

MEDIOLANUM FUND OF HEDGE FUNDS
INTERIM REPORT
&
UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

MEDIOLANUM FUND OF HEDGE FUNDS

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MEDIOLANUM FUND OF HEDGE FUNDS

TRUST INFORMATION

MANAGER, AIFM and GLOBAL DISTRIBUTOR

Mediolanum International Funds Limited
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The Exchange
George's Dock
IFSC
Dublin 1
Ireland

DEPOSITARY

Northern Trust Fiduciary Services (Ireland) Limited
George's Court
54-62 Townsend Street
Dublin 2
Ireland

DIRECTORS of THE MANAGER

Andrew Bates (Chairperson)¹
Furio Pietribiasi (Managing Director)²
Corrado Bocca¹
Paul O'Faherty³
Martin Nolan³
Gianmarco Gessi¹
Christophe Jaubert²
John Corrigan (Appointed 24 February 2020)³

ADMINISTRATOR, REGISTRAR and TRANSFER AGENT

Northern Trust International Fund Administration Services (Ireland) Limited
George's Court
54-62 Townsend Street
Dublin 2
Ireland

DELEGATE INVESTMENT MANAGER

Tages Capital LLP
39 St James's Street
London SW1A1JD
United Kingdom

IRISH LEGAL ADVISORS

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
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INDEPENDENT AUDITORS

PricewaterhouseCoopers (Effective from 1st January 2020)
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
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¹Non-executive Directors

²Executive Directors

³Independent Non-executive Directors

MEDIOLANUM FUND OF HEDGE FUNDS**ALTERNATIVE STRATEGY COLLECTION****SCHEDULE OF INVESTMENTS**

As at 30 June 2020

Financial assets at fair value through profit or loss	Holdings	Currency	Fair Value EUR €	% of Net Assets
Collective Investment Schemes: 95.16% (31 Dec 2019: 96.14%)				
British Virgin Islands: 0.00% (31 Dec 2019: 0.00%)				
Kingate Global Fund - Vi*	10,750	USD	–	–
Total British Virgin Islands			–	–
Cayman Islands: 48.34% (31 Dec 2019: 41.24%)				
AlphaQuest UCITS Fund Class F EUR Series 01/2020	1,000	EUR	949,392	1.88
Alvento Long/Short Equity Fund Class F EUR 10/2015	3,699	EUR	5,196,597	10.31
EDL Global Opportunities Fund Class I-R EUR Series 1	2,497	EUR	2,672,694	5.30
GAM Talentum Enhanced Europe Long/Short A EUR Series 10/2018	5,000	EUR	454,550	0.90
GAM Talentum Enhanced Europe Long/Short A EUR Series 10/2019	10,000	EUR	947,000	1.88
GAM Talentum Enhanced Europe Long/Short A EUR Series 5	5,000	EUR	464,700	0.92
GAM Talentum Enhanced Europe Long/Short A EUR Series Initial	2,740	EUR	718,207	1.43
Palmerston Credit Feeder Fund EUR V Series 05/2020	10,000	EUR	1,050,242	2.08
Palmerston Credit Feeder Fund EUR V Series 06/2020	10,000	EUR	1,028,635	2.04
Selwood Asset Management Class A EUR	41,649	EUR	5,982,551	11.87
TT Mid-Cap Europe Long/Short Fund Class A EUR	9,157	EUR	4,901,944	9.73
Total Cayman Islands			24,366,512	48.34
Ireland: 21.43% (31 Dec 2019: 29.97%)				
Ako UCITS Fund ICAV - Ako Global UCITS Class B2 Eur	17,544	EUR	2,632,283	5.22
Brilliance Asset China Core Long/Short	33,553	EUR	3,047,286	6.05
Ennismore Smaller Companies - Ennismore Global Equity Fund	278,998	EUR	2,739,761	5.44
Sector Healthcare Fund Class A EUR 02/2019	25,112	EUR	2,381,343	4.72
Total Ireland			10,800,673	21.43
Luxembourg: 25.39% (31 Dec 2019: 24.93%)				
DB Platinum Quantica Managed Futures	2,233	EUR	2,601,214	5.16
Global Evolution Funds - Frontier Markets Class I	18,998	EUR	2,985,214	5.92
Hellebore Credit Arbitrage Class B EUR	637	EUR	4,928,094	9.78
Tages - Anavon Global Equity Long/Short UCITS Fund - Class E Eur	22,780	EUR	2,286,022	4.53
Total Luxembourg			12,800,544	25.39
Total Collective Investment Schemes			47,967,729	95.16

