



PELARGOS CAPITAL B.V.

Financial Information 2020

The Hague
25 June 2021

Company information

Statutory directors

Orange Dragon Company B.V.
Pieter van Putten
Michael Kretschmer

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Company profile

Pelargos Capital B.V. (Hereafter: Pelargos) is an investment boutique with an institutional type infrastructure that runs fundamental value strategies focused on alpha generation in Japanese equity markets. Pelargos was founded in March 2008 with Aegon Asset Management as cornerstone investor. Pelargos Japan Alpha Fund, launched in 2008, strives for capital growth by taking long and short exposures in securities related to Japanese companies. In February 2020, Pelargos Capital launched a Japan long only equity fund, Pelargos Japan Reiwa Fund. At the end of 2020, the Management Committee at Pelargos consists of Richard Dingemans (CEO), Pieter van Putten (CFO/COO) and Michael Kretschmer (CIO).

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.

Pelargos was established on March 4th in 2008. 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 2020

Introduction

The year 2020 was dominated by the Covid-19 crisis. Despite this challenging environment, Pelargos' fundamental investment strategies yielded good results. Pelargos Japan Alpha Fund generated a return of +0.7% for the year, and the newly launched Pelargos Japan Reiwa Fund was up +22.8%. Assets under management increased from € 132 million to € 170 million on the back of performance and inflows.

Business development

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 risk management framework. It also enables effective reporting and performance attribution analysis to provide transparency for our clients. Pelargos is a member of the Alternative Investment Management Association and our key service providers are best in class partners.

The focus of our teams is on generating performance and raising capital. The main driver of profitability comes from increasing revenues through acquisition of new customers. To support this process, we constantly search for partners with proven distribution capabilities. The cooperation with German Universal group, on whose platform we launched our long only equity fund in early 2020, is a good example of such cooperation.

Organisation

In February 2020, Pelargos launched its first ever Japan long only fund on the UCITS platform of German Universal group.

Towards the end of 2020 it was announced that Pelargos Capital's sister company Saemor Capital would be terminating its business in 2021.

In early 2020, Pelargos decided to introduce a new operational trading platform to achieve higher efficiency.

The outbreak of Covid-19 in the spring of 2020 has had relatively little impact on the operations of Pelargos Capital. The BCP plan was activated and all staff started working from home with no disruptions in daily work procedures.

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

Financials

In 2020 Pelargos realized a loss of € 347,140.

The loss was the result of lower average assets under management compared to the previous year.

The current assets of Pelargos are sufficient to meet its current short term, current long term and foreseeable near future financial obligations.

The Hague, 25 June 2021

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

P. Van Putten, CFA

M. Kretschmer

Balance sheet as at 31 December 2020

(Before profit distribution)

| ASSETS | 31 December 2020 | 31 December 2019 |
|----------------------------------|-------------------------|-------------------------|
| | € | € |
| Fixed assets | | |
| Property and equipment | 2,958 | 3,451 |
| Hardware | 3,080 | 5,948 |
| | 6,038 | 9,399 |
| Current assets | | |
| Accounts receivable | 263,244 | 196,537 |
| Corporate income tax | - | - |
| Current account related parties | 244,625 | 287,314 |
| Other current assets | 16,826 | 16,826 |
| | 524,695 | 500,677 |
| Units of participations in Funds | 307,567 | 184,042 |
| | 307,567 | 184,042 |
| Bank | 1,843,380 | 2,497,591 |
| | 1,843,380 | 2,497,591 |
| Total assets | 2,681,680 | 3,191,709 |
| LIABILITIES | 31 December 2020 | 31 December 2019 |
| | € | € |
| Equity | | |
| Share capital | 18,000 | 18,000 |
| Ordinary share premiums | 482,000 | 482,000 |
| Other reserve | 1,892,884 | 2,003,462 |
| Net Result | -347,140 | -110,578 |
| | 2,045,744 | 2,392,884 |
| Long term liability | 100,508 | 84,961 |
| | 100,508 | 84,961 |
| Current | | |
| Tax | 17,579 | 140,395 |
| Other current liabilities | 517,849 | 573,469 |
| | 535,428 | 713,864 |
| Total liabilities | 2,681,680 | 3,191,709 |

