	13,159
Costs of supervision	14,528	11,378
Depositary fee	6,944	5,757
Legal and tax advice fees	5,886	5,076
Trustee fee	3,526	3,456
Other accrued expenses	2,245	1,413
Total	**90,987**	**57,623**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

9. INTEREST INCOME/EXPENSE AND BORROWING FEE

	2019	2018
	€	€
Interest income	66,360	170,313
Interest expense	(672,814)	(669,704)
Borrowing fee	(489,670)	(425,270)
Total	**(1,096,124)**	**(924,661)**

Borrowing fees incurred during the year resulted from borrowing securities in relation to short positions.

10. DIVIDEND INCOME/EXPENSE

	2019	2018
	€	€
Gross dividend income	2,640,160	2,183,921
Dividend expense on securities sold short	(985,269)	(900,252)
Total	**1,654,891**	**1,283,669**

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow us to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk measurement is an independent function, which is functionally separated from the operational department and portfolio management.

The Fund's investment objective is to preserve capital and then achieve absolute returns for Participants by investing in securities of Japanese companies. The Fund aims to achieve strong risk adjusted returns without large exposure to the overall stock market and without taking high volatility single factor risks.

Financial instruments and associated risks
The Fund will primarily invest in a diversified portfolio consisting of long and short positions in listed equities. The Fund may utilise derivative financial instruments for the purpose of risk management and for potentially improving returns.

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Fund are discussed below.

The Fund is exposed to several risks. The Prospectus of the Fund describes an extensive list. The following risks are described below: equity risk, currency risk, concentration risk, interest rate risk, credit risk and liquidity risk. Each type of risk is arising from the financial instruments it holds and is discussed in turn below. Qualitative and quantitative analyses are provided where relevant to give the reader an understanding of the risk management methods used by the Manager.

Fair value estimation
IFRS 13 Fair Value Measurement states that when measuring fair value, the objective is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. to estimate an exit price).

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets for liabilities that the entity can access at the measurement date
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Fair value estimation (continued)
The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The following table analyses the fair value hierarchy of the Fund's financial assets and liabilities measured at fair value at the year ended 31 December 2019 and as at 31 December 2018:

Financial assets at fair value through profit or loss	**31 December 2019**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	135,281,927	135,281,927	-	-
Derivatives	278,395	-	278,395	-
Total	**135,560,322**	**135,281,927**	**278,395**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2019**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	(43,964,298)	(43,964,298)	-	-
Derivatives	(241,921)	-	(241,921)	-
Total	**(44,206,219)**	**(43,964,298)**	**(241,921)**	**-**

Financial assets at fair value through profit or loss	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	70,821,530	70,821,530	-	-
Derivatives	324,242	-	324,242	-
Total	**71,145,772**	**70,821,530**	**324,242**	**-**

Financial liabilities at fair value through profit or loss	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Equity securities	(36,503,901)	(36,503,901)	-	-
Derivatives	(77,190)	-	(77,190)	-
Total	**(36,581,091)**	**(36,503,901)**	**(77,190)**	**-**

For the year ended 31 December 2019 and the year ended 31 December 2018, there were no transfers between Levels.

For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

Equity risk
Equity risk is the risk that the Fund is exposed to the volatility of the fair value of the equity securities it holds. The fair value of individual securities may fluctuate as a result of e.g. company specific news, broad market movements, interest rate risk or foreign currency movements. The Manager continuously monitors the (potential) determinants of the value of the securities held and the total portfolio value. As such, risk management is an integral part of investment management which comprises security selection and portfolio construction. Frequently various stock, sector and country exposures are measured and managed against the norms which have been defined for those exposures. Further the overall portfolio is monitored using various (external) portfolio risk (optimising) systems to monitor and manage market or style exposures.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Equity risk (continued)
The value of the securities the Fund holds is partly driven by general market movements. As the Fund has long and short positions in securities, the Fund aims to control its exposure to these general market movements. The following table represents management's best estimate of the effect on the Fund's total net assets due to a 25% change in the market equity price, with all other variables held constant.

The Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. The Beta of a portfolio can be measured by a regression of the portfolio return with the market return, i.e. the ex-post Beta. The Beta of a portfolio can also be measured as the weighted average of the Beta's of the underlying securities, i.e. the ex-ante Beta. Please note that the calculation of a Beta is based upon historical data. It therefore gives an insight in the co-movement of the portfolio with the market as a whole; such calculated Beta can be used as an estimate for the co-movement going forward. Significant differences may occur between the estimate and the co-movement that occurs next year.

The ex-post Beta for the Fund was 0.08 (31 December 2018: 0.18), calculated from a regression of the daily returns of the Fund on the MSCI Japan index, from 1 January 2019 to 31 December 2019. The ex-ante Beta measured at year-end 31 December 2019 is 0.38 (31 December 2018: 0.28). (Source: Nomura TradeSpex.)

Market index	**Ex-ante Beta**	**Change**	**Effect on net assets and profit**	**Change**	**Effect on net assets and profit**
2019		**%**	**€**	**%**	**€**
MSCI Japan Index	0.38	25%	18,255,205	-25%	(18,255,205)

Market index	**Ex-ante Beta**	**Change**	**Effect on net assets and profit**	**Change**	**Effect on net assets and profit**
2018		**%**	**€**	**%**	**€**
MSCI Japan Index	0.28	25%	7,993,229	-25%	(7,993,229)

If an investment portfolio of a fund is relatively concentrated, it is considerably dependent on volatility in specific equities (idiosyncratic risk). The Manager has defined several guidelines to adhere to, with respect to maximum percentages held on a security and sector level. The Fund's investments are all well within the guidelines as described in the Prospectus. The portfolio of the Fund is fairly diversified as is illustrated by the percentages held as disclosed in the sector allocation. The long and short positions are showed separately as a percentage of the net asset value. The net exposure per sector is also stated as a percentage of the net asset value.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency (Euro). The Fund may hold cash in and securities denominated in other currencies. The value of such holdings, expressed in the currency in which the pertinent (Sub) Class of Participations is administered, may therefore be influenced by currency fluctuations.