*Fair value of investments written down to zero on 30 November 2009

MEDIOLANUM FUND OF HEDGE FUNDS

ALTERNATIVE STRATEGY COLLECTION

SCHEDULE OF INVESTMENTS (continued)

As at 30 June 2020

Financial assets at fair value through profit or loss	Fair Value EUR €	% of Net Assets
Total Net Assets at fair value through Profit or Loss	47,967,729	95.16
Cash (2019: 4.32%)	1,803,330	3.58
Other Net Assets (2019: (0.46%))	636,584	1.26
Net Assets Attributable to Holders of Redeemable Participating Units	<u>50,407,643</u>	<u>100.00</u>

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF NET ASSETS as at 30 June 2020

		Alternative Strategy Collection 30 Jun 2020	Alternative Strategy Collection 31 Dec 2019
	Note	EUR €	EUR €
Assets			
Cash at bank	4	1,803,330	2,410,361
Financial assets at fair value through profit or loss	9	47,967,729	53,657,175
Sundry receivables and prepayments	6	1,004,697	11,275
Total assets		50,775,756	56,078,811
Liabilities			
Redemptions payable		200,000	–
Administration fee payable	3	15,000	18,200
Management fee payable	3	67,176	143,352
Investment manager fee payable	3	13,044	27,835
Depositary fee payable	3	12,777	19,544
Auditors remuneration payable		8,894	20,400
Accrued interest payable		2,935	2,395
Sundry payables and accrued expenses	7	48,287	34,730
Total liabilities		368,113	266,456
Net assets attributable to holders of redeemable participating units		50,407,643	55,812,355

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

INCOME STATEMENT

For the six months ended 30 June 2020

		Alternative Strategy Collection 30 Jun 2020	Alternative Strategy Collection 30 Jun 2019
Income	Note	EUR €	EUR €
Interest income		3	–
Other income		25,165	18,431
Net realised (loss)/gain on financial assets and liabilities at fair value through profit or loss and foreign exchange	18	(564,805)	55,139
Net realised (loss)/gain on forward foreign exchange contracts and currency exchange	18	(24)	595
Net change in unrealised (loss)/gain: - financial assets and liabilities at fair value through profit or loss and foreign exchange	18	<u>(709,530)</u>	<u>2,320,941</u>
Total investment (expense)/income		<u>(1,249,191)</u>	<u>2,395,106</u>
Expenses			
Management fee	3	402,036	429,422
Investment management fee	3	78,065	83,383
Administration fee	3	18,000	17,800
Depositary fee	3	14,832	15,178
Interest expenses		14,326	9,515
Auditors remuneration		10,045	9,970
Other expenses		<u>18,217</u>	<u>26,732</u>
Total expenses		<u>555,521</u>	<u>592,000</u>
(Decrease)/increase in net assets from operations attributable to holders of redeemable participating units		<u>(1,804,712)</u>	<u>1,803,106</u>

All profit and loss account items arose from continuing operations for Alternative Strategy Collection during the period.

The Trust has no recognised gains and losses other than the results for the period above.

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

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

	Alternative Strategy Collection 30 Jun 2020 EUR €	Alternative Strategy Collection 30 Jun 2019 EUR €
Net assets attributable to holders of redeemable participating units at start of period	55,812,355	54,823,648
(Decrease)/increase in net assets from operations attributable to holders of redeemable participating units	(1,804,712)	1,803,106
Payments on the redemption of units	<u>(3,600,000)</u>	<u>(100,000)</u>
Net assets attributable to holders of redeemable participating units at end of period	<u>50,407,643</u>	<u>56,526,754</u>

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF CASH FLOWS For the six months ended 30 June 2020

	Alternative Strategy Collection 30 Jun 2020 EUR €	Alternative Strategy Collection 30 Jun 2019 EUR €
Cash flows from operating activities		
Change in net assets attributable to holders of redeemable participating units from operations	(1,804,712)	1,803,106
Adjustments to reconcile net cash generated by operating activities:		
Movement in financial assets and liabilities at fair value through profit or loss	5,689,446	(4,774,668)
Movement in receivables and prepaid investments	(993,422)	4,248,892
Movement in payables and accrued expenses	(98,343)	(22,671)
Net cash generated by operating activities	<u>2,792,969</u>	<u>1,254,659</u>
Cash flow from financing activities		
Payments on redemption of redeemable participating units	<u>(3,400,000)</u>	<u>(2,200,000)</u>
Net cash used in financing activities	<u>(3,400,000)</u>	<u>(2,200,000)</u>
Net increase/(decrease) in cash and cash equivalents	(607,031)	(945,341)
Opening cash and cash equivalents	<u>2,410,361</u>	<u>1,047,578</u>
Ending cash and cash equivalents	<u>1,803,330</u>	<u>102,237</u>
Supplementary information		
Interest paid	(13,786)	(10,012)
Interest received	3	–

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. General

Mediolanum Fund of Hedge Funds (the "Trust"), constituted on 11 April 2005, is an open-ended umbrella unit trust and is authorised by the Central Bank of Ireland ("the Central Bank") pursuant to the provisions of the Unit Trusts Act, 1990.

