

MEDIOLANUM FUND OF HEDGE FUNDS
ANNUAL REPORT
&
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
4th Floor
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
Des Quigley (Resigned 29 March 2019)³
Martin Nolan (Appointed 1 April 2019)³
Gianmarco Gessi (Appointed 29 May 2019)¹
Christophe Jaubert (Appointed 8 July 2019)²
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

INVESTMENT MANAGER (To 1 April 2019)

Mediolanum Asset Management Limited**
4th Floor
The Exchange
George's Dock
IFSC
Dublin 1
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
Ireland

INDEPENDENT AUDITORS

Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2
Ireland

¹Non-executive Directors

²Executive Director

³Independent Non-executive Directors

*Address was 2 Shelbourne Buildings, Shelbourne Road, Ballsbridge, Dublin 4, Ireland until 31 March 2019. From 1 April 2019 onwards the address changed to 4th Floor, The Exchange, George's Dock, IFSC, Dublin 1, Ireland.

MEDIOLANUM FUND OF HEDGE FUNDS

TRUST INFORMATION (continued)

**Mediolanum Asset Management Limited merged into Mediolanum International Funds Limited (the Manager) effective 1 April 2019 and consequently the Manager took over investment management duties.

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF MANAGER'S RESPONSIBILITIES For the financial year ended 31 December 2019

The Manager is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust for that financial year. In preparing those financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Manager is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Trust and to enable it to ensure that the financial statements are prepared in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and comply with the Trust Deed and the Unit Trusts Act, 1990. The Manager is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance Statement

The Directors of the Manager have adopted and are adhering to the Irish Funds ("IF") Code of Corporate Governance.

Connected Party Transactions

The Directors of the Manager are satisfied that transactions with connected parties entered into during the year 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 Unitholders.

On behalf of the Manager:

Director

Director

29 April 2020

MEDIOLANUM FUND OF HEDGE FUNDS

ANNUAL DEPOSITARY REPORT TO THE UNITHOLDERS MEDIOLANUM FUND OF HEDGE FUNDS For the financial year ended 31 December 2019

We, Northern Trust Fiduciary Services (Ireland) Limited, appointed Depositary to Mediolanum Fund of Hedge Funds ("the Trust") provide this report solely in favour of the unitholders of the Trust for the year ended 31 December 2019 ("Annual Accounting Period"). This report is provided in accordance with current Depositary obligation under the Central Bank of Ireland AIF Rule Book, Chapter 5 (iii). We do not, in the provision of this report, accept nor assume responsibility for any other purpose or person to whom this report is shown.

In accordance with our Depositary obligation under the AIF Rule Book, we have enquired into the conduct of the AIFM for this Annual Accounting Period and we hereby report thereon to the unitholders of the Trust as follows;

We are of the opinion that the Trust has been managed by the AIFM during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Trust by the constitutional document and by the Central Bank of Ireland under the powers granted to the Central Bank of Ireland by the investment fund legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.

**For and behalf of
Northern Trust Fiduciary Services (Ireland) Limited**

29 April 2020

MEDIOLANUM FUND OF HEDGE FUNDS

INVESTMENT MANAGER'S REPORT For the financial year ended 31 December 2019

Alternative Strategy Collection

Performance Fund*	31/12/18 - 31/12/19	4.80%
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**Performance is stated in euro, net of management fee, performance fee and costs.*

Financial assets started the year on a very positive note, showing a sharp recovery from the lows seen at the end of 2018. Technical factors including the extremely bearish level of sentiment and positioning at year end, contributed to the strong reversal and equity markets delivered their best January returns since 1987. Credit markets exhibited a solid revival thanks to a general spread tightening and fall in yields across maturities. In this environment, strategies exposed to the bounce in credit and equities benefited the most. The Mediolanum portfolio had a net performance of 1.93% net in January, the best monthly return since inception in Nov 2013. February had a more flattish, but still positive return (0.13%) as an environment with lower volatilities in yield and FX markets proved less favourable for both discretionary and systematic and tactical managers. Risk assets performed well in March rounding off a positive first quarter, supported by the Fed's decision to pause on rate increases and by more dovish tones from other central banks. In the first quarter the best performance in portfolio came from a Long Short equity manager with focus on China, who successfully played the strong rebound of the local market. April was a strong month for the portfolio, with the best performing strategy being Managed Futures, which took profit from long exposures in several equity future contracts. May, on the contrary, was penalized by the escalation in trade tensions between the US and China, along with economic data coming in below expectations. Losses were mainly concentrated in Equity Long Short and Emerging Markets strategies; however, most managers were generally able to limit drawdowns thanks to nimble adjustments to their net exposures. Risky assets showed a positive trend in June, driven by Central Banks. All strategies performed well during the month, with strong returns coming from macro, CTA and Long Short strategies. In July again volatility was due to the escalation of the trade tensions. The best performance for the month came from the CTA manager in portfolio. August saw generalized profit taking in equity markets. Appetite for safe haven assets grew accordingly, with gold and silver both on the rise throughout the month. The macro strategy in portfolio benefitted from such situation, being positioned very conservatively and with long exposure to gold and silver. Despite a more benign environment for risky assets, September proved difficult for hedge funds. Negative performances were concentrated in Equity Market Neutral space, where the rotation from growth to value caused the biggest losses. In October the portfolio was slightly up, thanks to the positive contribution of macro and CTA managers, while Equity Market Neutral managers continued to suffer. In November, hedge funds behaved not dissimilarly to the previous month, closing the period with a flattish return. There was a significant dispersion of returns during the month, with an equity L/S manager losing 4%. Thanks to the positive solution of geopolitical tensions related to trade agreements and Brexit, December was characterized by good returns across asset strategies.

Key Risks

COVID-19

In March 2020, the World Health Organisation declared COVID 19 a pandemic. While the full impact is not yet known, COVID 19 may result in continued market volatility and a period of economic decline globally. It may also have a significant 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.

Already there has been a massive economic shock from the spread of COVID 19. However, most market participants expect some type of recovery in the second half of the year. Should this fail to materialize, then we could see another sizeable down leg in risk assets.

US Elections

As 2020 will also be an election year in the United States, there will be heightened political uncertainty in the country as to who will challenge the incumbent President.

Eurozone Breakup

Given the lack of fiscal support for southern European nations to date there is a risk that the future of the Eurozone comes back into focus.

Conclusion

Based on the current data and projections, we anticipate a deep recession to unfold in 2020. Although risk assets have already fallen considerably should the virus not be kept in check then we could see further downside.

