

**Annual report including audited financial statements  
as at 31st December 2019**

# **Absolute Return Strategy SICAV**

Société d'Investissement à Capital Variable  
Incorporated under the Luxembourg laws

R.C.S. Luxembourg B90086

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**Absolute Return Strategy SICAV**

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# Absolute Return Strategy SICAV

## Organisation

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### Registered Office

88, Grand-Rue  
L-1660 LUXEMBOURG  
(since 1st October 2019)

11, rue Aldringen  
L-1118 LUXEMBOURG  
(until 30th September 2019)

### Board of Directors

#### *Chairman*

Peter George SIERADZKI

CEO  
InsingerGilissen Bankiers N.V.  
AMSTERDAM

#### *Directors*

Steve GEORGALA

Managing Director  
MAITLAND ADVISORY LLP  
LONDON

Marcel ERNZER

Managing Director  
WALLBERG INVEST S.A.  
LUXEMBOURG

Marc Jan BALTUS

CFO  
InsingerGilissen Bankiers N.V.  
AMSTERDAM  
Director  
InsingerGilissen Asset Management N.V.  
AMSTERDAM

### Alternative Investment Fund Manager

KREDIETRUST LUXEMBOURG S.A.  
88, Grand-Rue  
L-1660 LUXEMBOURG  
(since 1st October 2019)

11, rue Aldringen  
L-2960 LUXEMBOURG  
(until 30th September 2019)

### Board of Directors of the Alternative Investment Fund Manager

#### **Chairman**

Vincent DECALF

#### **Director**

Olivier de JAMBLINNE de MEUX

#### **Managing director**

Stefan VAN GEYT

#### **Conducting officers**

Aurélien BARON  
Kristel COOLS  
Stefan VAN GEYT

#### **Portfolio Manager**

InsingerGilissen Asset Management N.V.  
Herengracht 537  
NL-1017 BV AMSTERDAM

# Absolute Return Strategy SICAV

## Organisation (continued)

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**Domiciliary Agent, Administrative Agent, Registrar and Transfer Agent**

KREDIETRUST LUXEMBOURG S.A.  
88, Grand-Rue  
L-1660 LUXEMBOURG  
(since 1st October 2019)

11, rue Aldringen  
L-2960 LUXEMBOURG  
(until 30th September 2019)

**Depository and Paying Agent**

QUINTET PRIVATE BANK (EUROPE) S.A.  
(formerly KBL EUROPEAN PRIVATE BANKERS S.A.)  
43, boulevard Royal  
L-2955 LUXEMBOURG

**Auditor**

PRICEWATERHOUSECOOPERS, Société coopérative  
2, rue Gerhard Mercator  
L-2182 LUXEMBOURG

**Distributor**

InsingerGilissen Bankiers N.V.  
Herengracht 537  
NL-1017 BV AMSTERDAM

# Absolute Return Strategy SICAV

## Report on activities of the Board of Directors

### Annual report 2019 - Absolute Return Strategy SICAV - Multi-Manager Hedge

#### Market review

The weakening of the global economy that started in 2018 continued for most of 2019. The lasting uncertainty about the consequences of the trade war between the US and China played an important role in this, demonstrated by the fact that the weakening was concentrated in industries that depend on world trade, with the German car industry being hit the hardest. The services sector, which relies mainly on domestic consumer spending and much less on international trade, is much less affected, in virtually all countries. The growth of the US economy declined in the course of 2019 to a more trend-like growth of around 2%, as the stimulating effect of the 2018 tax cuts diminished. In the third quarter of 2019 the Eurozone as a whole recorded growth of only 1.2%. The fourth quarter saw growth even slow to 0.9%. The growth of the Chinese economy has also slowed down since the end of 2017, although in absolute terms it remains at a high level of around 6% real and around 10% nominal (including inflation). The Chinese authorities have been trying to stimulate the economy since the beginning of 2018 and increased stimulus in early 2019, partly through tax cuts. However, this has not yet led to a convincing recovery. Central banks worldwide began to respond to the signs of economic weakness by lowering interest rates. At the end of July, the US Fed cut official rates by a quarter percent for the first time in 12 years, followed by similar steps in September and October. The European Central Bank (ECB) lowered the deposit rate for bank reserves in September from -0.4% to -0.5%, but offered compensation by exempting part of the reserves. In addition, the ECB announced that it would resume bond purchases. The US 10-year yield initially stabilized in the first months of 2019, before declining again from the beginning of May, due to the increased uncertainty about a trade agreement and falling inflation expectations. The 10-year yield fell to around 1.5% in the beginning of September, close to the bottoms reached in 2012 and 2016. The German 10-year yield played an important role here, falling back to zero in March and reaching new historical lows of around -0.7% in September. As a result, European government bonds generated high returns until the beginning of September, in particular bonds with long maturities. In the last four months of 2019 part of these returns were lost as bond yields rose cautiously due to declining pessimism about the economic outlook.

