



PELARGOS CAPITAL B.V.

Financial Figures 2016

The Hague
25 April 2017

Company information

Statutory directors

Orange Dragon Company B.V.
P.P.J. van de Laar

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Independent auditor

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Company profile

Pelargos Capital B.V. (hereafter: Pelargos) is an investment boutique with an institutional type infrastructure that provides absolute return type products focused on alpha generation in Asian equity markets. Pelargos was founded on March 4th 2008 with Aegon Asset Management as cornerstone investor. In June 2008 and July 2008 two Dutch domiciled funds, the Pelargos Asia Alpha Fund respectively the Pelargos Japan Alpha Fund were launched. In May 2016 the Pelargos Japan Long Short Value Fund was launched; this is a Cayman domiciled Unit Trust fund, with Elian as Trustee. The three funds strive for capital growth by taking long and short exposures in securities related to Asian respectively Japanese companies.

Pelargos, incorporated and domiciled in the Netherlands, is a private limited liability company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at Prinses Margrietplantsoen 43, 2595 AM, The Hague. The statutory objectives of the company are:

- to act as a manager of one or more funds for joint account;
- to conduct the management over and to be (managing) director of one or more other investment institutions, companies and legal entities; and
- to invest assets in any other way, whether or not at the risk and expense of third parties; as well as to participate in, to take an interest in any other way in, to conduct the management of other business enterprises of whatever nature, furthermore to finance third parties, in any way to provide security or undertake the obligations of third parties and finally all activities which are incidental to or which may be conducive to any of the foregoing.

Pelargos has been granted the license to manage investment funds (as meant in *Article 2:65, first paragraph, sub a, Wet Financieel Toezicht*) by Autoriteit Financiële Markten on 9 December 2010. As of 22 July 2014, this license has been converted into an AIFMD license. Pelargos has been granted an extension to its license, which enables it to offer additional investment services (as meant in *Article 2:67, 2nd paragraph, sub a, sub b and sub d Wet Financieel Toezicht*) by Autoriteit Financiële Markten as of 1 March 2017.

Summary of 2016

Introduction

The Pelargos Japan Alpha Fund realised a performance of 2.1%. The Pelargos Asia Alpha Fund realised a performance of 0.4%. The Pelargos Japan Long Short Value Fund, launched May 6th, returned -1.9% for class A which is denominated in Yen. Assets under management increased from €212.6 million to €230.1 million.

Business developments

Pelargos was established in 2008 with the strategic backing and long term committed cornerstone investor Aegon. Since its start Pelargos has built an institutional infrastructure. It supports our fundamental research and enables effective reporting tools and performance attribution analysis to provide transparency for our clients.

Pelargos is AIMA member and our key service providers are best of class partners.

We have been further developing our organisation, where current focus is on raising capital. Hence we appointed a Head of Business Development in October 2016.

In May the Pelargos Japan Long Short Value Fund was launched. This is a Cayman domiciled unit trust, with Pelargos as appointed investment manager. Its investment policy is identical to the Pelargos Japan Alpha Fund.

Japanese equities have been added to the investment universe of the Pelargos Asia Alpha Fund and we will further investigate to include other markets.

The contract with cornerstone investor Aegon has been extended and now includes an automatic annual renewal clause.

Furthermore, Pelargos applied at Autoriteit Financiële Markten (AFM) for an extension of its AIFMD license in order to be able to manage individual client portfolios. This license has been granted by AFM as of 1 March 2017.

Financials

In 2016 Pelargos realized a loss of € 381,153.

The company had on average 10.2 full time employees employed (2015: 9.7). We remain highly focused on cost reduction. However, an institutional quality infrastructure requires a certain operational set up. This means that the main driver of restoring profitability will come from increasing revenues through acquisition of new customers. With the new off-shore fund structure in place, we are confident that break even level can be achieved in the near term.

Risk control

We distinguish financial and operational risks related to the company ('direct risks') and financial and operational risks related to the company as they refer to the funds managed ('indirect risks'). A further elaboration on those risks is provided in the Notes to the Financial Statements.

Pelargos has established a governance framework which 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']. 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.

The Hague, 25 April 2017

Orange Dragon Company B.V., R.A. Dingemans

P.P.J. van de Laar

M. Kretschmer

Balance sheet per 31 December 2016

(Before profit distribution)

ASSETS	31 December 2016	31 December 2015
	€	€
Fixed assets		
Property and equipment	14.703	16.824
Hardware	1.920	1.316
	16.623	18.140
Current assets		
Accounts receivable	216.336	236.958
Units of participations in Funds	431.186	323.925
Corporate income tax	69.482	178.594
Current account related parties	123.402	1.129
Other current assets	-	199.164
	840.406	939.770
Bank	2.915.210	3.181.234
	2.915.210	3.181.234
Total assets	3.772.239	4.139.144

