

ADELIO UCITS FUND

**Annual report, including audited financial statements
for the period from 4 May 2021 (date of incorporation)
to 31 December 2021**

R.C.S Luxembourg B 254.945

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ADELIO UCITS FUND

Directory

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Grand Duchy of Luxembourg

Board of Directors

Sylvie Rodrigues
Thérèse Collins
Ashley Brown

Management Company

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Investment Manager and Principal Distributor

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Independent External Auditor

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Grand Duchy of Luxembourg

Depositary and Central Administration Agent

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Legal Advisers as to Luxembourg Law

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Grand Duchy of Luxembourg

Legal Advisers as to English and US Law

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ
United Kingdom

ADELIO UCITS FUND

Investment Manager's report

Adelio UCITS Fund – Adelio European Fund

The Adelio European Fund (“the Sub-Fund”) aims to outperform the Stoxx Europe 600 (Net Return) index (“the benchmark”) by investing in listed equities issued by European companies.

The Sub-Fund selects securities that offer the most attractive risk-adjusted return, based on its own assessment of fundamental valuation and intrinsic risk. They are chosen from the pool of the c.1,100 most liquid stocks in Europe, ensuring the Sub-Fund meets its liquidity constraints.

The Sub-Fund launched on 19 October 2021. Class F EUR Acc. was up 3.08% from launch to year-end, while the benchmark was up 4.32% over the same period.

The Fund was only operational for 11 weeks in 2021, which is a very short period from which to draw meaningful conclusions. October and November saw steady outperformance, but the market regime changed abruptly in December with first, the re-emergence of Covid-19 in the form of the omicron variant, and second, growing concerns about inflation and the upcoming inflection in Federal Reserve monetary policy. Stock valuations were more reflective of flows than of fundamentals into the end of the year.

The biggest contributors to the performance of the Sub-Fund over the period were:

- STMicroelectronics (+52bps), a key beneficiary of the semiconductor cycle stretching out;
- Thule Group (+48bps), a gear manufacturer exposed to strong trends in cycling/camping;
- Valmet (+47bps), a well-run supplier to the pulp and paper industry;
- GTT (+27bps), a dominant player in a niche of the LNG cargo value chain that received strong orders in December;
- Epiroc (+24bps), a manufacturer of mining equipment in an environment of rising commodity prices.

The biggest detractors over the period were:

- Adyen (-66bps), a structural growth story in payments that suffered from the market's rotation from the “growth” style to the “value” style;
- Pandora (-52bps), a jewellery company that suffered from concerns about US consumer stimulus waning;
- Lundin (-40bps), a best-in-class European energy producer that received a merger offer at a disappointing premium;
- ING (-35bps), a European bank that stabilized after a strong run up;
- Brenntag (-27bps), a chemicals distributor that benefitted from Covid-19 disruption.

Note the Sub-Fund held no shares in Russia or CEE-domiciled companies over the period.

The figures stated in this report are historical and not necessarily indicative of future performance.

To the Shareholders of
Adelio Ucits Fund

Independent Auditor's Report

Opinion

We have audited the financial statements of Adelio Ucits Fund (the « *Fund* ») and of each of its sub-funds, which comprise the statement of net assets and the schedule of investments as at 31 December 2021 and the statement of operations and changes in net assets for the period from 4 May 2021 (date of incorporation) to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Adelio Ucits Fund and of each of its sub-funds as at 31 December 2021, and of the results of their operations and changes in their net assets for the period from 4 May 2021 (date of incorporation) to 31 December 2021 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

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 those Law and standards are further described in the "Responsibilities of *Réviseur d'Entreprises Agréé* for the Audit of the Financial Statements" section of our report. We are also 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, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of *Réviseur d'Entreprises Agréé* 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 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 concluded that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regards.

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.

Responsibilities of the *Réviseur d'Entreprises Agréé* 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 a report of *Réviseur d'Entreprises Agréé* 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 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 report of the *Réviseur d'Entreprises Agréé* 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 report of the *Réviseur d'Entreprises Agréé*. 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.

For Deloitte Audit, *Cabinet de Révision Agréé*

Nicolas Hennebert, *Réviseur d'Entreprises Agréé*
Partner

20 April 2022

ADELIO UCITS FUND

Adelio UCITS Fund – Adelio European Fund Schedule of Investments As at 31 December 2021

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing				
Equities				
<i>Belgium</i>				
Warehouses De Pauw CVA, REIT	EUR	19,546	824,450	3.70
			<u>824,450</u>	<u>3.70</u>
<i>Denmark</i>				
Carlsberg AS 'B'	DKK	1,321	200,613	0.90
Dsv A/S	DKK	2,005	411,779	1.85
Pandora A/S	DKK	4,074	446,643	2.00
			<u>1,059,035</u>	<u>4.75</u>
<i>Finland</i>				
Valmet OYJ	EUR	29,623	1,117,379	5.01
			<u>1,117,379</u>	<u>5.01</u>
<i>France</i>				
Air Liquide SA	EUR	5,411	829,615	3.72
Cie De Saint-Gobain	EUR	17,989	1,112,979	4.99
Coface SA	EUR	17,069	213,875	0.96
Essilorluxottica SA	EUR	1,349	252,587	1.13
Gaztransport Et Technigaz SA	EUR	6,969	573,200	2.57
Lvmh Moet Hennessy Louis Vuitton SE	EUR	628	456,556	2.05
Sartorius Stedim Biotech	EUR	842	406,181	1.82
Societe Generale SA	EUR	32,729	988,579	4.43
Vinci SA	EUR	4,176	387,992	1.74
			<u>5,221,564</u>	<u>23.41</u>
<i>Germany</i>				
Brenntag SE	EUR	9,467	753,384	3.38
Deutsche Post AG	EUR	7,919	447,740	2.00
Muenchener Rueckversicherungs-Gesellschaft AG	EUR	3,296	858,608	3.85
			<u>2,059,732</u>	<u>9.23</u>
<i>Ireland</i>				
Kingspan Group plc	EUR	4,637	486,885	2.18
			<u>486,885</u>	<u>2.18</u>
<i>Jersey</i>				
Ferguson plc	GBP	3,582	559,099	2.51
			<u>559,099</u>	<u>2.51</u>