The risk premiums on corporate bonds fell in the first months of 2019 after they had risen in the last quarter of 2018 when investors withdrew from more risky investments. Subsequently, risk premiums fluctuated as expectations regarding an American-Chinese trade agreement changed. However, they remained fairly low and only rose to a limited extent in times of increasing pessimism, like in May. On balance, corporate bond yields fell, including the yields on the more risky high-yield bonds, so that also corporate bonds generated relatively high returns in 2019. From the beginning of 2019 almost all equity markets strongly recovered, fully offsetting the losses that were suffered in the last quarter of 2018. Increasing optimism about a trade deal between the US and China seemed to play a major role in this, while the monetary easing measures of the Fed and other central banks were also positively received. As economic data did not yet indicate a clear global economic recovery, this made equity markets vulnerable to new corrections due to possible disappointments. Correction phases followed in May and August when optimism about a trade deal faded.

On balance, global equity markets realized huge gains in 2019. The MSCI All Country World index recorded a gain of over 26% in local currency terms, while the return in euros was more than 28%. The euro weakened by over 2% against the US dollar and by more than 3% against the Japanese yen. As it has been for most of the last decade, US equity markets were again at the forefront with a gain of nearly 34% in euro for the MSCI USA. The US market was supported by a relatively strong economy, a large technology sector and by large share buybacks by US corporations. European markets showed a mixed picture, with returns of more than 30% in countries such as the Netherlands and Switzerland, but relatively low returns of around 20% in Germany and 12% in Spain, markets with a large industrial or financial sector. Due to the constant uncertainty about the Brexit process, the UK market also performed relatively poorly. The pound sterling had large fluctuations, but in the end recorded a gain of 6% against the euro, after the Conservatives had won the UK parliamentary elections. Also Japan and emerging markets lagged behind. These markets relatively suffered a lot from the US-China trade war and recorded returns of less than 20%.

# Absolute Return Strategy SICAV

## Report on activities of the Board of Directors (continued)

### Portfolio review

Absolute Return Strategy SICAV – Multi-Manager Hedge (the “Fund”) performed 1.98% net for the year 2019.

The reversal of investor sentiment in 2019 benefitted most to hedge fund strategies after a difficult 2018. The HFRX Global Hedge Fund Index EUR rose by 3.44%, whereas Absolute Return Strategy SICAV - Multi-Manager Hedge (ARS), that tends to have a more moderate risk profile, ended 2019 with a performance of 1.98%. On average hedge fund strategies offered decent returns, albeit with great dispersion across managers. Within our portfolio, most of the managers delivered low to mid-single digit returns, with only a few outliers. Strong returns were generated by more equity centric strategies, particularly those exposed to the US equity market and the Technology, Media and Telecom (TMT) sector. Egerton, a global long/short equity manager, was one of the strongest performers for the year. H2O, a manager operating in the liquid global macro universe, once again offered stellar returns in 2019, despite large outflows mid-year due to concerns on illiquid positions in private credit. In light of the increased uncertainty, we decided to reduce our exposure, but maintained our conviction in this manager based on the quality of the investment team, the highly liquid underlying portfolio and the private credit positions that were quickly marked down to a relatively small percentage of the fund. CTA (trend following) strategies had their best year since 2014, driven to a large degree by the trend of lower bond yields in the first part of the year. Our core manager in this universe, MAN AHL Alpha, was able to capture this trend and performed according to expectations. This was not the case for a few of our quantitative managers that faced a more challenging environment in 2019. Among these managers, those with factor based strategies disappointed especially, partly due to Value continuing to underperform as a factor. Within this context, Merian was the negative outlier in our portfolio with its Absolute Return Equity Fund experiencing double-digit losses. Fundamental equity market neutral managers fared better with increased stock dispersion and lower intra-stock correlations. Marshall Wace TOPS benefitted partially with a small gain for the year. Distressed funds as a group posted modest gains in 2019 and so did our managers in this space. It was quite notable how the lowest rated tiers of high yield bonds and leveraged loans underperformed the broader markets in a year of improved risk appetite. As such, the strategy was an idiosyncratic underperformer in 2019.