MEDIOLANUM FUND OF HEDGE FUNDS

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

Market Outlook

The economic outlook for 2020 has been derailed by the spread of the Coronavirus. At the start of the year expectations were for a rebound in economic activity as the trade war between China and the US eased but that has quickly changed. At this stage it is almost impossible to assess the economic impact around the world, but a similar decline in economic activity to the global financial crisis should be expected as a guide at this stage. No part of the market has been left unscathed but particularly those industries more directly impacted in the travel and tourism sectors are being hit the most, and will require massive support including bailouts if they are to survive. Unemployment is expected to spike at an unprecedented pace and corporate profits will collapse during the first half of the year.

Already a range of stimulus measures have been announced by the world's central banks and governments to help support their economies. Interest rates have been cut to zero and the European Central Bank has announced a 750 billion euro rescue package, but given the extent of the uncertainty financial assets have sold off heavily during the first quarter with global equities experiencing the fastest bear market ever recorded. There are also some worrying signs of illiquidity in the credit market particularly in high yield bonds where there had been a massive increase in debt which increases the risk of a spill-over into the broader financial system.

Looking ahead the market will be focused on three key developments:

1. The ability of governments around the world to curtail the spread of the virus and if successful how long it will take for some level of normality to return. Encouragement has been taken by China's ability to stop the spread of the virus but the extent of the measures they put in place on the restriction of the movement of people are difficult to replicate in the Western world. There is also the risk of the virus returning later this year which the market is not factoring in at this stage.
2. The extent to which governments and central banks are willing and able to support their economies. In this regard we have seen massive stimulus already with interest rate cuts and a 750 billion rescue package by the ECB. We are still waiting on the US package but expect it to be in excess of \$1.3 trillion which would be larger than that implemented during the global financial crisis. Questions are being posed as to the stability of the Eurozone once again given the lack of central fiscal support for Italy and Spain.
3. The impact on company earnings. Already estimates are for a collapse in earnings which combined with already high valuations coming into the year means there could be further significant downside for equities. We estimate a drop of over 20% for earnings.

While economic forecasts pointed to another positive year of growth in 2020 there were signs that the cycle was at in the late stage which left the global economy more exposed to a shock. That said the scale of this crisis is unprecedented and should authorities not get the situation under control we could see more selling pressure. Even in an optimistic outlook where Europe and the US manage to get the virus under control, the shock to global growth in the first half of the year will result in a global recession in 2020 with significant downside expected for risk asset and the higher risk segments of the fixed income market.

Mediolanum International Funds Limited

March 2020

MEDIOLANUM FUND OF HEDGE FUNDS

ALTERNATIVE STRATEGY COLLECTION

SCHEDULE OF INVESTMENTS

As at 31 December 2019

Financial assets at fair value through profit or loss	Holdings	Currency	Fair Value EUR €	% of Net Assets
Collective Investment Schemes: 96.14% (2018: 92.25%)				
British Virgin Islands: 0.00% (2018: 0.00%)				
Kingate Global Fund - Vi*	10,750	USD	–	–
Total British Virgin Islands			–	–
Cayman Islands: 41.24% (2018: 41.92%)				
Alvento Long/Short Equity Fund Class F EUR 07/2019	1,000	EUR	1,036,065	1.86
Alvento Long/Short Equity Fund Class F EUR 10/2015	2,967	EUR	4,201,537	7.53
EDL Global Opportunities Fund Class I-R EUR Series 1	2,497	EUR	2,578,722	4.62
GAM Talentum Enhanced Europe Long/Short A EUR Series 10/2018	5,000	EUR	472,400	0.85
GAM Talentum Enhanced Europe Long/Short A EUR Series 10/2019	10,000	EUR	984,100	1.76
GAM Talentum Enhanced Europe Long/Short A EUR Series 5	5,000	EUR	482,950	0.86
GAM Talentum Enhanced Europe Long/Short A EUR Series Initial	2,740	EUR	746,401	1.34
Palmerston Credit Feeder Fund Class A EUR Series 02/2019	14,161	EUR	1,472,414	2.64
Selwood Asset Management Class A EUR	41,649	EUR	6,418,920	11.50
TT Mid-Cap Europe Long/Short Fund Class A EUR	–	EUR	4,623,073	8.28
Total Cayman Islands			23,016,582	41.24
Ireland: 29.97% (2018: 28.72%)				
Ako UCITS Fund ICAV - Ako Global UCITS Class B2 Eur	10,285	EUR	1,500,000	2.69
Brilliance Asset China Core Long/Short	33,553	EUR	3,029,503	5.43
Ennismore Smaller Companies - Ennismore Global Equity Fund	382,411	EUR	4,248,583	7.61
Kepler Liquid Strategic ICAV EUR	30,008	EUR	3,031,980	5.43
Kepler Liquid Strategic ICAV US Equity	8,379	EUR	835,380	1.50
Sector Healthcare Fund Class A EUR 02/2019	29,381	EUR	4,079,550	7.31
Total Ireland			16,724,996	29.97
Luxembourg: 24.93% (2018: 21.61%)				
DB Platinum Quantica Managed Futures	2,233	EUR	2,717,153	4.87
Global Evolution Funds - Frontier Markets Class I	18,998	EUR	3,122,192	5.59
Hellebore Credit Arbitrage Class B EUR	637	EUR	4,519,807	8.10
Tages - Anavon Global Equity Long/Short UCITS Fund - Class E Eur	22,695	EUR	3,556,445	6.37
Total Luxembourg			13,915,597	24.93
Total Collective Investment Schemes			53,657,175	96.14

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

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

ALTERNATIVE STRATEGY COLLECTION

SCHEDULE OF INVESTMENTS (continued)

As at 31 December 2019

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	53,657,175	96.14
Cash (2018: 1.91%)	2,410,361	4.32
Other Net Liabilities (2018: 5.84%)	(255,181)	(0.46)
Net Assets Attributable to Holders of Redeemable Participating Units	<u>55,812,355</u>	<u>100.00</u>

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF MEDIOLANUM FUND OF HEDGE FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on the audit of the financial statements

Opinion on the financial statements of Mediolanum Fund of Hedge Funds (the 'Fund')

In our opinion the Fund's financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Fund as at 31 December 2019 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework, the applicable Regulations and the provisions of the Trust Deed

The financial statements we have audited comprise:

- the Statement of Net Assets;
- the Income Statement;
- the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Units;
- the Statement of Cash Flows; and
- the related notes 1 to 20, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in their preparation is FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("the relevant financial reporting framework").

The applicable regulations that have been applied in their preparation is the Unit Trusts Act, 1990 and the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended) and the Commission Delegated Regulation (EU) No.231/2013 ("the applicable Regulations").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Manager's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the Annual report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

MEDIOLANUM FUND OF HEDGE FUNDS

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF MEDIOLANUM FUND OF HEDGE FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with the relevant financial reporting framework, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Fund's unitholders, as a body, in accordance with the applicable Regulations and the provisions of the Trust Deed. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit, for this report or for the opinions we have formed.