IFRS 7 Financial Instruments - Disclosures considers the foreign exchange exposure related to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Fund however monitors the exposure on all foreign currency denominated assets and liabilities.

The following table demonstrates management's best estimate of the sensitivity to a reasonable change in the foreign exchange rates, with all other variables being constant, of the most representative Fund's foreign currency exposures. The currency sensitivity below is based upon a movement of exchange rates and the direct currency exposures as a result of Fund holdings which are denominated in currencies other than Euro, the functional currency of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)
The Fund has the possibility to hold and to manage currency exposures, but in principle will hedge significant exposures.

The sensitivity analysis for the currency exposures held by the Fund is based on the assumption of a 10% movement in the foreign exchange rates against the Fund's functional currency (Euro). The table below is based upon the breakdown of the assets and liabilities in the different currencies.

Please note that the table below is based upon the holdings as at 31 December 2019 and 31 December 2018; currency exposures continuously change.

The Fund's currency risk is managed on a daily basis by the Manager in accordance with policies and procedures which are in place.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

The total economic exposure to different currencies at 31 December 2019 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liabilities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	%	€	€
JPY	91,592,683	(89,332,669)	(848,235)	1,411,779	1.07	141,178	(141,178)
USD	(238,580)	2,188,268	-	1,949,688	1.48	194,969	(194,969)
Total	**91,354,103**	**(87,144,401)**	**(848,235)**	**3,361,467**	**2.55**	**336,147**	**(336,147)**

The amounts in the tables are based on the financial assets and financial liabilities.

The currency rates as of 31 December 2019 are as follows:

		JPY	USD
FX/EUR		121.98	1.12

The total economic exposure to different currencies at 31 December 2018 was:

	Financial assets/ (liabilities) at fair value through profit or loss	Cash and amounts due from/ (to) brokers	Other assets/ (liabilities)	Net currency exposure	In % of total net assets	+10% Movement	-10% Movement
	€	€	€	€	%	€	€
JPY	34,641,853	(26,550,681)	(7,706,147)	385,025	0.42	38,503	(38,503)
USD	(77,171)	2,342,579	-	2,265,408	2.49	226,541	(226,541)
Total	**34,564,682**	**(24,208,102)**	**(7,706,147)**	**2,650,433**	**2.91**	**265,044**	**(265,044)**

The amounts in the tables are based on the financial assets and financial liabilities.

The currency rates as of 31 December 2018 are as follows:

		JPY	USD
FX/EUR		125.42	1.14

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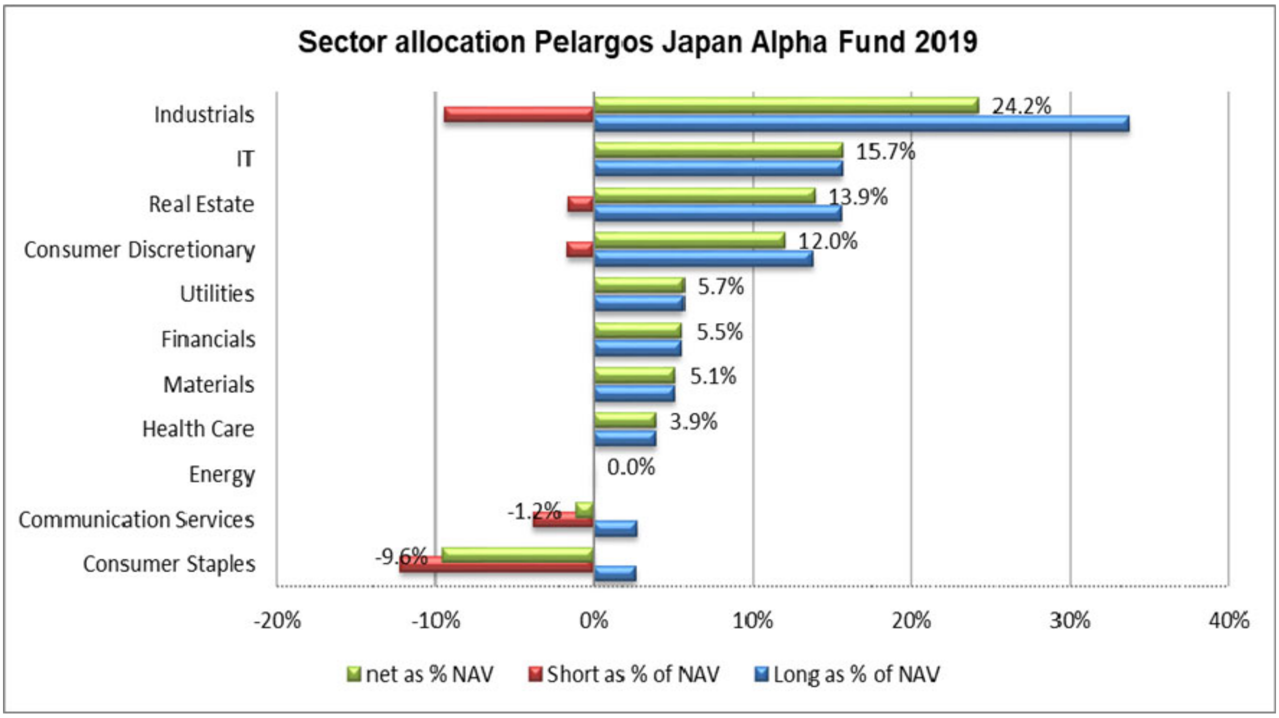
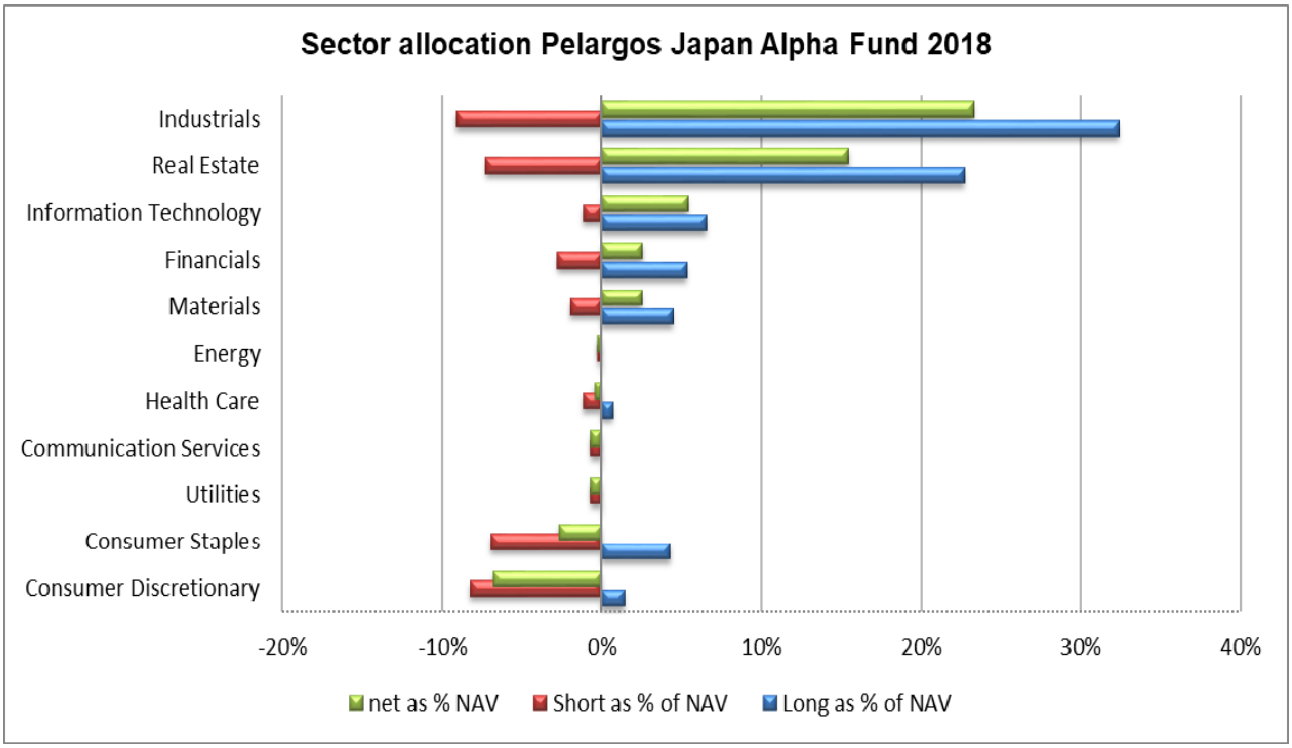
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk
The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2019 was as follows:



The sector allocation (net exposure, long positions and short positions per sector) as a percentage of the NAV at 31 December 2018 was as follows:



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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)
The top long and top short exposures as a percentage of the NAV at 31 December 2019 were as follows:

TOP LONG POSITIONS 2019	
	As % NAV
Toshiba Plant Systems	8.3%
Maeda Road Const	6.0%
Toshiba Tec Corp	5.3%
Ichigo Group	4.6%
Toyo Constructio	4.4%
Heiwa Real Estat	4.3%
Taihei Dengyo	3.7%
Ichigo Hotel Reit	3.4%
Denso Corp	3.4%
Takara Leben Infra	3.3%

TOP SHORT POSITIONS 2019	
	As % NAV
Softbank Corp	3.8%
Central JR	1.9%
Shiseido	1.7%
Daito Trust Cons	1.7%
East Japan Rail	1.6%
Kose Corp	1.5%
Lion Corp	1.5%
House Foods Corp	1.4%
Ezaki Glico	1.2%
Keihan Electric	1.1%

The top long and top short exposures as a percentage of the NAV at 31 December 2018 were as follows:

TOP LONG POSITIONS 2018	
	As % NAV
Ichigo Hotel REIT Investment Corp	7.2%
Toshiba Plant Systems	7.0%
Taihei Dengyo	4.9%
Maeda Road Construction	4.3%
Ichigo REIT	4.2%
Canadian Solar Infrastructure Fund	3.7%
Ichigo Group	3.1%
Okamoto Industries	3.0%
Heiwa Real Estate	2.7%
Takara Leben Infrastructure Fund	2.3%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Concentration risk (continued)

TOP SHORT POSITIONS 2018	
	As % NAV
Coca Cola West	3.1%
Nippon Building Fund	3.0%
Aozora Bank	2.0%
Shimamura Co	2.0%
Odakyu Elec Rail	1.8%
Aeon Mall	1.4%
Kagome	1.4%
Pepper Food Service	1.2%
Panasonic	1.2%
Nissin Foods	1.2%

Interest rate risk
The majority of the Fund's financial assets are non-interest-bearing. At the Statement of Financial Position date the Fund has not invested in deposits or fixed income securities. The Fund invested in a Money Market Fund, which invests in papers in interest bearing securities. As a result, the Fund is subject to limited direct exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Fund is subject to cash flow interest rate risk; however the effect is not considered material due to the short-term nature.