At the start of the year, following a period of lackluster performance and some key staff departures, we placed a redemption order with the Arrowgrass Master Fund. As the year progressed and our research efforts came to finalization, we onboarded three new managers around the start of the summer. The Renaissance Institutional Equity Fund, a quantitative US long/short equity strategy with a very strong long term track record, entered the portfolio as well as the True Partner Offshore Fund B Ser 11 Cap and the LFIS Vision Premia Opportunities Fund. True Partner Offshore Fund B Ser 11 Cap employs a market neutral strategy on index options that has historically performed well in periods of heightened market volatility. The LFIS Vision Premia Opportunities Fund allowed us to invest in a well-diversified portfolio of risk premia. The additions of these three managers was done to increase the diversification and average quality of our overall portfolio. Around the same period we lightened our exposure to H2O for risk management purposes. Positions with Northwest and Horizon were redeemed in the third quarter as the contribution of both funds to the portfolio's risk and return was considered to be insufficient given their liquidity profile. As we approached the end of the year, we decided to increase our allocation to global macro strategies by investing in the Lyxor Bridgewater Core Global Macro Fund. To finance these transactions, we sold our holdings in the Muzinich Long Short Credit Yield Fund, the Aviva Multi Strategy Target Return Fund and the Majedie Tortoise Fund.

### Outlook

The valuation of most stock markets seems to have fully recovered and in order to rise further the economic outlook will likely need to improve. A first trade agreement between the US and China was signed in the beginning of 2020, which improved the outlook, although the further development of the trade conflict remains highly uncertain. Compared to equity markets, bond markets appear overvalued, which is most strongly expressed in the percentage of bonds with negative yields that doubled to almost 30% in 2019. Although this mainly concerns government bonds from Japan and Europe, many corporate bonds now also offer negative yields. Against this backdrop, we believe alternatives can offer attractive investment opportunities. Furthermore, diversification becomes increasingly important in the later stage of a business cycle when risk premia have compressed and investors begin to question the longevity of the business cycle. It is for this reason and with many investors having been pushed up the risk curve by central banks, that we favour diversifying a non-directional strategies. Such strategies, like Global Macro whereby managers aim to benefit from changes or trends in monetary policy and/or the macro landscape, are known to have a low correlation to equity and fixed income markets. Furthermore, historically they tend to perform well in recessionary environments and periods of heightened volatility. With the trade war risks subsiding following the ‘phase one’ deal, corporate activity is expected to pick up.

## **Absolute Return Strategy SICAV**

### **Report on activities of the Board of Directors (continued)**

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This should improve the opportunity set for event driven managers. Pressure for top-line growth, cash heavy balance sheet and cheap financing options, should ensure an active M&A pipeline. Experienced merger arbitrage managers, that know how to manage the risk of crowded deals, can provide a source of stable and uncorrelated returns. On the credit side, with spreads and default rates moving within historically low ranges, we prefer to deploy more capital to distressed managers once the credit cycle turns and default rates start to pick up. As to our objectives for 2020, we will continue with our ongoing efforts to improve the diversification and quality of our portfolio whenever we can.

Covid-19 has brought the global equity markets turmoil in an unprecedented downward pace. This will most likely impact the global economy at large.

It is currently not possible to assess the precise impact on the investments of the Fund. The Board and the (Portfolio) Investment Manager are closely monitoring the developments and are in contact with the fund managers of the underlying positions held by the Fund.

Luxembourg, 8th April 2020

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.





## **Audit report**

To the Shareholders of  
**Absolute Return Strategy SICAV**

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### **Our opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Absolute Return Strategy SICAV (the "Fund") as at 31 December 2019, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### *What we have audited*

The Fund's financial statements comprise:

- the statement of net assets as at 31 December 2019;
- the statement of investments and other net assets as at 31 December 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

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

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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### **Other information**

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and 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 identified above 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, 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.