MEDIOLANUM FUND OF HEDGE FUNDS

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF MEDIOLANUM FUND OF HEDGE FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the applicable Regulations

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Fund were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Date: 29 April 2020

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF NET ASSETS as at 31 December 2019

		Alternative Strategy Collection 31 Dec 2019	Alternative Strategy Collection 31 Dec 2018	Mediolanum High Volatility Fund* 31 Dec 2018	Total 31 Dec 2019	Total 31 Dec 2018
	Note	EUR €	EUR €	EUR €	EUR €	EUR €
Assets						
Cash at bank	4	2,410,361	1,047,578	284,780	2,410,361	1,332,358
Financial assets at fair value through profit or loss	9	53,657,175	50,572,449	–	53,657,175	50,572,449
Sundry receivables and prepayments	6	11,275	5,554,691	–	11,275	5,554,691
Total assets		<u>56,078,811</u>	<u>57,174,718</u>	<u>284,780</u>	<u>56,078,811</u>	<u>57,459,498</u>
Liabilities						
Redemptions payable		–	2,100,000	281,706	–	2,381,706
Administration fee payable	3	18,200	12,000	2,000	18,200	14,000
Management fee payable	3	143,352	144,781	376	143,352	145,157
Investment manager fee payable	3	27,835	28,113	–	27,835	28,113
Depository fee payable	3	19,544	9,740	–	19,544	9,740
Auditors remuneration payable		20,400	20,400	–	20,400	20,400
Accrued interest payable		2,395	1,066	145	2,395	1,211
Sundry payables and accrued expenses	7	34,730	34,970	553	34,730	35,523
Total liabilities		<u>266,456</u>	<u>2,351,070</u>	<u>284,780</u>	<u>266,456</u>	<u>2,635,850</u>
Net assets attributable to holders of redeemable participating units		<u>55,812,355</u>	<u>54,823,648</u>	<u>–</u>	<u>55,812,355</u>	<u>54,823,648</u>

*Mediolanum High Volatility Fund terminated on 31 October 2018

On behalf of the Manager

Director

Director

29 April 2020

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €	Mediolanum High Volatility Fund* 31 Dec 2018 EUR €	Total 31 Dec 2019 EUR €	Total 31 Dec 2018 EUR €
Income						
Other income		35,191	119,392	–	35,191	119,392
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss and foreign exchange	16	1,017,227	(546,349)	42,426	1,017,227	(503,923)
Net realised gain/(loss) on forward foreign exchange contracts and currency exchange	16	604	59,342	(557)	604	58,785
Net change in unrealised gain/(loss):						
- financial assets and liabilities at fair value through profit or loss and foreign exchange	16	2,737,783	(1,036,095)	(25,123)	2,737,783	(1,061,218)
- open forward foreign exchange contracts	16	–	(51,408)	–	–	(51,408)
Total investment income/(expense)		3,790,805	(1,455,118)	16,746	3,790,805	(1,438,372)
Expenses						
Management fee	3	867,488	947,666	3,453	867,488	951,119
Investment management fee	3	168,444	184,013	–	168,444	184,013
Administration fee	3	36,000	34,858	10,000	36,000	44,858
Depositary fee	3	30,642	32,574	–	30,642	32,574
Interest expenses		16,548	30,615	1,440	16,548	32,055
Auditors remuneration		16,733	15,438	–	16,733	15,438
Other expenses		37,943	50,169	1,029	37,943	51,198
Total expenses		1,173,798	1,295,333	15,922	1,173,798	1,311,255
Increase/(decrease) in net assets from operations attributable to holders of redeemable participating units		2,617,007	(2,750,451)	824	2,617,007	(2,749,627)

*Mediolanum High Volatility Fund terminated on 31 October 2018

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

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

On behalf of the Manager

Director

Director

29 April 2020

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 For the financial year ended 31 December 2019

	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €	Mediolanum High Volatility Fund* 31 Dec 2018 EUR €	Total 31 Dec 2019 EUR €	Total 31 Dec 2018 EUR €
Net assets attributable to holders of redeemable participating units at start of year	54,823,648	64,447,099	280,882	54,823,648	64,727,981
Increase/(decrease) in net assets from operations attributable to holders of redeemable participating units	2,617,007	(2,750,451)	824	2,617,007	(2,749,627)
Payments on the redemption of units	(1,628,300)	(6,873,000)	(281,706)	(1,628,300)	(7,154,706)
Net assets attributable to holders of redeemable participating units at end of year	55,812,355	54,823,648	–	55,812,355	54,823,648

*Mediolanum High Volatility Fund terminated on 31 October 2018

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €	Mediolanum High Volatility Fund* 31 Dec 2019 EUR €	Mediolanum High Volatility Fund* 31 Dec 2018 EUR €	Total 31 Dec 2019 EUR €	Total 31 Dec 2018 EUR €
Cash flows from operating activities						
Change in net assets attributable to holders of redeemable participating units from operations	2,617,007	(2,750,451)	–	824	2,617,007	(2,749,627)
Adjustments to reconcile net cash generated by operating activities:						
Movement in financial assets and liabilities at fair value through profit or loss	(3,084,726)	7,700,535	–	125,047	(3,084,726)	7,825,582
Movement in receivables and prepaid investments	5,543,416	(1,663,881)	–	–	5,543,416	(1,663,881)
Movement in payables and accrued expenses	15,386	(10,203)	(3,074)	(48,723)	12,312	(58,926)
Net cash generated by/(used in) operating activities	5,091,083	3,276,000	(3,074)	77,148	5,088,009	3,353,148
Cash flow from financing activities						
Payments on redemption of redeemable participating units	(3,728,300)	(4,773,000)	(281,706)	–	(4,010,006)	(4,773,000)
Net cash used in financing activities	(3,728,300)	(4,773,000)	(281,706)	–	(4,010,006)	(4,773,000)
Net increase/(decrease) in cash and cash equivalents	1,362,783	(1,497,000)	(284,780)	77,148	1,078,003	(1,419,852)
Opening cash and cash equivalents	1,047,578	2,544,578	284,780	207,632	1,332,358	2,752,210
Ending cash and cash equivalents	2,410,361	1,047,578	–	284,780	2,410,361	1,332,358
Supplementary information						
Interest paid	(15,219)	(30,860)	(145)	(1,399)	(15,364)	(32,259)

*Mediolanum High Volatility Fund terminated on 31 October 2018

The accompanying notes form an integral part of the financial statements

MEDIOLANUM FUND OF HEDGE FUNDS

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

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.

Mediolanum High Volatility Fund Side Pocket was created on 1 November 2013, final NAV was 31 October 2018 and final redemptions were paid to investors on 28 January 2019.

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.