LIABILITIES	31 December 2016	31 December 2015
	€	€
Equity		
Share capital	18.000	18.000
Ordinary share premiums	482.000	482.000
Other reserve	3.112.148	3.438.543
Net Result	-381.153	-326.395
	3.230.995	3.612.148
Long term liability	115.967	66.431
	115.967	66.431
Current liabilities		
Tax	36.214	39.149
Other current liabilities	389.063	421.416
	425.277	460.565
Total liabilities	3.772.239	4.139.144

Profit and loss account 1 January - 31 December 2016

P&L	2016 €	2015 €
Revenues		
Performance fee	2.410	514
Management fee	2.367.627	2.349.876
Revenues from fees	2.370.037	2.350.390
Other revenues	-	-
Total revenues	2.370.037	2.350.390
Total costs	2.788.884	2.728.846
Investment results	288	36.248
Other income	38.978	-
Interest result	-1.572	15.813
Result before tax	-381.153	-326.395
Corporate income tax	-	-
Result after tax	-381.153	-326.395

Cash flow statement 1 January - 31 December 2016 (Indirect method)

CASHFLOW STATEMENT	31 December 2016 €	31 December 2015 €
Loss from operations	-418.847	-378.456
Adjustments for		
Depreciation	9.293	10.435
Change in receivables	99.363	92.475
Change in liabilities	14.248	-281.927
Due corporate tax	-	-
	122.904	-179.017
Cash flow from operations	-295.943	-557.473
Investment results	288	36.248
Investments in fixed assets	-7.775	-
Cash flow from investments	-7.487	36.248
Interest result	-1.572	15.813
Dividends paid	-	-
Cash flow from financing	-1.572	15.813
Other income	38.978	-
Cash flow from other	38.978	
Change in cash	-266.024	-505.412

Notes

General

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving') and the Dutch Financial Supervision Act. The valuation principles and method of determining the result are the same as those used in the previous year.

Accounting policies

- Fixed assets are valued at historical cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.
- Receivables are recognised initially at fair value and subsequently measured at amortised cost.
- Pelargos is investor in the Pelargos Japan Alpha Fund and the Pelargos Asia Alpha Fund. The units of participation held are valued against fair value, i.e. the Net Asset Value per participation of the funds as of 31 December 2016. Profits respectively losses due to increases respectively decreases of the value of the Units of Participation are recognized directly in the Profit and Loss account.
- Cash and cash equivalents represent bank balances and deposits with terms of less than twelve months.
- On initial recognition current liabilities are recognised at fair value. On initial recognition long-term liabilities are recognised at fair value.
- Performance fees are accrued when the net asset value of each (sub)class of the Fund exceeds the prevailing high watermark (the highest net asset value on previous financial year ends of the Fund). As per the last Valuation Day of the financial year the actual amount due over that year is calculated for each (sub)class of Participations and any amount due is made payable by the Fund to the Investment Manager.
- Management fees are the monthly fees due from the managed funds.
- Costs are determined on a historical basis and are attributed to the reporting year to which they relate.
- Material fixed assets are depreciated over their estimated useful lives as from the inception of their use.
- Pelargos has entered into an agreement with Aegon Levensverzekering N.V., under which the latter grants the post retirement benefits to employees of Pelargos. Pelargos disburses premium to Aegon Levensverzekering N.V. There are no other obligations in addition to the premiums paid.

Notes to the balance sheet

- Accounts receivable at 31-12-2016 refer to management fee of December 2016 and performance fee of 2016 due by the funds managed.
- The financial instruments held by Pelargos are not traded in an active market. The net asset values of the participations is calculated by the Fund Administrator. The value calculation is based on the observable market prices of the underlying assets.
- Cash is not subject to any restrictions.
- The managing board proposed to distribute nil dividend. The net loss of 2016 will be added to the other reserves.
- The long term liability is longer than one year but shorter than 5 years, and refers to deferred variable remuneration.

Notes on the profit and loss account items

- As seeding, large and long term committed investors, affiliated entities related to Aegon Group N.V. who are participants in the Pelargos Japan Alpha Fund and the Pelargos Asia Alpha Fund, receive a full discount on performance fee.
- The management fee is payable monthly in arrears and due as per the first day of the subsequent month. As seeding, large and long term committed investors, affiliated entities related to Aegon Group N.V. who are participants in the Pelargos Japan Alpha Fund and the Pelargos Asia Alpha Fund received a discount.
- Pelargos has defined a remuneration policy. This includes among other things provisions on the deferral of at least 40% allocated bonus amounts. The directors discuss the proposed budgeted amount for variable pay with the shareholders. The directors decide on the assessment of performances of members of personnel and the amount of variable pay allocated to each member of personnel. The amount of variable pay for each employee is dependent on several weighted criteria, a.o. the performance of the relevant fund, the contribution to the (improvement) of the investment process, the contribution to (the improvement of) other company processes.
- There were no subsequent events in the period post 31 December 2016.