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**Responsibilities of the Board of Directors of the Fund for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund 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 Board of Directors of the Fund 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 Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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**Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements**

The objectives of our audit 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 audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 Board of Directors of the Fund;



- conclude on the appropriateness of the Board of Directors of the Fund'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 audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund 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 we identify during our audit.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 23 April 2020

Thierry Blondeau

# Absolute Return Strategy SICAV - Multi-Manager Hedge

## Statement of net assets (in EUR)

as at 31st December 2019

### Assets

#### Investments

Securities portfolio at market value	65,773,299.48
	<u>65,773,299.48</u>

#### Cash and cash equivalents

Cash at banks	11,891,484.58
	<u>11,891,484.58</u>

#### Receivables

Unrealised gain on forward foreign exchange contracts	380,236.86
	<u>380,236.86</u>

#### Other assets

Advances for purchases of securities	4,453,549.48
	<u>4,453,549.48</u>

#### Total assets

82,498,570.40

### Liabilities

#### Payables

Expenses payable	101,887.49
	<u>101,887.49</u>

#### Other liabilities

Prepaid subscriptions	5,729,731.15
	<u>5,729,731.15</u>

#### Total liabilities

5,831,618.64

#### Total net assets at the end of the year

76,666,951.76

### Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in EUR)
B Share Class	608,892.280	EUR	125.91	76,666,951.76
				<u><u>76,666,951.76</u></u>

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

# Absolute Return Strategy SICAV - Multi-Manager Hedge

## Statement of operations (in EUR)

from 1st January 2019 to 31st December 2019

### Income

#### Realised gain on investments

- on securities portfolio

1,116,227.82

1,116,227.82

#### Appreciation of unrealised results on investments

- on securities portfolio

4,929,022.93

- on forward foreign exchange contracts

380,236.86

5,309,259.79

#### Total income

6,425,487.61

### Expenses

#### Investment advisory or management fees

Portfolio management fees

408,696.98

408,696.98

#### Other expenses

Depositary fees

40,984.08

Banking charges and other fees

30.74

Transaction fees

1,945.37

Central administration costs

54,121.48

Professional fees

28,782.01

Other administration costs

10,600.50

Subscription duty ("taxe d'abonnement")

29,799.81

Bank interest paid

65,759.63

Equalisation

6,082.47

Other fees

21,293.40

259,399.49

#### Realised loss on investments

- on securities portfolio

510,369.37

- on forward foreign exchange contracts

716,475.57

- on foreign exchange

149,837.25

1,376,682.19

#### Depreciation of unrealised results on investments

- on securities portfolio

2,976,354.89

- on forward foreign exchange contracts

20,779.24

2,997,134.13

#### Total expenses

5,041,912.79

#### Net income

1,383,574.82

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

## Absolute Return Strategy SICAV - Multi-Manager Hedge

### Statement of changes in net assets (in EUR)

from 1st January 2019 to 31st December 2019

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Net income	1,383,574.82
Subscriptions	34,487,883.00
Redemptions	-20,216,950.22
Total changes in net assets	<hr/> 15,654,507.60
Total net assets at the beginning of the year	<hr/> 61,012,444.16
<b>Total net assets at the end of the year</b>	<hr/> <hr/> <b>76,666,951.76</b>

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

## Absolute Return Strategy SICAV - Multi-Manager Hedge

### Statistical information (in EUR)

as at 31st December 2019

<b>Total net assets</b>	<b>Currency</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
	EUR	49,555,151.15	61,012,444.16	76,666,951.76

  

<b>Net asset value per share</b>	<b>Currency</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
B Share Class	EUR	127.41	123.46	125.91

  

<b>Number of shares</b>	<b>outstanding at the beginning of the year 01.01.2019</b>	<b>issued</b>	<b>redeemed</b>	<b>outstanding at the end of the year 31.12.2019</b>
B Share Class	494,183.352	276,147.777	-161,438.849	608,892.280