In accordance with Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I.257 of 2013) Mediolanum International Funds Limited has been authorised as the Alternative Investment Fund Manager ("AIFM") of the Trust effective 21 July 2014. In addition, Northern Trust Fiduciary Services (Ireland) Limited has been appointed as Depositary of the Trust effective 21 July 2014.

The Trust is structured as an umbrella scheme and the following Sub-Fund has been authorised by the Central Bank:

- Alternative Strategy Collection is currently the only Sub-Fund actively trading;

The investment objective of Alternative Strategy Collection is to seek to achieve medium to long term capital appreciation while attempting to limit investment risk and the year-on-year volatility rate to less than that of the global equity markets. The Sub-Fund will invest primarily in open-ended regulated and non-regulated Collective Investment Schemes which pursue a range of alternative investment strategies thus allowing diversification of financial assets held, with the aim of lowering overall risk.

"SA" Units automatically reinvest all earnings, dividend and other distributions of whatever kind and "SB" Units may distribute earnings back to Unitholders.

2. Basis of Accounting

Accounting Convention

The financial statements are prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' ('FRS 104'), Unit Trust Act, 1990, AIFM Regulations – European Union (Alternative Investment Fund Managers) Regulations 2013 (SI No 257 of 2013) and the Trust Deed.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those financial statements.

3. Fees and Expenses

(a) Management Fees

Mediolanum International Funds Limited, the Manager, is entitled to an annual fee accrued and payable monthly in arrears of 1.50% of the Net Asset Value of the Sub-Fund. The Manager is also entitled to be repaid all of its Administration Expenses out of the assets of the Sub-Fund, which include an annual fee accrued at each valuation point and payable monthly in arrears of up to 0.045% of the Net Asset Value of the Sub-Fund. A fee of €10 is charged (gross of any relevant taxes) per Class in which a Unitholder holds less than 25 Units. The appropriate number of Units of each such Unitholder will be automatically redeemed to pay these administrative charges. If a Unitholder holds a number of Units in any class with a value of less than €10 (gross of any relevant taxes), then his/her entire holding shall be automatically redeemed and paid to the Manager. This administrative charge shall be adjusted periodically in accordance with the Eurostat All Items Harmonised Index of Consumer Prices (HICP). This administrative charge is chargeable on the first Dealing Day in December of each year. The Manager received management fees of €402,036 (30 June 2019: €429,422) for the six months ended 30 June 2020, €67,176 was payable at 30 June 2020 (31 December 2019: €143,352).

(b) Investment Manager Fees

Mediolanum International Funds Limited (the "Manager") is entitled to receive out of the assets of the Sub-Fund an annual fee, accrued at each Valuation Point and payable monthly in arrears of 0.30% of the Net Asset Value of the Sub-Fund (plus VAT, if any), subject to a minimum annual fee of €75,000 per Sub-Fund. The Manager received management fees of €78,065 (30 June 2019: €83,383) for the six months ended 30 June 2020, €13,044 was payable at 30 June 2020 (31 December 2019: €27,835).

The Manager is not entitled to be repaid for any out-of-pocket expenses out of the assets of the Sub-Fund.

The fees relating to the Delegate Investment Manager appointed in respect of the Sub-Fund shall be borne by the Manager and shall not be charged to the Sub-Fund. A Delegate Manager shall not be entitled to be repaid for any out of pocket expenses out of the assets of the Sub-Fund.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2020

3. Fees and Expenses (continued)

(c) Performance Fees

The Manager is also entitled to a performance fee of up to 10% of the increase in the Net Asset Value of the Sub-Fund, calculated on a monthly basis. The calculation of the performance fee will be verified by the Depositary. No performance fees were received for the six months ended 30 June 2020 and 30 June 2019 in relation to the Alternative Strategy Collection.

(d) Administration Fee

Northern Trust International Fund Administration Services (Ireland) Limited, the Administrator, is entitled to receive out of the assets of the Sub-Fund an annual fee accrued at each Valuation Point at the following rates €0-200 million the fee shall be 0.04% per annum of the Net Asset Value of the Fund, €200-400 million the fee shall be 0.03% per annum of the Net Asset Value of the Sub-Fund, in excess of €400 million the fee shall be 0.025% per annum of the Net Asset Value of the Sub-Fund and payable monthly in arrears. Such a fee is subject to a minimum monthly fee of €3,000 per Sub-Fund or, where the Sub-Fund has multiple Classes, a minimum monthly fee of €3,250 applies.