A side pocket for illiquid securities of the High Volatility Fund was created on the 1 November 2013. The Side Pocket initially comprised of two securities before terminating and the final NAV being struck on 31 October 2018, final redemptions were paid to investors on 28 January 2019.

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

Mediolanum Asset Management Limited acted as Investment Manager to the Fund during the financial period 1 January 2019 to 31 March 2019 (and for 1 January 2018 to 31 December 2018). From 1 April 2019 onwards, Mediolanum Asset Management Limited merged with Mediolanum International Funds Limited (the "Manager") and consequently the Manager took over investment management duties for the Fund.

2. Basis of Accounting

(a) Accounting Convention

The financial statements are prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), Unit Trusts Act, 1990, AIFM Regulations - European Union (Alternative Investment Fund Managers) Regulations 2013 (SI No 257 of 2013) and the Trust Deed.

(b) Financial Instruments

(i) Classification

The Trust classifies its investment securities as financial assets and liabilities at fair value through profit or loss: held for trading, in accordance with IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39").

Investments are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category included equities and derivatives. These investments are acquired principally for the purpose of generating a profit from fluctuations in the price.

(ii) Measurement and Recognition

The Trust has elected to apply the recognition and measurement provisions of IAS 39 - Financial Instruments: Recognition and Measurement and the disclosures of Section 11 and 12 of FRS 102.

The Trust recognises financial assets held-for-trading on the trade date, being the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the relevant Sub-Fund and Income Statement, where relevant. Other financial assets and liabilities are recognised on the date they are originated.

Financial instruments categorised at fair value through profit or loss are measured initially at fair value, with transaction costs for such instruments being expensed immediately in the Income Statement, where relevant.

MEDIOLANUM FUND OF HEDGE FUNDS

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

2. Basis of Accounting (continued)

(b) Financial Instruments (continued)

(ii) Measurement and Recognition (Continued)

Financial assets and liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(iii) Subsequent Measurement

After initial measurement, the Trust 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 is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty in the case of non exchange traded instruments, at the Statement of Net Assets date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their last traded value.

If a quoted market price is not available on a recognised stock exchange or from broker/counterparty, the fair value of the financial instruments may be estimated by a competent person using valuation techniques, including use of recent arm's length market transactions and 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 or loss are recognised in the Income Statement, where relevant.

All investments in the Trust's portfolio as at 31 December 2019 were recorded at the fair value.

(iv) Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or the Trust has transferred substantially all the risk and rewards of ownership and the transfer qualifies for derecognition in accordance with IAS 39. The Trust derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

(v) Fair Value Measurement

FRS 102 requires a reporting entity in accounting for its financial instruments to apply either a) the full requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, b) the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments, or c) the recognition and measurement provisions of IFRS 9 Financial Instruments and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments. The Trust has chosen to implement the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement and only the disclosure requirements of FRS 102 relating to Basic Financial Instruments and Other Financial Instruments.

(c) Valuation of Investments

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 is based on their quoted market prices on a recognised exchange at the Statement of Net Assets date without any deduction for estimated future selling costs.

Investments in Collective Investment Schemes are measured at fair value. Fair value is based on the underlying Fund Administrator's calculation of the Net Asset Value per Unit (fair value of the Sub-Fund's assets less liabilities divided by number of units) and adjusting this Net Asset Value per Unit appropriately for any factors that indicate that Net Asset Value per Unit may not be fair value. If, in any case, a Net Asset Value is not ascertainable then fair value is estimated using valuation techniques designed to provide a reliable estimate of prices obtained in actual market transactions.

The Manager is of the view that the most appropriate estimate of fair value of its investments in Collective Investment Schemes is the Net Asset Value as reported by the scheme or its agents. The Manager reviews the valuations using its knowledge of the market and the investments held.

MEDIOLANUM FUND OF HEDGE FUNDS

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

2. Basis of Accounting (continued)

(c) Valuation of Investments (continued)

The underlying Collective Investment Schemes may utilise a variety of financial instruments in their trading strategies, including equity and debt securities as well as a variety of derivative instruments. Several of these financial instruments contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each Collective Investment Schemes' Balance Sheet.

(d) Accounting for Investments

Investment transactions are accounted for on the trade date. Realised gains and losses on investment disposals are calculated using average cost method.

(e) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the Trust's financial statements are measured using the Euro, as in the opinion of the Directors of the Manager, the Euro best represents the economic effects of the underlying transactions, events and conditions applicable to the Trust. The Trust has also adopted the Euro as its presentation currency.

(ii) Transactions and Balances

Monetary assets and liabilities denominated in currencies other than the presentation currency are translated to the presentation currency at the closing rates of exchange at 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 transaction gains and losses are included in the Income Statement.

(f) Income

Income arising from investments is accounted for on an accruals basis and is shown gross of irrecoverable withholding taxes, where applicable.

(g) Forward Foreign Exchange Contracts

The unrealised gain or loss on open forward currency contracts is calculated as the difference between the original contracted rate and the rate to close out the contract. Realised gains or losses on currency as reflected in the Income Statement include net gains and losses on forward currency contracts that have not settled.

(h) Taxation

The Trust qualifies as an investment undertaking as defined in Section 739B (1) of the Taxes Act. Under current Irish Law and practice, it is not chargeable to Irish tax on its income and capital gains. Tax may arise on the happening of a chargeable event. A chargeable event includes any distribution payments to Unitholders or any encashment, redemption or transfer of units. No tax will arise on the Trust in respect of chargeable events in respect of:

- i) a Unitholder who is not Irish resident and not ordinarily resident in Ireland for tax purposes at the time of the chargeable event, or
- ii) certain exempted Irish resident investors who have provided the Trust with the necessary signed statutory declarations, or
- iii) units held in a recognised clearing system as designed by the order of the Irish Revenue Commissioners.

Distributions and interest on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Trust may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation agreement in operation between Ireland and other countries. The Trust may not, therefore, be able to reclaim withholding tax suffered by it in particular countries.

To the extent that a chargeable event arises in respect of an Irish Unitholder, the Trust may be required to deduct tax in connection with that chargeable event and pay the tax to the Irish Revenue Commissioners. A chargeable event can include dividend payments to Unitholders, appropriation, cancellation, redemption, repurchase or transfer of units, or a deemed disposal of units every 8 years beginning from the date of acquisition of those units. Certain exemptions can apply to tax exempt Irish investors to the extent that these Unitholders have appropriate tax declarations in place with the Trust in which case there may be no requirement to deduct tax.

MEDIOLANUM FUND OF HEDGE FUNDS

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

2. Basis of Accounting (continued)

(i) Equalisation on Investments

Many investment funds operate an equalisation policy that applies to the purchase of units made on a dealing day during the accounting period. When the net asset value per unit is more than the value at the beginning of the accounting period ("peak net asset value"), the offering price of units in the Trust is the sum of the net asset value per unit and the "equalisation factor". The Trust does not operate an equalisation policy on the issue and redemption of units to its Unitholders.