Fund exposure to direct interest rate risk in Euro at 31 December 2019 was:

31 December 2019

Assets	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	278,395	-	-	-	135,281,927	135,560,322
Amounts due from brokers	1,238,617	-	-	-	-	1,238,617
Margin accounts	47,349,451	-	-	-	-	47,349,451
Cash and cash equivalents	182,206	-	-	-	-	182,206
Total	**49,048,669**	**-**	**-**	**-**	**135,281,927**	**184,330,596**

Liabilities	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Financial liabilities at fair value through profit or loss	241,921	-	-	-	43,964,298	44,206,219
Bank overdraft	6,038,783	-	-	-	-	6,038,783
Amounts due to brokers	2,333,659	-	-	-	-	2,333,659
Total	**8,614,363**	**-**	**-**	**-**	**43,964,298**	**52,578,661**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)
Fund exposure to direct interest rate risk in Euro at 31 December 2018 was:

31 December 2018

Assets	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial assets at fair value through profit or loss	324,242	-	-	-	70,821,530	71,145,772
Amounts due from brokers	71,639	-	-	-	-	71,639
Margin accounts	27,135,874	-	-	-	-	27,135,874
Cash and cash equivalents	37,002,285	-	-	-	-	37,002,285
Total	**64,534,040**	**-**	**-**	**-**	**70,821,530**	**135,355,570**

Liabilities	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
	€	€	€	€	€	€
Financial liabilities at fair value through profit or loss	77,171	-	-	-	36,503,920	36,581,091
Amounts due to brokers	7,942,622	-	-	-	-	7,942,622
Total	**8,019,793**	**-**	**-**	**-**	**36,503,920**	**44,523,713**

Credit risk
Credit risk refers to the potential loss arising if a counterparty is unable to fulfill its financial obligations when due. The Fund is exposed to credit risk in terms of cash deposited at banks or Prime Brokers, (rehypothecated) securities held at Prime Brokers and derivatives with other financial institutions as counterparties.

As at 31 December 2019, the Fund did not hold any money market fund ("MMF"). As at December 2018, the Fund held one MMF managed by Goldman Sachs International, which is the Goldman Sachs Euro Liquid Reserves Fund.

The Fund's exposure in relation to financial instruments and other debtors is as follows at year-end:

	2019	2018
	€	€
Derivatives	278,395	324,242
Amounts due from brokers	1,238,617	71,639
Dividends receivable	321,073	338,373
Margin accounts	47,349,451	27,135,874
Cash and cash equivalents	182,206	37,002,285
Bank overdraft	(6,038,783)	-
Total	**43,330,959**	**64,872,413**

For the year ended 31 December 2019, OTC derivative transactions were executed with the Fund's Prime Brokers Goldman Sachs International and UBS. The Fund's derivative contracts held were futures, options and forward foreign currency contracts. For the year ended 31 December 2018, OTC derivative transactions were executed with the Fund's Prime Brokers Goldman Sachs International and UBS AG. The Fund's derivative contracts held were futures, options and forward foreign currency contracts.

To mitigate credit risk, two Prime Brokers have been legally appointed, allowing a transfer of securities and cash. Further, securities and cash are only held at, and derivatives are only executed with (investment grade) rated counterparties. Long-term ratings for Goldman Sachs International at 31 December 2019 were A1 (31 December 2018: A1 (Moody's)) and A+ (31 December 2018: A+ (S&P)). Long-term ratings for UBS AG at year end were Aa3 (31 December 2018: Aa3) at Moody's and A+ (31 December 2018: A+) at S&P.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)
The Prime Brokers may acquire legal title to the Fund's assets up to an amount of more than 100% (max 140%) of the value of the (i) liabilities or (ii) net indebtedness, as the case may be, of the Fund towards the relevant Prime Brokers (rehypothecation). The Fund will have a right to the redelivery of equivalent assets from the Prime Brokers. In the event of an insolvency of either party, the obligation to redeliver will be given a cash value and will form part of a set off calculation against the amount the Fund owes the Prime Brokers.

To the extent that the Prime Brokers have rehypothecated assets in excess of the amount that the Fund owes, the Fund ranks as a general creditor for the excess following the operation of set-off, with the risk that such excess may not be reclaimed. The Fund continuously monitors the creditworthiness of its Prime Brokers and has appointed multiple Prime Brokers.

The Fund has entered into master netting agreements with its Prime Brokers. Under these agreements all assets and liabilities with the Prime Broker can be offset with each other.

To enable to short securities, the Fund borrows securities. At 31 December 2019, the Fund borrowed securities for an amount of €43,964,298 (31 December 2018: €42,778,985).

The maximum exposure in relation to financial instruments and other debtors is the carrying value of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)
The financial assets and liabilities which are subject to offsetting as of 31 December 2019 and as of 31 December 2018 are as follows:

Financial assets subject to offsetting, enforceable master netting agreements and similar agreements

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the Statement of Financial Position	Net amounts of financial assets presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position: Financial instrument	Net amount
2019	**€**	**€**	**€**	**€**	**€**
Investments pledged* GS	19,457,077	-	19,457,077	-	19,457,077
Investments pledged UBS	3,040,877	-	3,040,877	-	3,040,877
Derivative assets UBS	278,394	-	278,394	241,920	36,474
2018	**€**	**€**	**€**	**€**	**€**
Investments pledged* GS	17,040,975	-	17,040,975	-	17,040,975
Derivative assets GS	324,242	-	324,242	77,209	247,033

* rehypothecated equity long

Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the Statement of Financial Position	Net amounts of financial liabilities presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position: Financial instrument	Net amount
2019	**€**	**€**	**€**	**€**	**€**
Derivative liabilities GS	241,920	-	241,920	241,920	-
2018	**€**	**€**	**€**	**€**	**€**
Derivative liabilities GS	77,209	-	77,209	77,209	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk
Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund is exposed to cash redemptions of redeemable units of participation for a monthly valuation day, with 15 business day's previous notice.