If at any time during a calendar year there are ten or more Unitholders in the Sub-Fund, the following transfer agency fees will apply:

- i) an annual Unitholder register fee of €25 per Unitholder; and
- ii) a transaction fee of €25 for each subscription, conversion, redemption or transfer of Units.

The Administrator is entitled to receive a termination fee of €2,500 for the termination of the Sub-Fund within the Trust and a monthly fee of €1,000 for the establishment and maintenance of any Side Pocket within the Trust.

The Administrator is entitled to be repaid out of the assets of the Sub-Fund all of its reasonable out-of-pocket expenses incurred on behalf of the Sub-Fund which shall include legal fees, couriers' fees and telecommunications costs and expenses. The Sub-Fund will bear its proportion of the fees and expenses of the Administrator. The Administrator received fees of €18,000 (30 June 2019: €17,800) for the six months ended 30 June 2020, €15,000 was payable at 30 June 2020 (31 December 2019: €18,200).

(e) Depositary Fee

Northern Trust Fiduciary Services (Ireland) Limited, the Depositary, is entitled to receive out of the assets of the Sub-Fund an annual fee accrued at each Valuation Point at the following rates €0-200 million and the fee shall be 0.04% per annum of the Net Asset Value of the Sub-Fund, in excess of €200 million the fee shall be 0.03% per annum of the Net Asset Value of the Sub-Fund as a whole and payable monthly in arrears.

The Depositary is entitled to a transaction charge of €150 per Sub-Fund Hedge Fund investment transaction and telegraphic transfer charge of €25 per transaction.

The Sub-Fund is responsible for sub-custodian fees and charges (which will be charged at normal commercial rates).

The Depositary shall be entitled to be repaid all of its disbursements out of the assets of the Sub-Fund.

The Depositary received fees of €14,832 (30 June 2019: €15,178) for the six months ended 30 June 2020, €12,777 was payable at 30 June 2020 (31 December 2019: €19,544).

(f) Underlying Fund Fees

The Alternative Strategy Collection invests in underlying funds which incur their own fees. The details of the fees charged by the underlying funds are detailed in the Fund of Funds Disclosure on page 18.

4. Cash at Bank

The Depositary to the Trust is Northern Trust Fiduciary Services (Ireland) Limited, an indirect wholly-owned subsidiary of Northern Trust Corporation ("NTC"). NTC is publicly traded and a constituent of the S&P 500. NTC has a credit rating of A+ (31 December 2019: A+) from Standard & Poor's. The Northern Trust Company ("TNTC") is also wholly owned by NTC. TNTC has a credit rating of AA- (31 December 2019: AA-) from Standard & Poor's and Aa2 (31 December 2019: Aa2) from Moody's.

All of the cash assets are held with The Northern Trust Company.

As at 30 June 2020 and 31 December 2019 the Alternative Strategy Collection had a cash balance representing less than 10% of the Net Assets of the Sub-Fund.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2020

5. Redeemable Participating Units

	Alternative Strategy Collection 30 Jun 2020	Alternative Strategy Collection 30 Jun 2019
<i>Participating units in issue</i>		
<i>Class SA Euro Units</i>		
At the beginning of the period	5,569,056	5,733,248
Units redeemed	(375,840)	(10,137)
Units at the end of the period	<u>5,193,216</u>	<u>5,723,111</u>

Units of the Sub-Fund are all freely transferable, designated as 'A' or 'B' units and, subject to such designation, are all entitled to participate equally in the profits and distributions (if any) of that Sub-Fund and in its assets in the event of termination. The Units, which are of no par value and which must be fully paid for upon issue, carry no preferential or pre-emptive rights. Fractions of Units may be issued up to three decimal places.

A Unit in a Sub-Fund represents the beneficial ownership of one undivided unit in the assets of the relevant Sub-Fund attributable to the relevant Class.

The Trust is made up of the one Sub-Fund, a Sub-Fund being a single pool of assets. The Manager may, whether on the establishment of a Sub-Fund or from time to time, create more than one Class of Units in a Sub-Fund to which different levels of subscription fees and expenses (including the management fee), minimum holding, designated currency, hedging strategy (if any) applied to the designated currency of the Class, distribution policy, minimum subscription and such other features as the Manager may determine may be applicable. Creation of further Classes in a Sub-Fund must be notified in advance to the Central Bank. A separate pool of assets will not be maintained for each Class. Units shall be issued to investors as Units in a Class.