# Absolute Return Strategy SICAV - Multi-Manager Hedge

## Statement of investments and other net assets (in EUR)

as at 31st December 2019

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b><u>Investments in securities</u></b>					
<b><u>Other transferable securities</u></b>					
<b>Shares</b>					
USD	5,357,885.12	Renaissance Istl Eq Fd LLC LP Units B	4,397,730.77	4,772,321.30	6.23
<b>Total shares</b>			<b>4,397,730.77</b>	<b>4,772,321.30</b>	<b>6.23</b>
<b>Closed-ended investment funds</b>					
USD	44.8851	Altima Restructure Fd Ltd Ser 10 B Sub 10	32,798.75	0.00	0.00
USD	1,059.8194	Altima Restructure Fd Ltd Ser 11 B Sub 10	774,438.69	0.00	0.00
USD	713.0462	Altima Restructure Fd Ltd Ser 6 B Sub 10	521,042.14	0.00	0.00
USD	25.4558	Pine River Fd Ltd B Initial Ser 1	66,281.61	105,774.05	0.14
USD	162.1566	Raptor Private Hgs Ltd (The)	94,985.48	29,193.43	0.04
<b>Total closed-ended investment funds</b>			<b>1,489,546.67</b>	<b>134,967.48</b>	<b>0.18</b>
<b><u>Open-ended investment funds</u></b>					
<b>Investment funds (UCITS)</b>					
EUR	23,954.5011	Alken Fd Abs Ret Europe EU1 Cap	3,018,569.25	3,093,484.27	4.04
EUR	2,989.25	Boussard & Gavaudan SICAV Absolute Return Z EUR Cap	3,249,994.18	3,249,613.68	4.24
EUR	15.7902	H2O Allegro I Cap	2,317,718.81	3,671,835.58	4.79
EUR	21,498.885	InRIS UCITS Plc InRIS CFM Diversified I EUR Cap	2,244,858.38	2,141,503.93	2.79
EUR	40,472.639	Lyxor Newcits IRL III Bridgewater Core GI Macro Fd I EUR Cap	3,999,999.95	4,059,053.58	5.30
EUR	1,957,263.107	Merian GI Inv Ser Plc Equity Abs Return Fd I Hed EUR Cap	3,082,605.01	2,693,781.21	3.51
EUR	16,000	Schroder GAIA Sirios US Equity C EUR Hedged Cap	1,982,992.71	2,209,760.00	2.88
EUR	30,986.3942	U Access (I) UCITS Fd Plc Trend Macro B EUR Hedged Cap	3,160,000.00	3,167,925.00	4.13
<b>Total investment funds (UCITS)</b>			<b>23,056,738.29</b>	<b>24,286,957.25</b>	<b>31.68</b>
<b>Investment funds (UCI)</b>					
EUR	42,550.255	Egerton LS Fd EUR GBP&NOK Ltd B1 EUR	1,115,088.81	4,582,158.50	5.98
EUR	2,714.699	LFIS VISION SICAV SIF Premia Opp IS Cap	4,000,000.39	3,973,993.57	5.18
EUR	14,115.1918	Marshall Wace Fds Plc Market Neutral TOPS A EUR	1,800,000.00	3,108,323.32	4.05
EUR	2,112.15	Northwest Fd Ltd Ser B	3,717,961.04	3,803,390.75	4.96
EUR	1,843.037897	Taconic Opportunity Off Fd Ltd M Ser 92636	3,110,887.00	3,459,368.93	4.51
EUR	11,900	Winton Fd Ltd (The) C EUR Ser 0818	1,190,000.00	1,159,993.42	1.51
EUR	8,985.23509	Winton Fd Ltd (The) C Lead Ser Cap	1,142,814.89	2,562,912.88	3.34
			<b>16,076,752.13</b>	<b>22,650,141.37</b>	<b>29.53</b>
USD	2,816,717.721	AHL Alpha (Cayman) Ltd A USD	3,284,744.81	3,597,731.55	4.69
USD	1,225	David Kempn Dis Opp Intl C Ltd A Tr 2 01 Aug 2018	1,049,565.18	1,088,289.80	1.42
USD	758.1173	David Kempn Dis Opp Intl C Ltd A Tr 2 01 Jan 2019	585,628.36	2,428,739.28	3.17
USD	12,363	Horizon Portfolio I Ltd Fd USD Ser 1 Non voting	3,268,644.71	3,361,766.77	4.39
USD	24,964.9971	True Partner Offshore Fund B Ser 11 Cap	3,541,691.78	3,452,384.68	4.50
			<b>11,730,274.84</b>	<b>13,928,912.08</b>	<b>18.17</b>
<b>Total investment funds (UCI)</b>			<b>27,807,026.97</b>	<b>36,579,053.45</b>	<b>47.70</b>
Total investments in securities			56,751,042.70	65,773,299.48	85.79
Cash at banks				11,891,484.58	15.51
Other net assets/(liabilities)				-997,832.30	-1.30
<b>Total</b>				<b>76,666,951.76</b>	<b>100.00</b>