The Fund invests the majority of its assets in investments that are listed and traded in active markets; all listed on major Japanese stock exchanges. The liquidity of all securities will be continuously monitored by the Manager, who aims to be able to exit 50% of the assets in the Fund with one week and 95% in one month time.

The Fund may invest in derivative contracts traded over the counter, which are not traded on a regulated exchange and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at their fair value to meet its liquidity requirements. If OTC derivative contracts are used, the counterparties will be rigorously selected and monitored.

The liquidity profile of the Fund's financial liabilities based on undiscounted contractual maturities is illustrated as follows:

31 December 2019	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	No stated maturity	Total
Assets	**€**	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	135,281,927	135,281,927
Derivatives	278,395	-	-	-	-	278,395
Other receivables	321,073	-	-	-	-	321,073
Amounts due from brokers	1,238,617	-	-	-	-	1,238,617
Margin accounts	47,349,451	-	-	-	-	47,349,451
Cash and cash equivalents	182,206	-	-	-	-	182,206
Total	**49,369,742**	-	-	-	**135,281,927**	**184,651,669**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	43,964,298	43,964,298
Derivatives	241,921	-	-	-	-	241,921
Other liabilities and accrued expenses	339,978	-	-	-	-	339,978
Amounts due to brokers	2,333,659	-	-	-	-	2,333,659
Bank overdraft	6,038,783	-	-	-	-	6,038,783
Total	**8,954,341**	-	-	-	**43,964,298**	**52,918,639**
Redeemable units of participation	-	131,733,030	-	-	-	131,733,030
Total	-	**131,733,030**	-	-	-	**131,733,030**
Liquidity gap	**40,415,401**	**(131,733,030)**	-	-	**91,317,629**	-

PricewaterhouseCoopers Accountants N.V.
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)
The liquidity profile of the Fund's financial liabilities based on undiscounted contractual maturities is illustrated as follows:

31 December 2018	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**No stated maturity**	**Total**
Assets	**€**	**€**	**€**	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	-	-	70,821,530	70,821,530
Derivatives	324,242	-	-	-	-	324,242
Other receivables	338,373	-	-	-	-	338,373
Amounts due from brokers	71,639	-	-	-	-	71,639
Margin accounts	27,135,874	-	-	-	-	27,135,874
Cash and cash equivalents	37,002,285	-	-	-	-	37,002,285
Total	**64,872,413**	**-**	**-**	**-**	**70,821,530**	**135,693,943**
Liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	36,503,920	36,503,920
Derivatives	77,171	-	-	-	-	77,171
Other liabilities and accrued expenses	303,338	-	-	-	-	303,338
Amounts due to brokers	7,942,622	-	-	-	-	7,942,622
Total	**8,323,131**	**-**	**-**	**-**	**36,503,920**	**44,827,051**
Redeemable units of participation	-	90,866,892	-	-	-	90,866,892
Total	**-**	**90,866,892**	**-**	**-**	**-**	**90,866,892**
Liquidity gap	**56,549,282**	**(90,866,892)**	**-**	**-**	**34,317,610**	**-**

There is no contractual maturity for all equity investments held; those investments are classified under no stated maturity. The below liquidity analysis provides more details related to the liquidity of those investments.

Liquidity analysis
The liquidity of the securities is continuously monitored as liquidity risk is a risk factor that we believe is important to manage. Closing illiquid positions can be costly as prices can move significantly in a few days, especially if headline driven traders are involved. To mitigate this risk the Manager expects to exit 50% of the assets in the Fund within one week and 95% within one month. The Manager currently maintains a level within such limits.

The following tables relate all equity positions of the Fund to the average daily trading volumes (ADV) over the last 3 months of 2019. The average and maximum ADVs are based on the ADV. The average long position of the Fund was 173% of the ADV. The max ADV was the value of the most illiquid position as a percentage of 3-months average ADV. These tables stated the percentage of the assets held in five different classes of market liquidity. Within 1 day, 23% of the long book can be closed and 83% of the short book can be closed, under the assumption that we trade maximum 25% of the daily volume.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity profile of the Long portfolio

Percentage of 3-months ADV	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV 0%-25%	25%-50%	50%-100%	100%-200%	>200%
31 December 2019	173%	2729%	23%	12%	9%	29%	28%
31 December 2018	216%	1227%	21%	5%	6%	31%	37%

Liquidity profile of the Short portfolio

Percentage of 3-months ADV	Average ADV	Max ADV	Percentage of Portfolio in% of the ADV 0%-25%	25%-50%	50%-100%	100%-200%	>200%
31 December 2019	11%	28%	83%	17%	-	-	-
31 December 2018	7%	27%	97%	3%	-	-	-

12. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Fund's investment strategies and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Fund. The derivative contracts that the Fund held or issued were futures, forward foreign currency contracts and options.

The Fund records its derivative activities on a mark-to-market basis.

The Fund purchases or sells put and call options through listed exchanges and the OTC markets. Options purchased by the Fund provide the Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Forward foreign currency contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. Forward foreign currency contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/year-end date and are included in the Statement of Comprehensive Income.