(j) Redeemable Participating Units

Redeemable Participating Units are redeemable at the unitholder's option and are classified as financial liabilities. Any distributions on these participating units are recognised in the Income Statement.

(k) Classification of Redeemable Participating Units

The Trust provides Unitholders with the right to redeem their interest in the Sub-Funds at any dealing date for cash equal to their proportionate share of the net asset value of the Sub-Funds. Under FRS 102, this right represents in substance a liability of the Trusts to Unitholders.

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 each relevant Sub-Fund. The Manager is also entitled to be repaid all of its Administration Expenses out of the assets of each 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 each relevant 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 €867,488 (2018: €951,119) for the financial year ended 31 December 2019, €143,352 was payable at 31 December 2019 (2018: €145,157).

(b) Investment Manager Fees

Mediolanum Asset Management Limited acted as Investment Manager to the Fund during the financial period 1 January 2019 to 31 March 2019 (and for 1 January 2018 to 31 December 2018). From 1 April 2019 onwards Mediolanum Asset Management Limited merged with Mediolanum International Funds Limited (the "Manager") and consequently the Manager took over the Investment management duties and is entitled to receive out of the assets of each relevant 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 relevant Sub-Fund (plus VAT, if any), subject to a minimum annual fee of €75,000 per Sub-Fund. The Investment Manager received management fees of €168,444 (2018: €184,013) for the financial year ended 31 December 2019, €27,835 was payable at 31 December 2019 (2018: €28,113).

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

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

(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 each 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 financial year ended 31 December 2019 and 31 December 2018 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 relevant Sub-Fund has multiple Classes, a minimum monthly fee of €3,250 applies.

MEDIOLANUM FUND OF HEDGE FUNDS

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

3. Fees and Expenses (continued)

(d) Administration Fee (continued)

If at any time during a calendar year there are ten or more Unitholders in each 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 each and any 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 each Sub-Fund all of its reasonable out-of-pocket expenses incurred on behalf of each Sub-Fund which shall include legal fees, couriers' fees and telecommunications costs and expenses. Each Sub-Fund will bear its proportion of the fees and expenses of the Administrator. The Administrator received fees of €36,000 (2018: €44,858) for the financial year ended 31 December 2019, €18,200 was payable at 31 December 2019 (2018: €14,000).

(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.

Each 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 each Sub-Fund.

The Depositary received fees of €30,642 (2018: €32,574) for the financial year ended 31 December 2019, €19,544 was payable at 31 December 2019 (2018: €9,740).

(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 32.

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+ (2018: A+) from Standard & Poors. The Northern Trust Company ("TNTC") is also wholly owned by NTC. TNTC has a credit rating of AA- (2018: AA-) from Standard & Poor's and Aa2 (2018: Aa2) from Moodys.

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

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

As at 31 December 2018, the Alternative Strategy Collection had a cash balance representing less than 10% of the Net Assets of the Sub-Fund and the Mediolanum High Volatility Fund had a cash balance representing 100% of Net Assets of the Sub-Fund.

MEDIOLANUM FUND OF HEDGE FUNDS

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

5. Redeemable Participating Units

	Alternative Strategy Collection 31 Dec 2019	Alternative Strategy Collection 31 Dec 2018	Mediolanum High Volatility Fund* 31 Dec 2018
<i>Participating units in issue</i>			
<i>Class SA Euro Units</i>			
At the beginning of the year	5,733,248	6,429,343	–
Units redeemed	(164,192)	(696,095)	–
Units at the end of the year	<u>5,569,056</u>	<u>5,733,248</u>	<u>–</u>
<i>Side Pocket SP Units</i>			
At the beginning of the year	–	–	30,114
Units redeemed	–	–	(30,114)
Units at the end of the year	<u>–</u>	<u>–</u>	<u>–</u>

*Mediolanum High Volatility Fund terminated on 31 October 2018.

Units of each 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 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €
Management fee rebate from investments	11,275	11,450
Receivable for sale of investments	–	3,243,241
Prefunded trades	–	2,300,000
	<u>11,275</u>	<u>5,554,691</u>

MEDIOLANUM FUND OF HEDGE FUNDS

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

7. Sundry Payables and Accrued Expenses

	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €	Mediolanum High Volatility Fund* 31 Dec 2018 EUR €	Total 31 Dec 2019 EUR €	Total 31 Dec 2018 EUR €
Legal fees payable	17,168	21,230	62	17,168	21,292
Other payables	17,562	13,740	491	17,562	14,231
	<u>34,730</u>	<u>34,970</u>	<u>553</u>	<u>34,730</u>	<u>35,523</u>

*Mediolanum High Volatility Fund terminated on 31 October 2018.

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. No distributions were paid to Class "SB" Unitholders for the financial year ended 31 December 2019 and 31 December 2018 for the Alternative Strategy Collection.

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-Funds 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 Investment 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.

The risks, and the measures adopted by the Trust for managing these risks, are detailed as follows:

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 Investment 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 relevant 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.

If the price of each of the securities and derivatives to which the Mediolanum Alternative Strategy Collection had exposure to at 31 December 2019 had increased by 5%, with all other variables held constant, this would have increased net assets attributable to holders of redeemable participating units of the Mediolanum Alternative Strategy Collection by approximately €2,682,859 (2018: €2,528,622) and on a per unit basis by €0.48 (2018: €0.44). Conversely, if the price of each of the securities and derivatives to which the Mediolanum Alternative Strategy Collection had exposure had decreased by 5%, this would have decreased net assets attributable to holders of redeemable participating units of the Mediolanum Alternative Strategy Collection by €2,682,859 (2018: €2,528,622) and on a per unit basis by €0.48(2018: €0.44).

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.

MEDIOLANUM FUND OF HEDGE FUNDS

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

9. Derivatives and Other Financial Instruments (continued)

Credit Risk (continued)

Financial assets which potentially expose the relevant Sub-Fund to credit risk consist principally of investments and cash balances held with the Depository. The extent of the relevant Sub-Fund's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the relevant Sub-Fund's Balance Sheet. The relevant 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-Funds 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 year end date 31 December 2019 NTC had a long term credit rating from Standard & Poor's of (A+) (2018: 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.

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

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-Funds may be indirectly exposed to currency risk. The underlying funds may not necessarily hedge such foreign currency.

The relevant Sub-Fund invests in securities denominated in currencies other than its reporting currency (EUR). Consequently, the relevant 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 relevant Sub-Funds assets or units which are denominated in currencies other than its own currency. The Investment 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.