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



# Absolute Return Strategy SICAV

## Notes to the financial statements

as at 31st December 2019

### Note 1 - General information

Absolute Return Strategy SICAV (the "Company") was incorporated in Luxembourg on 29th November 2002 for an unlimited period and is an open-ended investment company registered pursuant to Part II of the Luxembourg law of 17th December 2010 on Undertakings for Collective Investment (the "Law of 2010"). The Company qualifies as an Alternative Investment Fund ("AIF") under the Law of 12th July 2013 on Alternative Investment Fund Managers ("AIFM") implementing Directive 2011/61/EU of the European Parliament and of the Council of 8th June 2011 on Alternative Investment Fund Managers (the "AIFMD").

The most recent financial statements, annual report, key investor information document as well as copies of the Articles of Incorporation of the Company and the material contracts referred to in the prospectus are available for inspection during usual business hours at the registered office of the Company in Luxembourg and can be obtained free of charge upon request from the AIFM.

### Note 2 - Significant accounting policies

#### a) Presentation of the financial statements

The financial statements of the Company are prepared in accordance with Luxembourg legal and regulatory requirements concerning undertakings for collective investment and with generally accepted accounting principles in Luxembourg.

The financial statements of the Company have been prepared on a going concern basis.

#### b) Valuation of assets

Each share or unit in an open-ended UCI is valued at the last available Net Asset Value whether estimated or final, which is computed for such units or shares at or prior to the valuation day on which the Net Asset Value of the Shares of the Sub-Fund is determined and as approved by the Central Administration of the Company.

In assessing the valuation of the underlying funds, reliance is placed upon unaudited Net Asset Values supplied by the underlying funds or their administrators, which may be subject to adjustment upon finalisation of the audit of their financial statements.

The financial statements include investments in underlying investment funds, whose fair values have been derived from unaudited net asset values provided by such funds or their agents in accordance with the prospectus.

In respect of shares or units held by the Company, for which issues and redemptions are restricted and a secondary market trading is effected between dealers who, as main market makers, offer prices in response to market conditions, the Directors may decide to value such shares or units in line with the prices so established.

If events have occurred which may have resulted in a material change in the Net Asset Value of such shares or units in other UCI since the day on which the latest Net Asset Value was calculated, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Board of Directors, such change of value.

Securities (including shares or units in closed-ended UCIs) which are quoted or dealt in on a stock exchange are valued at their latest available published stock exchange closing price or, for securities quoted or dealt on several stock exchanges, at the closing price on the stock exchange which is normally the principal market for such security.

Securities traded on another regulated market operating regularly, recognised and open to the public (a "regulated market"), are valued as near as possible as for quoted securities.

In the event that any of the securities held in any portfolio at the valuation day are not quoted or traded on a stock exchange or another regulated market or, for any one of the securities, no price quotation is available, or if the price as determined pursuant to the above mentioned paragraphs is not in the opinion of the Board of Directors representative of the fair market value of the relevant securities, the value of such securities is determined based on the reasonably foreseeable sales price determined prudently and in good faith.

If, since the valuation day there has been a material movement in the quotations on the markets on which a substantial portion of the investments of the Company attributable to a particular Sub-Fund is listed or dealt in, the Board of Directors may, in order to safeguard the interests of the Shareholders and the Company, cancel the first valuation and carry out a second valuation.

Should circumstances so require, the Board of Directors may also adopt other valuation methods in accordance with generally accepted procedures.