A futures contract is an agreement between two parties to buy and sell a security, index or currency at a specific price or rate at a future date. Upon entering into a futures contract, the Fund is required to deposit with a broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as 'initial cash margin'. Subsequent payments ('variation margin') are made or received by the Funds each day, depending upon the daily fluctuation in the value of the contract. The daily changes in contract value are recorded as unrealised gains or losses and the Funds recognise a realised gain or loss when the contract is closed. Unrealised gains and losses on futures contracts are recognised in the Statement of Comprehensive Income.

Unrealised gains or losses are valued in accordance with the accounting policy stated in Note 2 and the resulting movement in the unrealised gain or loss is recorded in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

12. DERIVATIVE CONTRACTS (continued)

As at 31 December 2019 and 31 December 2018, the following derivative contracts were included in the Fund's Statement of Financial Position at fair value through profit or loss:

	Fair value assets 31 December 2019	Fair value liabilities 31 December 2019
	€	€
Forward foreign currency contracts	-	(241,921)
Futures	18,445	-
Options	259,950	-
Total derivative contracts	**278,395**	**(241,921)**

	Fair value assets 31 December 2018	Fair value liabilities 31 December 2018
	€	€
Forward foreign currency contracts	-	(77,171)
Futures	323,990	-
Options	252	(19)
Total derivative contracts	**324,242**	**(77,190)**

The table below details the total derivatives exposure at 31 December 2019 and 31 December 2018. Gross exposure is the sum of absolute market value of all long and short positions. Net exposure is the balance of market value of all long and short positions. At 31 December 2019, the Fund held equity index options and equity index futures.

The leverage of the Fund is a ratio between the total gross exposure and the net asset value of the Fund. The maximum leverage the Fund may have is 250%. At 31 December 2019 the leverage is 145.9% (31 December 2018: 125.7%).

31 December 2019	Net exposure	Gross exposure	Gross as % NAV
	€	€	
Equities	91,322,657	179,256,094	136.1%
Futures	(9,511,672)	9,511,672	7.2%
Options	764,679	3,388,949	2.6%
Total exposure	**82,575,664**	**192,156,715**	**145.9%**
Total as % of NAV	**62.7%**	**145.9%**	**145.9%**

31 December 2018	Net exposure	Gross exposure	Gross as % NAV
	€	€	
Equities	34,316,917	107,323,205	118.1%
Futures	(6,861,844)	6,861,844	7.6%
Options	3,930	3,930	0.0%
Total exposure	**27,459,003**	**114,188,979**	**125.7%**
Total as % of NAV	**30.2%**	**125.7%**	**125.7%**

13. REDEEMABLE UNITS OF PARTICIPATION

Since inception of the Fund Class A, Class B and Class C units of participation were issued, Class A, B and C are denominated in Euro. The (initial) investment required for a participant in Class A is Euro 10,000. Subsequent subscriptions and redemptions have a minimum size of Euro 1,000.

The minimum (initial) investment in Class A and B for the 'seeding' investor, employees and employees of the directors is Euro 1,000 and for other Participants Euro 10,000. Subscriptions and redemptions have a minimum size of Euro 1,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

13. REDEEMABLE UNITS OF PARTICIPATION (continued)

On 11 May 2017 the Manager decided to introduce a new Class C units of participation. The Class C units of participation may be issued in two subclasses denominated in US Dollars and in Euro.

The minimum (initial) investment in Class C for the 'seeding' investor, employees and employees of the directors is Euro 1,000 and USD 1,000 and for other Participants Euro 100,000 and USD 100,000. Subscriptions and redemptions have a minimum size of Euro and USD 1,000.

Each participant is entitled to cast one vote for each unit of participation. One or more Participants who jointly hold at least 10% of the total number of participations can request the Manager to hold a meeting and can add topics to the agenda.

Transactions in units of participation for Class A, Class B and Class C for the year ended 31 December 2019 and 31 December 2018 were as follows:

	Number of units of participation 2019	**Number of units of participation 2018**
Class A (EUR)		
Units of participation balance at the beginning of the year	236	236
Units of participation at the end of the year	**236**	**236**
Class B (EUR)		
Units of participation balance at the beginning of the year	56,194	56,178
Issue of redeemable units of participation	18,326	16
Redemption of redeemable units of participation	(18)	-
Units of participation at the end of the year	**74,502**	**56,194**
Class C (USD)		
Units of participation balance at the beginning of the year	15,330	9,416
Issue of redeemable units of participation	-	5,902
Issue/redemption related to equalisation credit/(deficit)	-	12
Units of participation at the end of the year	**15,330**	**15,330**

Capital management
As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable units beyond those included in the Fund's constitution.

The Fund's objectives for managing capital are:

1. To achieve long-term capital appreciation;
The Fund aims for returns which have a low correlation with the returns of the market index. To achieve this objective the Fund uses investment instruments and applies an investment and risk management policy as described in the prospectus.

2. To maintain sufficient liquidity to meet redemption requests as they arise.

Note 11 'Risk associated with financial instruments' explains equity risk, currency risk, interest rate risk, credit risk and liquidity risk in more detail.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

14. RELATED PARTY TRANSACTIONS

Employees of directors and employees of Pelargos Capital B.V. held jointly 257.43 (31 December 2018: 257.43) units of participation Class B in the Fund. Pelargos Capital B.V. held 136.47 (31 December: 2018: 136.47) units of participation Class A Euro.

Two investment funds managed by Aegon Investment Management B.V. (AIM B.V.) held 74,193.92 (31 December 2018: 55,868.61) units of participation Class B and 99.80 (31 December 2018: 99.80) units of participation Class A.