The foreign currency risk listed below is substantially made up of foreign currency denominated securities. A positive balance represents a net asset foreign currency exposure while a negative balance represents a net liability foreign currency exposure. Mediolanum High Volatility Fund terminated on 31 October 2018. As at 31 December 2019 and 31 December 2018 the total exposure to foreign currency risk was as follows:

MEDIOLANUM FUND OF HEDGE FUNDS

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

9. Derivatives and Other Financial Instruments (continued)

Foreign Currency Risk (continued)

	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €
USD	12,994	76,384
	<u>12,994</u>	<u>76,384</u>

The currency exposure of the Alternative Strategy Collection as at 31 December 2019 and 31 December 2018 is as follows:

Alternative Strategy Collection

	Foreign Currency Monetary Assets EUR €	Foreign Currency Monetary Liabilities EUR €	Net Foreign Currency Monetary Assets/ Liabilities EUR €	Sensitivity* EUR €
As at 31 December 2019				
USD	12,994	–	12,994	650
	<u>12,994</u>	<u>–</u>	<u>12,994</u>	<u>650</u>
As at 31 December 2018				
USD	76,384	–	76,384	3,819
	<u>76,384</u>	<u>–</u>	<u>76,384</u>	<u>3,819</u>

*The effect of a 5% increase/decrease in the exchange rate between the Euro and the other currencies to which the Sub-Fund is exposed with all other variables held constant.

Foreign Currency Forward Exchange Contracts

As at 31 December 2018 and 31 December 2019, the Alternative Strategy Collection Fund held no forward foreign exchange contracts.

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 portfolios of each 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 portfolios ability to respond to market movements may be impaired, and the portfolios may experience adverse price movements upon liquidation of its investments.

There were no suspended/gated redemptions or investments in side pockets in the Alternative Strategy Collection as at 31 December 2019 or 31 December 2018 except for Kingate which was written down to zero on 30 November 2009 (please see the Schedule of Investments on pages 8 and 9).

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.

MEDIOLANUM FUND OF HEDGE FUNDS

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

9. Derivatives and Other Financial Instruments (continued)

Interest Rate Risk (continued)

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-Funds arose from cash balances that were held and fixed income securities that were held in the Alternative Strategy Collection.

The majority of the Sub-Funds' financial assets and liabilities were non-interest bearing and as a result the Sub-Fund were 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-Funds were invested at short-term market interest rates.

Layering of Fees

The Sub-Funds' portfolios are subject to a level of fees payable both directly by the portfolios and by the portfolios as an investor in other schemes.

Fair Value Hierarchy

Inputs are used in applying the various valuation techniques and broadly refer to the assumption that market participants use to make valuation decisions including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's levels with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement (lowest being level 3).

Observable Inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the AIFM's assumptions, made in good faith about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The determination of what constitutes "observable" requires significant judgment by the AIFM. The AIFM considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorisation of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the AIFM's perceived risk for this instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the AIFM's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The AIFM uses prices and inputs that are current as of the measurement date including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the 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 31 December 2019 and 31 December 2018:

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

MEDIOLANUM FUND OF HEDGE FUNDS

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

9. Derivatives and Other Financial Instruments (continued)

Fair Value Hierarchy (continued)

Alternative Strategy Collection As at 31 December 2018	Level 1 EUR €	Level 2 EUR €	Level 3 EUR €	Total EUR €
Financial Assets at fair value through Profit or Loss				
Collective Investment Schemes	–	50,572,449	–	50,572,449
	–	50,572,449	–	50,572,449

There were no Level 3 movements in the Alternative Strategy Collection during the financial year ended 31 December 2019, while there were no Level 3 movements in 31 December 2018.

The following table shows the movement in Level 3 investments in Mediolanum High Volatility Fund during the financial year ended 31 December 2018.

Mediolanum High Volatility Fund * 31 December 2018

	Beginning Balance EUR €	Realised gains or losses EUR €	Unrealised gains or losses EUR €	Transfers between level 2 and 3 EUR €	Purchases, sales, other settlements & instruments net EUR €	Ending Balance EUR €
Assets						
Collective Investment Schemes	125,047	42,426	(26,073)	-	(141,400)	-
Total	125,047	42,426	(26,073)	-	(141,400)	-

*Mediolanum High Volatility Fund terminated on 31 October 2018.

The Depositary is under a duty to hold in custody all financial instruments that may be registered in a financial instruments account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary. The Depositary is required to ensure that all financial instruments that can be registered in a financial instruments account opened in the Depositary's books are registered in the Depositary's books within segregated accounts. For other assets, the Depositary shall verify the Company's ownership of such assets. The Depositary will maintain a record of the financial instruments entrusted to it and those assets for which it is satisfied that the Company holds the ownership. When the Depositary employs a sub-custodian the Depositary retains responsibility for the assets of the Sub-Fund.

However, it should be noted that not all jurisdictions have the same rules and regulations as Ireland regarding the custody of assets and the recognition of the interests of a beneficial owner such as a Sub-Fund. Therefore, in such jurisdictions, there is a risk that if a sub-custodian becomes bankrupt or insolvent, the Sub-Fund's beneficial ownership of the assets held by such sub-custodian may not be recognised and consequently the creditors of the sub-custodian may seek to have recourse to the assets of the Sub-Fund. In those jurisdictions where the Sub-Fund's beneficial ownership of its assets is ultimately recognised, the Sub-Fund may suffer delay and cost in recovering those assets. The Sub-Funds may invest in markets where custodial and/or settlement systems are not fully developed, therefore the assets of a Sub-Fund which are traded in such markets and which have been entrusted to sub-custodians, in circumstances where the use of such sub-custodians is necessary, may be exposed to risk. The Depositary shall maintain an appropriate level of supervision over the sub-custodian and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged.

10. Related Party Transactions

The Trust is constituted by means of a Trust Deed to which Mediolanum International Funds Limited is party, as Manager. Mediolanum Asset Management Limited was appointed as Investment Manager by way of an Investment Management agreement. 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 Investment 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.

MEDIOLANUM FUND OF HEDGE FUNDS

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

10. Related Party Transactions (continued)

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 Unitholders in the Sub-Fund, Mediolanum International Life dac and Banca Mediolanum S.p.A are connected to the Investment Manager. As at 31 December 2019 Mediolanum International Life dac holds 100% (2018: 100%) of the Class SA units in the Alternative Strategy Collection.

Andrew Bates is a Partner at Dillon Eustace and sits on the Board of Directors of Mediolanum International Funds Limited in a non-executive capacity. During the year total legal fees paid to Dillon Eustace were €24,529 (2018: €9,819).

At 31 December 2019, Alternative Strategy Collection invested 6.37% (2018: 10.19%) of the Total Net Asset Value into funds managed by Tages Capital LLP, the Delegate Investment Manager.