Profit and loss account 1 January – 31 December 2020

| P&L | 2020 | 2019 |
|---------------------------|-------------------|-------------------|
| | € | € |
| Performance fee | 38,089 | 87,213 |
| Management fee | 1,478,399 | 2,096,899 |
| Revenues from fees | 1,516,488 | 2,184,112 |
| Other revenues | - | - |
| Total revenues | 1,516,488 | 2,184,112 |
| Total costs | -1,892,753 | -2,369,986 |
| Investment results | 23,525 | 10,236 |
| Other income | 11,549 | 68,529 |
| Interest | -5,949 | -3,469 |
| Result before tax | -347,140 | -110,578 |
| Corporate income tax | - | - |
| Result after tax | -347,140 | -110,578 |

Cash flow statement 1 January - 31 December 2020

| CASHFLOW STATEMENT | 2020 | 2019 |
|--|-----------------|-----------------|
| | € | € |
| Earnings from operations | -376,265 | -185,874 |
| Adjustments for | | |
| Depreciation | 3,361 | 3,361 |
| Change in receivables | -24,018 | -100,305 |
| Change in liabilities | -162,889 | -28,178 |
| Due corporate tax | - | - |
| | -183,546 | -125,122 |
| Cash flow from operations | -559,811 | -310,996 |
| Change of units of participations in Funds | -100,000 | 211,804 |
| Investments in fixed assets | - | - |
| Cash flow from investments | -100,000 | 211,804 |
| Interest | -5,949 | -3,469 |
| Dividends paid | - | - |
| Cash flow from financing | -5,949 | -3,469 |
| Other income | 11,549 | 68,529 |
| Cash flow from other | 11,549 | 68,529 |
| Change in cash | -654,211 | -34,132 |

Summary 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 (holder of units of participation) in the Pelargos Japan Alpha Fund and Pelargos Japan Reiwa 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 2020. 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.
- Current account related parties is recognized initially at fair value. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected payments. Due interest gains are recognized using the effective interest method. The current account related parties relates to discount on management fee, VAT, and current account with Saemor.
- Cash and cash equivalents represent bank balances and deposits with terms of less than twelve months.
- On initial recognition current liabilities are recognized at fair value. After initial recognition long-term liabilities are recognised at fair value.
- Performance fee is 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 entered into an agreement with Nationale Nederlanden (NN), under which the latter grants the post retirement benefits to employees of Pelargos. The pension plan is a defined contribution scheme. The premium is paid by Pelargos to NN, where the employers part of the total premiums paid by Pelargos is included in Employee costs.

Notes to the balance sheet items

- Accounts receivable at 31 December refer to management fee of December 2020 due and payable by the Pelargos Japan Alpha Fund.
- 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 2020 will be allocated 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

- 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 received a waiver of the performance fee. The "adjustment management fee" reflects the somewhat higher fixed fee paid by these investors.
- 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 the staff's performance and the amount of variable pay allocated to each of them. 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 among which risk management, the contribution to marketing and sales, as well as the quality of activities in the execution of existing company processes.
- During the last months of 2019, Pelargos decided to introduce a new operational trading platform to achieve higher efficiency, and was working on the launch of a Japan long only equity fund. Both projects went live in early 2020.
- 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 company as well as on the company's operations, resulting in the following findings:
- The Business Continuity Plans of the manager and its service providers (prime brokers Goldman Sachs and UBS, administrator and depositary BNY Mellon) are working well and all operational processes have been running smoothly up to the time of this report.
- Pelargos Japan Alpha 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 strategy worked well during the crisis.