AIM B.V. is a 100% subsidiary of Aegon Asset Management Holding B.V., which is a 100% subsidiary of Aegon N.V. Aegon Asset Management Holding B.V. holds 73.34% (31 December 2018: 73.34%) of the shares in Pelargos Capital B.V.

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

15. PERSONAL INTERESTS OF DIRECTORS

In accordance with article 122 paragraph 2 Bgfo the Fund is required to list the total holdings in securities by the (employees of) directors in investments, which are also held by the Fund as of 31 December 2019.

As of 31 December 2019 and 31 December 2018, there are no personal interests of the employees of directors in investments, which were also held by the Fund.

As of 31 December 2019 and 31 December 2018, the personal interests of employees of directors and a non-executive director of the Fund are as follows:

	Market Value 31 December 2019 €	Market Value 31 December 2018 €
Pelargos Japan Alpha Fund	403,412	357,793
	403,412	**357,793**

16. DIVIDEND AND ALLOCATION OF RESULT

During the year ended 31 December 2019 and 31 December 2018, the Fund did not pay dividends. The result is included in the net assets attributable to holders of redeemable units of participation.

17. INVESTOR MONEY REGULATIONS

In response to the Central Bank of Ireland publishing the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers (the "Investor Money Regulations" or "IMR") in March 2015 (effective from 1 July 2016), the Manager undertook, together with BNY Mellon Fund Services (Ireland) Designated Activity Company, a review of the way in which subscription, distribution and redemption monies are channelled to and from the Fund. As a result of this review, subscription and redemption monies are (effective from 1 July 2016), channelled through a cash collection account in the name of the Fund. Pending issue of the units and / or payment of subscription proceeds to an account in the name of the Fund, and pending payment of redemption proceeds or distributions, the relevant investor will be an unsecured creditor of the Fund in respect of amounts paid by or due to it. At 31 December 2019 and 31 December 2018, there were no such subscriptions or redemptions.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 ("SFTR")

As at 31 December 2019 and 31 December 2018, additional SFTR disclosures are required for repurchase/reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing, securities lending and margin lending transactions. For the year ended 31 December 2019 (31 December 2018: Nil), the Fund has not entered into any stock lending transactions and repurchase/reverse repurchase transactions.

The following table details the Fund's exposure (calculated on a net basis) to repurchase/reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions as at 31 December 2019 and 31 December 2018.

31 December 2019	**Counterparty country of incorporation**	**Reverse repurchase transactions**	**Total return swap (including CFD)***	**Securities borrowing**	**Margin lending transactions**
Counterparty		€	€	€	€
Goldman Sachs	United Kingdom	-	-	43,964,298	42,725,677
UBS	United Kingdom	-	-	-	4,623,774
Total		-	-	43,964,298	47,349,451
Total as % of the NAV		-	-	33.4%	35.9%
31 December 2018					
Counterparty		€	€	€	€
Goldman Sachs	United Kingdom	-	-	42,778,985	25,434,099
UBS	United Kingdom	-	-	-	1,701,775
Total as % of the NAV		-	-	47.1%	29.9%

**the value of total TRS's is based on the aggregate gross notional value of all open positions.*

The following table provides an analysis of the maturity tenor of reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions outstanding as at 31 December 2019:

31 December 2019	**Reverse repurchase transactions**	**Total return swap (including CFD)**	**Securities borrowing**	**Margin lending transactions**
Maturity tenor	€	€	€	€
1 day	-	-	-	-
2 to 7 days	-	-	-	-
8 to 30 days	-	-	-	-
31 to 90 days	-	-	-	-
91 to 365 days	-	-	-	-
more than 365 days	-	-	-	-
open transactions	-	-	43,964,298	47,349,451

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 ("SFTR") (continued)

The following table provides an analysis of the maturity tenor of reverse repurchase transactions, total return swaps (including contracts for difference), securities borrowing and margin lending transactions outstanding as at 31 December 2018:

31 December 2018	Reverse repurchase transactions	Total return swap (including CFD)	Securities borrowing	Margin lending transactions
Maturity tenor	€	€	€	€
1 day	-	-	-	-
2 to 7 days	-	-	-	-
8 to 30 days	-	-	-	-
31 to 90 days	-	-	-	-
91 to 365 days	-	-	-	-
more than 365 days	-	-	-	-
open transactions	-	-	42,778,985	27,135,874

The above maturity tenor analysis has been based on the respective transaction contractual maturity date. Open transactions are those transactions that are recallable or terminable on a daily basis and include securities borrowing, margin lending transactions and contracts for difference.

The Fund had cash collateral received or posted in respect of the daily marking-to-market of derivative positions. As at 31 December 2019, the amount posted in the initial and variation margin account was €226,594 (31 December 2018: €85,471).

Security borrowing, total return swaps, margin lending transactions and re-use of Fund's assets

Securities borrowing, total return swaps and margin lending transactions are normally governed by a prime brokerage agreement with the Prime Broker(s). Under these arrangements, the Fund is required to post margin in respect of all its obligations to the Prime Broker(s) under that agreement. Each Prime Broker has a security interest over all non-cash assets held with it in the pooled custody accounts. Any of these assets can be used by the Prime Broker to cover their margin requirement for the Fund. Each Prime Broker also has the right to re-hypothecate a certain amount of the Fund's assets to use for their own proprietary purposes. The amount that each Prime Broker is permitted to re-hypothecate will be set out in its prime brokerage agreement and further details are disclosed in the Fund's Prospectus. The maximum percentage of rehypothecation is 140%.

All returns and costs from stock borrowing and total return swap transactions will accrue to the Fund and are not subject to any returns or cost sharing arrangements with the Fund's Manager.