The net assets attributable to holders of redeemable participating units are at all times equal to the net asset value of the Sub-Fund. The participating units are in substance a liability of the Sub-Fund to Unitholders under FRS 102 as they can be redeemed at the option of the Unitholder.

6. Sundry Receivables and Prepayments

	Alternative Strategy Collection 30 Jun 2020 EUR €	Alternative Strategy Collection 31 Dec 2019 EUR €
Management fee rebate from investments	4,697	11,275
Prefunded trades	1,000,000	–
	<u>1,004,697</u>	<u>11,275</u>

7. Sundry Payables and Accrued Expenses

	Alternative Strategy Collection 30 Jun 2020 EUR €	Alternative Strategy Collection 31 Dec 2019 EUR €
Legal fees payable	23,657	17,168
Other payables	24,630	17,562
	<u>48,287</u>	<u>34,730</u>

8. Distributions

The income and gains will be accumulated and reinvested in the Sub-Fund on behalf of Unitholders. The Manager may make distributions in respect of "SB" units out of that proportion of the Net Asset value of the Sub-Fund attributable to "SB" Units.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2020

9. Derivatives and Other Financial Instruments

A Sub-Fund may invest in Collective Investment Schemes ("underlying schemes") which are unregulated and which will not provide a level of investor protection equivalent to funds authorised by the Central Bank of Ireland.

Risks for the Sub-Fund arise both directly from the investment in financial instruments and indirectly from investing in underlying schemes. Therefore all risks listed below may arise not only at Sub-Fund level but also at the underlying scheme level.

The Trust is exposed to a variety of financial risks in pursuing its stated investment objective and policy. These risks are defined in FRS 102 as market risk (which in turn includes price risk, foreign currency risk, and interest rate risk), liquidity risk and credit risk. The Trust takes exposure to these risks to generate investment returns on its portfolio, although these risks can also potentially result in a reduction in the Trust's net assets. The Manager will use its best endeavors to minimise the potentially adverse effects of these risks on the Trust's performance where it can do so while still managing the investments of the Trust in a way that is consistent with the Trust's investment objective and policy.

(a) Market Price Risk

Market price risk is defined in FRS 102 as the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in market prices.

Market Price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the relevant Sub-Fund might suffer through holding market positions in the face of price movements. The Manager and the Delegate Investment Manager consider the asset allocation of the portfolio of invested funds in order to minimise the risk associated with particular countries to follow the Sub-Fund's investment objective. The fair value of the non-listed Collective Investment Schemes in funds are valued on the basis of the latest available unaudited net asset value provided by the relevant fund manager or independent administrators.

(b) Credit Risk

Credit risk is defined in FRS 102 as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial assets which potentially expose the Sub-Fund to credit risk consist principally of investments and cash balances held with the Depository. The extent of the Sub-Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Sub-Fund's Balance Sheet. The Sub-Fund will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. Credit risk exposure can also arise indirectly through the investment in financial instruments at the underlying fund level. Such risk is to a certain extent diversified away by investing in a number of underlying funds that can be diversified in terms of investment style, asset selection, geographic allocation etc.

It is important to note that by investing in underlying funds that can have brokerage and custody accounts that are not segregated; the Sub-Fund can be indirectly exposed to additional credit and custody risks.

Northern Trust Fiduciary Services (Ireland) Limited ("NTFSIL") is the appointed Depository of the Trust, responsible for the safe-keeping of assets. NTFSIL has appointed The Northern Trust Company ("TNTC") as its global sub-custodian. Both NTFSIL and TNTC are wholly owned subsidiaries of Northern Trust Corporation ("NTC"). As at period end date 30 June 2020 NTC had a long term credit rating from Standard & Poor's of (A+) (31 December 2019: A+).

TNTC (as global sub-custodian of NTFSIL) does not appoint external sub-custodians within the U.S., the U.K., Ireland and Canada. However, in all other markets, TNTC appoints local external sub-custodians.

NTFSIL, in the discharge of its depository duties, verifies the Trust's ownership of Other Assets, (as defined under Other Assets, Art 21 (8)(b) of Directive 2011/61/EU), by assessing whether the Trust holds the ownership based on information or documents provided by the Sub-Fund or where available, on external evidence.

TNTC, in the discharge of its delegated depository duties, holds in custody (i) all financial instruments that may be registered in a financial instruments account opened on the books of TNTC and (ii) all financial instruments that can be physically delivered to TNTC. TNTC ensures all financial instruments (held in a financial instruments account on the books of TNTC) are held in segregated accounts in the name of the Trust, clearly identifiable as belonging to the Trust, and distinct and separately from the proprietary assets of TNTC, NTFSIL and NTC.