Mediolanum Asset Management Limited merged into Mediolanum International Funds Limited effective 1 April 2019.

11. 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 financial year ended 31 December 2019 all research was paid directly by the Manager.

12. Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency (Euro) at 31 December 2019 and 31 December 2018:

Currency	EUR € Rate 31 Dec 2019	EUR € Rate 31 Dec 2018
USD	0.8909	0.8748

13. Changes in the Portfolio

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

14. Contingent Liabilities

There were no significant contingent liabilities at the Statement of Net Assets date or as at 31 December 2018.

MEDIOLANUM FUND OF HEDGE FUNDS

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

15. Net Asset Value

	Alternative Strategy Collection 31 Dec 2019 EUR €	Alternative Strategy Collection 31 Dec 2018 EUR €	Alternative Strategy Collection 31 Dec 2017 EUR €
Net assets attributable to holders of redeemable participating units:			
Class SA Euro Units (€)	55,812,355	54,823,648	64,447,099
Number of redeemable participating units outstanding:			
Class SA Euro Units	5,569,056	5,733,248	6,429,343
Net asset value per redeemable participating unit:			
Class SA Euro Units (€)	€10.02	€9.56	€10.02
			Mediolanum High Volatility Fund* 31 Dec 2017 EUR €
Net assets attributable to holders of redeemable participating units:			
Class SP Euro Units (€)			280,882
Number of redeemable participating units outstanding:			
Class SP Euro Units			30,114
Net asset value per redeemable participating unit:			
Class SP Euro Units (€)			€9.33

*Mediolanum High Volatility Fund terminated on 31 October 2018.

MEDIOLANUM FUND OF HEDGE FUNDS

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

16. Realised and Unrealised Gains in Investments

	Alternative Strategy Collection 31 Dec 2019 EUR €
Realised gain/(loss) on investments	
Realised gain on investments	1,344,704
Realised loss on investments	(327,477)
Realised gain on forward foreign exchange contracts	604
Total realised gain on investments	<u>1,017,831</u>
Unrealised gain/(loss) on investments	
Movement in unrealised gain on investments	3,421,715
Movement in unrealised loss on investments	(683,896)
Unrealised loss on forward foreign exchange contracts	(36)
Total unrealised gain on investments	<u>2,737,783</u>

	Alternative Strategy Collection 31 Dec 2018 EUR €	Mediolanum High Volatility Fund* 31 Dec 2018 EUR €
Realised gain/(loss) on investments		
Realised gain on investments	955,864	42,426
Realised loss on investments	(1,502,213)	–
Realised gain/(loss) on forward foreign exchange contracts	59,342	(557)
Total realised (loss)/gain on investments	<u>(487,007)</u>	<u>41,869</u>
Unrealised gain/(loss) on investments		
Movement in unrealised gain on investments	1,730,257	–
Movement in unrealised loss on investments	(2,842,822)	(26,074)
Unrealised gain on forward foreign exchange contracts	25,062	951
Total unrealised loss on investments	<u>(1,087,503)</u>	<u>(25,123)</u>

*Mediolanum High Volatility Fund terminated on 31 October 2018.

17. Efficient Portfolio Management Techniques

The Sub-Funds 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-Funds 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 31 December 2019 the Sub-Funds 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 14.

18. Significant Events During the Year

Effective 1 April 2019, the merger took place of Mediolanum International Funds Limited ("MIFL") and Mediolanum Asset Management Limited ("MAML"). The merger was completed pursuant to the Companies Act, 2014 as amended and supplemented ("the Act") and completed as a merger by acquisition for the purposes of the Act such that, on the April 1st 2019, MAML, as transferor company, transferred its assets and liabilities to MIFL as the transferee company in exchange for which MIFL issued Consideration Shares to Banca Mediolanum SpA, following which MAML was dissolved without going into liquidation.

All the redemptions payable at 31 December 2018 on Mediolanum High Volatility Fund were paid in January 2019.

Effective 1 April 2019 the new address of Mediolanum International Funds Limited is 4th Floor, The Exchange, George's Dock, IFSC, Dublin 1.

Effective 1 April 2019 an updated prospectus was issued.

MEDIOLANUM FUND OF HEDGE FUNDS

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

18. Significant Events During the Year (continued)

Martin Nolan was appointed as a Director of the Manager effective 1 April 2019.

Des Quigley resigned as a Director of the Manager effective 29 March 2019.

Gianmarco Gessi was appointed as a Director of the Manager effective 29 May 2019.

Christophe Jaubert was appointed as a Director of the Manager and Chief Investments Officer on 8 July 2019.

19. Post Balance Sheet Events

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. While the full impact is not yet known, COVID 19 may result in continued market volatility and a period of economic decline globally. It may also have a significant adverse impact on the value of a Fund's investments and the ability of the Delegate Investment Manager appointed by the Manager to access markets or implement the Fund's investment policy in the manner originally contemplated. In addition, the Manager continues to monitor and oversee the liquidity and all the relevant key risk indicators of the Fund. 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 ability of the Delegate Investment Manager appointed by the Manager 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.

No other events have occurred subsequent to the year end which impact on the financial statements for the financial year ended 31 December 2019.

20. Approval of the Financial Statements

The financial statements were approved by the Directors of the Manager on 29 April 2020.

MEDIOLANUM FUND OF HEDGE FUNDS**FUND OF FUNDS DISCLOSURE (UNAUDITED)****Alternative Strategy Collection**

Fund Name	Domicile	Management Fee %	Incentive Fee %
Kingate Global Fund – Vi*	British Virgin Islands	1.50%	0.00%
Alvento Long/Short Equity Fund Class F EUR 07/2019	Cayman Islands	1.50%	15.00%
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 Class A EUR Series 02/2019	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%
Kepler Liquid Strategic ICAV EUR	Ireland	0.90%	20.00%
Kepler Liquid Strategic ICAV US Equity	Ireland	0.85%	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 I	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.

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX OF ADDITIONAL INFORMATION (UNAUDITED)

Leverage

Leverage is considered in terms of the Sub-Fund's overall "exposure" and includes any method by which the exposure of the Sub-Fund is increased whether through borrowings of cash or securities, or leverage embedded in derivative positions or by any other means. The Investment Manager as the AIFM is required to calculate and monitor the level of leverage by the Sub-Fund, expressed as a ratio between the total exposure of the Sub-Fund and its net value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the Gross Method basis are calculated as the absolute value of all positions of the Sub-Fund; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Sub-Fund requires the calculation to:

- Include the sums of all non-derivative assets held at market value, plus the absolute value of all such liabilities;
- Exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company;
- Derivative instruments are converted into the equivalent position in their underlying assets;
- Exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- Include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed, and include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.
- the Statement of Net Assets;
- the Income Statement;

Exposure values under the Commitment Method basis are calculated on a similar basis to the above, but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalents items in line with regulatory requirements.