## Absolute Return Strategy SICAV

### Notes to the financial statements (continued)

as at 31st December 2019

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by the Sub-Fund that are denominated in currencies other than the reference currency of the Sub-Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

d) Realised gain/(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are disclosed in the statement of operations.

e) Investment portfolio income

Dividend income is recorded at the ex-date, net of any withholding tax.

f) Valuation of forward foreign exchange contracts

Forward foreign exchange contracts are valued at forward market rates for the remaining period from valuation date to the maturity of the contracts. Unrealised gains or losses are recorded in the statement of net assets. Variation of the unrealised gains or losses and realised gains or losses are recorded in the statement of operations.

g) Conversion of foreign currencies

Cash at banks, other net assets and liabilities and the market value of the securities in the portfolio expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the report. Income and expenses expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Net realised gains or losses on foreign exchange are recorded in the statement of operations.

h) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and are mainly composed of broker fees incurred by the Company and of fees relating to transactions paid to the depositary as well as of transaction fees on financial instruments and derivatives.

#### Note 3 - Portfolio management fee

As remuneration for its services, the Portfolio Manager receives from the Company an annual fee at the maximum annual rate of 0.60% on the average net assets of the Sub-Fund.

The actual management fees charged during the year ended 31st December 2019 are 0.60% p.a. of the average net assets attributable to Class B.

#### Note 4 - Depositary, AIFM, Domiciliary Agent, administrative Agent and Registrar and Transfer Agent

As remuneration for the services of Depositary as rendered by QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.), the Company is charged an all-in fee of 0,06% per annum of the total net assets of the Company. This fee is reflected in the statement of operations in the caption "Depositary fees".

As remuneration for the services of AIFM, Domiciliary Agent, Administrative Agent and Registrar and Transfer Agent as rendered by Kredietrust Luxembourg S.A. the Company is charged by an all-in fee of 0,08% per annum of the total net assets of the Company. The total amount fees to the Depositary and the Paying Agent, the AIFM, Domiciliary Agent, Administrative Agent and Registrar and Transfer Agent is subject to a minimum of EUR 50,000 per annum should the total net assets of the Company be below EUR 40 million and split between the Sub-Funds according to asset size, if applicable. This fee is reflected in the statement of operations in the caption "Central administration costs".

The Depositary, and the Administrative Agent are also entitled to be reimbursed of reasonable disbursements and out of pocket expenses which are not included in the above mentioned fees.

## Absolute Return Strategy SICAV

### Notes to the financial statements (continued)

as at 31st December 2019

#### Note 5 - Valuation of illiquid securities

The following underlying funds as held by Absolute Return Strategy SICAV - Multi-Manager Hedge were gated as at 31st December 2019 :

	Fair Value (in EUR)	% net assets
Altima Restructure Fd Ltd Ser 6 B Sub 10	0.00	0.00
Altima Restructure Fd Ltd Ser 10 B Sub 10	0.00	0.00
Altima Restructure Fd Ltd Ser 11 B Sub 10	0.00	0.00
Pine River Fd Ltd B Initial Ser 1	105,774.05	0.14
Raptor Private Hgs Ltd	29,193.43	0.04

As result of formal liquidation of Altima as at end December 2019, the total position of Altima is valued at nil. In respect of the valuation of Pine River and Raptor Private Holdings, no information is known to the Portfolio Manager that the valuation based on the NAV statement received from Administrator of the underlying funds is not fair. Based on this, expectation is that the proceeds of the liquidation is expected to be paid fully.

#### Note 6 - Subscription duty ("*taxe d'abonnement*")

The Company is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Company is subject to an annual "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of the Sub-Fund on the last day of each quarter.

Pursuant to Article 175 (a) of the amended law of 17th December 2010, the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

#### Note 7 - Advances for purchase of securities

This item relates to all subscriptions in process in the underlying funds for which the final confirmation of subscribed quantities has not yet been received by the depositary as of the Net Asset Value calculation date of the Company.

#### Note 8 - Prepaid subscriptions

Subscriptions received prior to the year-end are credited to the "Prepaid subscriptions" account until the next subscription date.

#### Note 9 - Forward foreign exchange contracts

As at 31st December 2019, the following Sub-Fund has entered in the following forward foreign exchange contract with QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.):

Absolute Return Strategy SICAV - Multi-Manager Hedge					
Currency	Purchases	Currency	Sales	Maturity	Unrealised result (in EUR)
EUR	22,119,898.88	USD	24,500,000.00	02.03.2020	<u>380,236.86</u>
					<u>380,236.86</u>

#### Note 10 - Changes in investments

The statement of changes in investments for the reporting period is available free of charge at the registered office of the Company.