In addition TNTC, as banker, holds cash of the Trust on deposit. Such cash is held on the Statement of Financial Position of TNTC. In the event of insolvency of TNTC, in accordance with standard banking practice, the Sub-Fund will rank as an unsecured creditor of TNTC in respect of any cash deposits.

Insolvency of NTFSIL and or one of its agents or affiliates may cause the Trust's rights with respect to its assets to be delayed.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2020

9. Derivatives and Other Financial Instruments (continued)

(b) Credit Risk (continued)

The Manager manages risk by monitoring the credit quality and financial position of the Depositary and such risk is further managed by the Depositary monitoring the credit quality and financial positions of sub-custodian appointments.

(c) Foreign Currency Risk

Currency risk is defined in FRS 102 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust is exposed to currency risk as assets and liabilities of the Trust may be denominated in a currency other than the functional currency of the Trust, which is its functional and presentation currency, the Euro.

The underlying Collective Investment Schemes may invest in a variety of securities denominated in both USD and foreign currencies and accordingly the Sub-Fund may be indirectly exposed to currency risk. The underlying funds may not necessarily hedge such foreign currency.

The Sub-Fund invests in securities denominated in currencies other than its reporting currency (EUR). Consequently, the Sub-Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner which has an adverse effect on the value of that portion of the Sub-Fund's assets or units which are denominated in currencies other than its own currency. The Manager and the Delegate Investment Manager may follow a policy of hedging its foreign currency exposure of the portfolio into Euro in order to limit the risk of this exposure.

(d) Liquidity Risk

Liquidity risk is defined in FRS 102 as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Under certain circumstances the markets in which the portfolio of the Sub-Fund will trade may become illiquid making it difficult to acquire or sell contracts at the price quoted on different markets. Many of the schemes in which the portfolios shall invest do not provide for frequent redemptions. Accordingly, the portfolio's ability to respond to market movements may be impaired, and the portfolio may experience adverse price movements upon liquidation of its investments.

(e) Interest Rate Risk

Interest rate risk is defined in FRS 102 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate risk in the Sub-Fund arose from cash balances that were held and fixed income securities that were held in the Alternative Strategy Collection.

The majority of the Sub-Fund's financial assets and liabilities were non-interest bearing and as a result the Sub-Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Sub-Fund were invested at short-term market interest rates.

(f) Fair Value Hierarchy

FRS 102 requires the Trust to classify financial instruments at fair value into the following hierarchy:

Level 1 - The unadjusted quoted price in active markets for identical assets or liabilities that the entity can access at the measurement;

Level 2 - Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following is a summary of the inputs used to value the assets and liabilities carried at fair value as at 30 June 2020 and 31 December 2019:

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2020

9. Derivatives and Other Financial Instruments (continued)

(f) Fair Value Hierarchy (continued)

Alternative Strategy Collection As at 30 June 2020	Level 1 EUR €	Level 2 EUR €	Level 3 EUR €	Total EUR €
Financial Assets at fair value through Profit or Loss				
Collective Investment Schemes	–	47,967,729	–	47,967,729
	–	47,967,729	–	47,967,729
Alternative Strategy Collection As at 31 December 2019	Level 1 EUR €	Level 2 EUR €	Level 3 EUR €	Total EUR €
Financial Assets at fair value through Profit or Loss				
Collective Investment Schemes	–	53,657,175	–	53,657,175
	–	53,657,175	–	53,657,175

There were no Level 3 movements in the Alternative Strategy Collection during the six months ended 30 June 2020 and financial year ended 31 December 2019.

10. Foreign Currency Forward Exchange Contracts

As at 30 June 2020 and 31 December 2019 the Alternative Strategy Collection held no foreign currency forward exchange contracts.

11. Related Party Transactions

The Trust is constituted by means of a Trust Deed to which Mediolanum International Funds Limited is party, as Manager. The fees paid to these parties are outlined in note 3.

Northern Trust Fiduciary Services (Ireland) Limited is the Depositary of the Trust and received the fees as outlined in note 3. Northern Trust International Fund Administration Services (Ireland) Limited is the Administrator of the Trust and received the fees as outlined in note 3.

The Directors, the AIFM, the Manager, the Administrator and the Depositary and their respective affiliates, officers, directors and Unitholders, employees and agents (collectively the "Parties") are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with the management of the Trust and/or their respective roles with respect to the Trust.