The table sets out the maximum leverage for the Alternative Strategy Collection in 2019 and its leverage at the end of the year.

Leverage as a Percent of Net Asset Value

	Gross Method	Commitment Method
Maximum leverage in 2019	99%	102%
Leverage at year end	96%	100%

Special Arrangements

Credit Facility

The Trust had a credit facility of up to €9m with the Northern Trust Company to fund short term liquidity requirements secured by a charge over the assets of the Alternative Strategy Collection. The facility was not used and terminated on 23 February 2018.

Remuneration Details for the AIFM's Staff

The information provided below relates to the AIFM which has implemented a Remuneration Policy consistent with ESMA's remuneration guidelines and in particular the provisions of Annex II of Directive 2011/61/EU. The Remuneration Policy applies to all forms of benefits paid by the AIFM to Identified Staff, including senior management, staff whose professional activities have a material impact on the Company's risk profile, staff in control functions or any employees in same remuneration bracket of those whose professional activities have a material impact on the Company's risk profile or of the AIF it manages, in exchange for professional services and is intended to promote sound and effective risk management and does not encourage risk-taking inconsistent with the risk profile, rules or instruments of incorporation of the AIFs under management.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the relevant member of staff's rank and professional activity as well as best market practice. The AIFM may provide the opportunity to certain identified staff to receive variable remuneration based on the performance of the individual, of the AIFM and of the AIF's under management. Assessment of performance will consider both financial and non-financial factors. Particular consideration will be given to risk-related factors. The above will be considered in a multi-year framework.

No variable remuneration will be paid to any non-executive member of the Board of the AIFM. The fixed fee of the non-executive and independent Directors of the AIFM will be commercially negotiated. The non-executive directors from the Mediolanum Group do not receive a fee for their role as Directors on the MIFL ("Mediolanum International Funds Limited") Board of Directors.

The remuneration of the Managing Director is determined by the Managing Director of Banca Mediolanum S.p.A. having consulted with the Chairman of the AIFM. The fixed and variable elements of remuneration are in line with the principles listed above. In addition the Managing Director may receive other benefits such as those of an equity based nature provided by the Group subject to the appropriate approvals as set out in this policy and the deferral arrangements set out in the Group policy.

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX OF ADDITIONAL INFORMATION (UNAUDITED) (continued)

Remuneration Details for the AIFM's Staff (continued)

The Remuneration Policy is compliant with the relevant provisions of the Rules, including Schedule 2 of the Regulations, and the guidelines on sound remuneration policies under the AIFMD issued by the European Securities and Markets Authority (the "ESMA Guidelines").

Application of the Principle of Proportionality

Taking into account its size, nature, the scope of its activities and its business model, the AIFM has disapplied the following requirements of the ESMA Guidelines:

- Variable remuneration in instruments and related retention guidelines;
- Deferral of Variable Remuneration;
- Requirement to establish a remuneration committee

Total remuneration paid to the staff of the AIFM fully or partly involved in the activities of the AIF that have a material impact on the risk profile of the Trust during the financial year to 31 December 2019 and 31 December 2018.

Fixed Remuneration	31 Dec 2019	31 Dec 2018
Senior Management	€1,541,965	€998,299

It should be noted that the above amounts have been estimated with care and in good faith giving due consideration to the cross-functional activities carried out by employees of the AIFM, the proportional activities related to the AIF in relation to the overall activities of the AIFM and the proportion of AIF assets managed by the AIFM in relation to the overall Assets Managed by the AIFM.

Mediolanum Asset Management Limited acted as Investment Manager to the Fund during the financial period 1 January 2019 to 31 March 2019 (and for 1 January 2018 to 31 December 2018). From 1 April 2019 onwards Mediolanum Asset Management Limited merged with Mediolanum International Funds Limited. Mediolanum International Funds Limited is an investment firm authorised by the Central Bank pursuant to the European Communities (Markets and Financial Instruments Regulations 2007). The Manager has remuneration policies and practices which apply to its staff whose professional activities might have a material impact on the Trust's risk profile and so covers senior management, risk takers, control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the risk profile of the Trust's ("Identified Staff") which it believes are: (i) consistent with and promote sound and effective risk management and do not encourage risk-taking which is inconsistent with the investment objectives and policies and the investment restrictions and (ii) appropriate to the size, internal organisation and the nature, scope and complexity of the Investment Manager's activities.

The current remuneration practices of the Manager provide that variable remuneration is paid to the Identified Staff of the Manager based, among other things, on the overall performance of the Manager's group, the overall performance of the Manager and the relevant individual's overall contributions to that performance. When assessing individual performance, financial as well as non-financial criteria are taken into account and, upon such assessment, the performance attributed to an individual may be adjusted when determined to be appropriate having regard to a variety of factors including where it is believed by the Manager that such adjustment does not encourage risk-taking which is inconsistent with the investment objectives and policies and the investment restrictions of the Trust. The discretionary process for allocating variable remuneration takes a variety of factors into account. For investment professionals at a senior level, the performance (both overall and year to year) of the funds for which they have responsibility is a key consideration.

The Manager (i) does not pay guaranteed variable remuneration to the staff responsible for managing the assets of the Trust (ii) no payments will be made related to the termination of an employment contract that are exclusively based on the relevant individual's performance in relation to the Trust. The total number of Identified Staff of the Investment Manager as at 31 December 2019 is 8 (2018: 8).

The Manager's pay to Identified Staff relates to all funds which the Identified Staff currently manage. The assets under management of the Manager as at 31 December 2019: was €39.2 (2018: €35.9 billion) of which the Trust represents €55.8 (2018: €56 million) or 0.14% of total assets managed by the Identified Staff (2018: 0.16%).

Cybersecurity Risk

Cybersecurity breaches may occur allowing an unauthorised party to gain access to assets of the Sub-Funds, Unitholder data, or proprietary information, or may cause the Company, the Manager, the Distributor, the Administrator or the Depositary to suffer data corruption or lose operational functionality.

MEDIOLANUM FUND OF HEDGE FUNDS

APPENDIX OF ADDITIONAL INFORMATION (UNAUDITED) (continued)

Cybersecurity Risk (continued)

The Sub-Funds may be affected by intentional cybersecurity breaches which include unauthorised access to systems, networks, or devices (such as through “hacking” activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws). A cybersecurity breach could result in the loss or theft of Unitholder data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Manager, the Distributor, the Administrator, the Depositary, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. Consequently, Unitholders may lose some or all of their invested capital. In addition, such incidents could affect issuers in which a Sub-Fund invests, and thereby cause a Sub-Fund’s investments to lose value, as a result of which investors, including the relevant Sub-Fund and its Unitholders, could potentially lose all or a portion of their investment with that issuer.