There is no profit sharing arrangement in place with the Fund to share any return earned by the Prime Broker(s) though their re-use of the Fund's assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. EU SECURITIES FINANCING TRANSACTIONS REGULATION 2016 ("SFTR") (continued)

Security borrowing, total return swaps, margin lending transactions and re-use of Fund's assets (continued)

The following table details the value of the re-use of Fund's assets, analysed per counterparty and currency as at 31 December 2019 and 31 December 2018.

Re-use of Fund's asset			**Rehypothecation %**
Counterparty	**Country**	**Currency**	**31 December 2019**
Goldman Sachs	United Kingdom	€	44%
UBS	United Kingdom	€	149%
Re-use of Fund's asset			**Rehypothecation %**
Counterparty	**Country**	**Currency**	**31 December 2018**
Goldman Sachs	United Kingdom	€	36%
UBS	United Kingdom	€	-

All returns and costs from margin lending transactions will accrue to the Fund and are not subject to any returns or cost sharing arrangements with the Fund's Manager.

Repurchase/ reverse repurchase transactions

The Fund did not have a Global Master Repurchase Agreements ("GMRA") or Master Repurchase Agreements ("MRA") with its Prime Broker. There were no reverse repurchase transactions in 2019 and 2018. There was no return sharing agreements with the Fund's Manager.

19. SUBSEQUENT EVENTS

During the first quarter of 2020, the world was hit by a pandemic, COVID-19. The Manager's Business Continuity Plan was activated and all staff started working from home. The Manager has carried out a detailed evaluation of the impact of this crisis on the financial results and position of the Fund as well as on the Fund's operations, resulting in the following findings:

1. The Fund is running a limited liquidity risk as the Fund's investments in listed Japanese equities offer sufficient market liquidity to service possible client redemptions. If there is a liquidity issue, the Fund's prospectus allows for the activation of a gating clause. So far, the Fund has seen net client subscriptions since the crisis started to unfold.

2. The Fund's credit risk is limited, as the fund only works with reputable counterparties as Prime Brokers (Goldman Sachs and UBS) whose credit rating have not changed since the beginning of the crisis.

3. The Fund is a hedge fund, which strategy is designed to offer a protection against sharp movements in the Japanese equity market where the Fund invests. The Fund's performance during the two-month period of March & April 2020 was slightly positive (+1.46%), showing the Fund's resilience to market volatility.

4. The Business Continuity Plans of the Manager and its service providers (Prime Brokers Goldman Sachs and UBS, the Administrator and Depositary, BNY Mellon) are working well and all operational processes have been running smoothly up to the time of this report.

The Manager has come to the conclusion that up to the date of this report, the impact of the Covid-19 crisis on the operations of the Fund has been limited.

Pelargos will continue to monitor the situation around Covid-19 and take action where necessary. As the outbreak of the virus causes uncertainty with a potential negative impact on the Japanese equity market and therefore the overall financial performance of the Fund, the Manager will monitor the related risks as described above closely. Although, as described above, it is currently not possible to estimate and/or quantify the future effects of the Coronavirus outbreak, the Manager believes that, to their best knowledge and the assessment made, there is no material uncertainty with regard to the going concern assumption used in preparing the financial statements of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

19. SUBSEQUENT EVENTS (continued)

There are no other subsequent events impacting the Fund subsequent to 31 December 2019 up to the date of approval of these financial statements.

20. APPROVAL OF THE FINANCIAL STATEMENTS

Approved on behalf of the Manager:

____
Director Pelargos Capital B.V.

Date: 8 May 2020

OTHER NOTES
For the year ended 31 December 2019

1. VOTING POLICY

The Manager adheres to the Japan Stewardship Code (the Code) as of September 2016. The Code, published in 2014, sets out best practice principles for responsible institutional investors. The Manager has a voting policy to support the Code and will in the best interest of the Participants engage with Japan listed companies in which the Fund invests.

The Manager subscribes to the Code. Stewardship is about being an active investor and entering into a dialogue with management of companies about strategic issues in the companies which we believe should be changed or improved. During 2019, the Manager voted at virtually all AGMs of companies of which it held stock in the portfolios, and it voting against management proposal where it felt these proposals were not in the interest of the investor. A detailed voting report is available on the website of the Manager.

2. APPROVAL OF THE FINANCIAL STATEMENTS

The Manager approved the financial statements on 8 May 2020.

Independent auditor's report

To: Pelargos Capital B.V., the manager of Pelargos Japan Alpha Fund

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Pelargos Japan Alpha Fund ('the Fund') give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Pelargos Japan Alpha Fund, The Hague.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the following statements for 2019: the statements of comprehensive income, changes in net assets attributable to holders of redeemable units of participation and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands
T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

Independence

We are independent of Pelargos Japan Alpha Fund in accordance with the 'Wet toezicht accountants-organisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of Matter related to the uncertainty related to the effects of the COVID-19 virus

We draw attention to Note 19 in the financial statements in which the manager has described the possible impact and consequences of the COVID-19 (Corona) virus on the Fund and the environment in which the Fund operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the 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:

- the fund information;
- the fund profile;
- the summary of financial information;
- the manager's report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially 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 manager's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the manager

The manager is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and 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 Fund'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 Fund 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 Fund's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error.
They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 8 May 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by D.J.P. van Veen RA

Appendix to our auditor's report on the financial statements 2019 of Pelargos Japan Alpha Fund

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things, of the following:

- 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 intentional 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 Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager.
- Concluding on the appropriateness of the manager's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Fund'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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Limited Partnership to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and 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 deficiencies in internal control that we identify during our audit.