These activities may include managing or advising other funds (including other Collective Investment Schemes), purchases and sales of securities, banking and investment management services, brokerage services, valuation of unlisted securities (in circumstances in which fees payable to the entity valuing such securities may increase as the value of assets increases) and serving as directors, officers, advisers or agents of other funds or companies, including funds or companies in which the Unit Trust may invest. In particular, the AIFM and other companies within the Mediolanum Group may be involved in advising or managing other investment funds (including other Collective Investment Schemes) or other real estate portfolios which have similar or overlapping investment objectives to or with the Unit Trust. Subject to the next succeeding paragraphs, each of the Parties will use its reasonable endeavors to ensure that the performance of their respective duties will not be impaired by any such involvement they may have and that any conflicts which may arise will be resolved fairly and in the best interests of Unitholders.

The underlying Unitholder in the Sub-Fund, Mediolanum International Life DAC is connected to the Manager. As at 30 June 2020 Mediolanum International Life DAC holds 100% (31 December 2019: 100%) of the Class SA units in the Alternative Strategy Collection.

Mr. Andrew Bates is a Consultant in and was, during the financial period ended June 30, 2020, a Partner in Dillon Eustace; he sits on the Board of Directors of Mediolanum International Funds Limited in a non-executive capacity. During the period total legal fees paid to Dillon Eustace were €969 (30 June 2019: €17,697).

At 30 June 2020, Alternative Strategy Collection invested 4.53% (31 December 2019: 6.37%) of the Total Net Asset Value into funds managed by Tages Capital LLP, the Delegate Investment Manager.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2020

12. Connected Party Transactions

The Directors of the Manager are satisfied that transactions with connected parties entered into during the period complied with the obligations set out in Chapter 1, Part 1, Section 1, xii of the AIF Rulebook, namely any such transactions be carried out at arm's length and in the best interest of the Unitholder.

13. Soft Commission Arrangements

The MiFID II delegated acts covering research payment accounts came into effect in January 2018. This delegated act sets out the final structure and rules concerning research consumption and payment to be used by EU member states when implementing MiFID II. Mediolanum International Funds Limited does not operate a research payment account for the discharge of research expenses. For the six months ended 30 June 2020 and financial year ended 31 December 2019 no research was paid directly by the Sub-Fund.

14. Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency (EUR) at 30 June 2020 and 31 December 2019:

Currency	EUR € Rate 30 Jun 2020	EUR € Rate 31 Dec 2019
USD	0.8904	0.8909

15. Changes in the Portfolio

A list, specifying for each investment the total purchases and sales which took place during the period under review, may be obtained, upon request, at the registered office of the Manager.

16. Contingent Liabilities

There were no significant contingent liabilities at the Statement of Net Assets date or as at 31 December 2019.

17. Net Asset Value

	Alternative Strategy Collection 30 Jun 2020 EUR €	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €
Net assets attributable to holders of redeemable participating units:			
Class SA Euro Units (€)	50,407,643	55,812,355	54,823,648
Number of redeemable participating units outstanding:			
Class SA Euro Units	5,193,216	5,569,056	5,733,248
Net asset value per redeemable participating unit:			
Class SA Euro Units (€)	€9.71	€10.02	€9.56

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued) For the six months ended 30 June 2020

18. Realised and Unrealised Gains in Investments

	Alternative Strategy Collection 30 Jun 2020 EUR €	Alternative Strategy Collection 30 Jun 2019 EUR €
Realised gain/(loss) on investments		
Realised gain on investments	109,167	662,116
Realised loss on investments	(673,972)	(606,977)
Realised (loss)/gain on forward foreign exchange contracts	(24)	595
Total realised (loss)/gain on investments	<u>(564,829)</u>	<u>55,734</u>
Unrealised gain/(loss) on investments		
Movement in unrealised gain on investments	1,028,633	2,465,773
Movement in unrealised loss on investments	(1,738,064)	(144,775)
Unrealised loss on forward foreign exchange contracts	(99)	(57)
Total unrealised (loss)/gain on investments	<u>(709,530)</u>	<u>2,320,941</u>

19. Efficient Portfolio Management Techniques

The Sub-Fund may employ investment techniques and instruments relating to its investments for the purpose of efficient portfolio management under the conditions and within the limits stipulated from time to time by the Central Bank. The Sub-Fund may use the various investment techniques and instruments for efficient portfolio management such as taking long or short positions in derivative instruments including forward foreign contracts so as to alter the interest rates, credit and or currency exposure of the portfolio. Derivative instruments may be purchased for the purpose of efficient portfolio management only and in accordance with the Central Bank's guidelines. As at 30 June 2020 the Sub-Fund held no forward foreign exchange contracts. The realised and unrealised gain/(loss) on forward foreign exchange contracts are disclosed in the Income Statement on page 6.

20. Significant Events During the Period

John Corrigan was appointed as a Director of the Manager effective 24 February 2020.