## **Absolute Return Strategy SICAV**

### **Notes to the financial statements (continued)**

as at 31st December 2019

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#### **Note 11 - Equalisation factor**

It is normal practice, for the Funds in which the Company invests, to apply an "Equalisation factor", whereby the Company may be required to pay an amount in excess of the net asset value representing its part of the performance fee accrual of the underlying Funds within the net asset value. The "Equalisation factor" ensures that the performance fee is charged only to those shares which have increased in value and that all shareholders have the same amount per share at risk.

- As at 31st December 2019, the Equalisation factor in the statement of net assets of the Company relates to AHL Alpha (Cayman) Ltd A USD for the amount EUR 6,082.47 (USD 6,980.85).

This amount is reflected in the caption "Equalisation".

#### **Note 12 - Subsequent events**

With effect from 16th January 2020, KBL EUROPEAN PRIVATE BANKERS S.A. changed its name to QUINTET PRIVATE BANK (EUROPE) S.A..

Covid-19 results in and is at the time of drafting this annual report still affecting the financial markets and the economy at large. These developments however do not impact the financial statements as at 31st December 2019 for the Company nor does it endanger the going concern of the Company.

# Absolute Return Strategy SICAV

## Additional information (unaudited)

as at 31st December 2019

### 1. Liquidity

The investors may subscribe or redeem in the Sub-Fund of the Company every last business day of the month in Luxembourg ("T") and where subscription orders have to be prepaid and redemption proceeds will be paid to the investors once the Net Asset Value of respective month is calculated. We refer to the prospectus of the Company for more information related to the subscription and redemption procedures and applicable notice period of the Sub-Fund of this Company.

The below table shows the period required to redeem the total investment portfolio and where the period is based on the redemption frequency of the securities as held on 31st December 2019 by the only Sub-Fund of the SICAV:

	Portfolio Liquidity							
	1 day	2-7 days	8-30 days	31-90 days	91-180 days	181-365 days	Illiquid	Total
<b>Absolute Return Strategy SICAV- Multi-Manager Hedge</b>	8.04	33.22	9.32	35.76	8.90	0	4.76	100

### 2. Risks

The risk profile of the fund is given in the KIID available on the site [www.insingergilissen.nl](http://www.insingergilissen.nl).

There were no active breaches in the Absolute Return Strategy SICAV in 2019.

### 3. Leverage

The level of leverage, calculated in accordance with the AIFM law, which the fund can employ and its real exposure at the end of December 2019 is as follows:

	Commitment method		Gross method	
	Exposure	Max.	Exposure	Max.
<b>Absolute Return Strategy SICAV - Multi-Manager Hedge</b>	100%	105%	120.14%	200%

### 4. Remuneration

The below table shows the remuneration figures of the AIFM disclosed as at 31st December 2019:

<b>- Art.20 (2) e) of the Law of 12th July 2013</b> The total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the AIF.	Fixed remuneration: EUR 3,564,071.10 Variable remuneration: EUR 316,133.05 Number of beneficiaries : 31
<b>- Art.20 (2) f) of the Law of 12th July 2013</b> The aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.	Remuneration of the senior management: EUR 930,196.00

## **Absolute Return Strategy SICAV**

### **Additional information (unaudited) (continued)**

as at 31st December 2019

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#### **5. Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")**

During the reporting period, the Company did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.

#### **6. Ongoing Charges Figure (Expense ratio)**

The Ongoing Charges Figure of the Sub-Fund is calculated by dividing the total expenses by the average Net Asset Value of the Sub-Fund. The average Net Asset Value as at 31st December 2019 is calculated by averaging the Net Assets Value of each Valuation of the Sub-Fund in the year of 2019.

Below ongoing charges figures exclude any performance fees, transaction costs/fees and bank interest paid. There are no performance fees and/or transaction fees applicable for the Sub-Fund. The calculation of the ongoing charges figure of the underlying funds is based on available information of these underlying funds.

The average Net Asset Value for the Sub-Fund for the year ended 31st December 2019 is EUR 68,236,404.

The Ongoing Charges Figure ("OCF") based on the information of the 2019 annual report is as follows:

- excluding the OCF of the underlying funds is 0.87% per annum
- including the OCF of the underlying funds is 2.58% per annum