In March 2020, the World Health Organisation declared COVID-19 a pandemic. To deal with the virus, the majority of governments around the world closed large parts of their economies and enforced a lockdown of their citizens to contain the spread. In the weeks and months that followed, there has been a gradual reopening of these economies, although this has been limited and very restricted in certain sectors. Recognising the potentially significant impact on economies, Central Banks around the world have stepped in to provide unprecedented financial supports to governments and their economies. As a result of these and other actions, equity markets have been strong, recovering much of their YTD losses and bond yields have in many instances returned to negative territory. While governments have shown they can be successful in managing the virus through strict social distancing measures, COVID-19 has not gone away. Due to the restrictions, almost all economies are dealing with the economic consequences, and while the full impact of the pandemic restrictions is not yet known, it has triggered a period of economic decline globally. The bounce from recent lows in many sectors of the market caused by substantial stimulus and an anticipated economic recovery has yet to feed through to the actual economy, failure to do so could lead to future market volatility. Should another wave of COVID-19 emerge, it could potentially have an adverse impact on the value of a Fund's investments and the ability of the Investment Manager to access markets or implement the Fund's investment policy in the manner originally contemplated. Government interventions or other limitations or bans introduced by regulatory authorities or exchanges and trading venues as temporary measures in light of significant market volatility, may also negatively impact on the Investment Manager's ability to implement a Fund's investment policy. Funds' access to liquidity could also be impaired in circumstances where the need for liquidity to meet redemption requests may rise significantly. Services required for the operation of the Fund may in certain circumstances be interrupted as a result of the pandemic.

Due to mandatory audit firm rotation after a period of 10 years, on 27th May 2020 the Board approved the appointment of PricewaterhouseCoopers, following the Mediolanum International Funds Limited Annual General Meeting dated 27th February 2020, in order to replace Deloitte Ireland LLP as independent auditor with effective date 1 January 2020.

21. Post Balance Sheet Events

Effective 1 August 2020, Mr. Andrew Bates resigned as Partner in Dillon Eustace. He is now a Consultant to Dillon Eustace.

No other events have occurred subsequent to the period end which impact on the financial statements for the six months ended 30 June 2020.

MEDIOLANUM FUND OF HEDGE FUNDS

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

22. Approval of the Financial Statements

The financial statements were approved by the Directors of the Manager on 28 August 2020.

MEDIOLANUM FUND OF HEDGE FUNDS

FUND OF FUNDS DISCLOSURE

Alternative Strategy Collection

Fund Name	Domicile	Management Fee %	Incentive Fee %
Kingate Global Fund – Vi*	British Virgin Islands	1.50%	0.00%
AlphaQuest UCITS Fund Class F EUR Series 01/2020	Cayman Islands	1.50%	20.00%
Alvento Long/Short Equity Fund Class F EUR 10/2015	Cayman Islands	1.50%	15.00%
EDL Global Opportunities Fund Class I-R EUR Series 1	Cayman Islands	2.00%	20.00%
GAM Talentum Enhanced Europe Long/Short A EUR Series 10/2018	Cayman Islands	1.50%	20.00%
GAM Talentum Enhanced Europe Long/Short A EUR Series 10/2019	Cayman Islands	1.50%	20.00%
GAM Talentum Enhanced Europe Long/Short A EUR Series 5	Cayman Islands	1.50%	20.00%
GAM Talentum Enhanced Europe Long/Short A EUR Series Initial	Cayman Islands	1.50%	20.00%
Palmerston Credit Feeder Fund EUR V Series 05/2020	Cayman Islands	1.50%	20.00%
Palmerston Credit Feeder Fund EUR V Series 06/2020	Cayman Islands	1.50%	20.00%
Selwood Asset Management Class A EUR	Cayman Islands	1.00%	15.00%
TT Mid-Cap Europe Long/Short Fund Class A EUR	Cayman Islands	1.50%	20.00%
Ako UCITS Fund ICAV - Ako Global UCITS Class B2 Eur	Ireland	1.50%	15.00%
Brilliance Asset China Core Long/Short	Ireland	1.50%	20.00%
Ennismore Smaller Companies - Ennismore Global Equity Fund	Ireland	2.00%	20.00%
Sector Healthcare Fund Class A EUR 02/2019	Ireland	1.00%	20.00%
DB Platinum Quantica Managed Futures	Luxembourg	1.25%	20.00%
Global Evolution Funds - Frontier Markets Class 1	Luxembourg	0.75%	8.00%
Hellebore Credit Arbitrage Class B EUR	Luxembourg	2.00%	20.00%
Tages-Anavon Global Equity Long/Short UCITS Fund - Class E EUR	Luxembourg	1.00%	20.00%

*Fair value of investment written down to zero on 30 November 2009.