ADELIO UCITS FUND

Adelio UCITS Fund – Adelio European Fund Schedule of Investments (continued) As at 31 December 2021

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing (continued)				
Equities (continued)				
<i>Netherlands</i>				
Adyen NV, Reg. S	EUR	414	956,961	4.29
Asml Holding NV	EUR	683	482,676	2.16
ASR Nederland NV	EUR	10,022	405,891	1.82
Be Semiconductor Industries NV	EUR	11,594	869,782	3.90
Ing Groep NV	EUR	49,588	607,056	2.72
Koninklijke Dsm NV	EUR	2,461	487,278	2.19
Stmicroelectronics NV	EUR	24,875	1,088,530	4.88
			<u>4,898,174</u>	<u>21.96</u>
<i>Sweden</i>				
Epiroc AB 'A'	SEK	18,883	420,354	1.88
Lundin Energy AB	SEK	23,096	727,916	3.26
Thule Group AB, Reg. S	SEK	10,041	534,426	2.40
Volvo AB 'B'	SEK	26,700	543,671	2.44
			<u>2,226,367</u>	<u>9.98</u>
<i>Switzerland</i>				
Lonza Group AG	CHF	824	605,658	2.71
Roche Holding AG	CHF	549	200,863	0.90
			<u>806,521</u>	<u>3.61</u>
<i>United Kingdom</i>				
Ashtead Group plc	GBP	8,639	611,395	2.74
Astrazeneca plc	GBP	9,530	985,006	4.42
Croda International plc	GBP	4,512	543,846	2.44
Howden Joinery Group plc	GBP	49,945	536,092	2.40
Natwest Group plc	GBP	96,609	259,702	1.16
			<u>2,936,041</u>	<u>13.16</u>
Total Equities			<u>22,195,247</u>	<u>99.50</u>
Total Transferable securities and money market instruments admitted to an official exchange listing			<u>22,195,247</u>	<u>99.50</u>
Total Investments			<u>22,195,247</u>	<u>99.50</u>
Cash at banks and at brokers			<u>88,487</u>	<u>0.40</u>
Other assets/(liabilities)			<u>23,649</u>	<u>0.10</u>
Total net assets			<u>22,307,383</u>	<u>100.00</u>

ADELIO UCITS FUND

Statement of Net Assets As at 31 December 2021

	Adelio European Fund EUR
Assets	
Investments in securities at cost	21,757,448
Unrealised gain/(loss)	437,799
Investments in securities at market value	22,195,247
Cash at bank and at brokers	88,487
Formation expenses net of amortisation	227,171
Receivables on subscriptions	312,206
Tax reclaims receivable	1,043
Total assets	22,824,154
Liabilities	
Payables on investments purchased	210,707
Investment Management fees payable	27,414
Management Company fees payable	16,249
Performance fees payable	196
Formation expenses payable	232,171
Other liabilities	30,034
Total liabilities	516,771
Total net assets	22,307,383

The accompanying notes form an integral part of these financial statements

ADELIO UCITS FUND

Statement of Operations and Changes in Net Assets

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

	Adelio European Fund EUR
Net assets at the beginning of the period	–
Income	
Dividend income, net of withholding taxes	11,045
Bank interest	42
Total income	11,087
Expenses	
Investment Management fees	27,414
Management Company fees	16,249
Performance fees	196
Depository fees	7,834
Administrative fees	1,254
Audit fees	2,400
Taxe d'abonnement	564
Amortisation of formation expenses	5,001
Bank and other interest expenses	584
Director's fees	10,437
Other Operating expenses	7,545
Total expenses	79,478
Net investment income/(loss)	(68,391)
Net realised gain/(loss) on:	
Sale of investments	(4,892)
Forward currency exchange contracts	(6,475)
Currency exchange	1,684
Net realised gain/(loss) for the period	(9,683)
Net change in unrealised appreciation/(depreciation) on:	
Investments	437,799
Currency exchange	(18)
Net change in unrealised appreciation/(depreciation) for the period	437,781
Increase/(decrease) in net assets as a result of operations	359,707
Subscriptions	22,433,992
Redemptions	(486,316)
Increase/(decrease) in net assets as a result of movements in share capital	21,947,676
Net assets at the end of the period	22,307,383

The accompanying notes form an integral part of these financial statements

ADELIO UCITS FUND

Statistical Information

	Shares outstanding as at 31 December 2021	NAV per share as at 31 December 2021	NAV per share as at 31 December 2020	NAV per share as at 31 December 2019
Adelio European Fund*				
Class A (CHF) acc. ¹	11,364	97.60	–	–
Class A (EUR) acc. ²	89,791	103.11	–	–
Class A (USD) acc. ²	34,184	100.73	–	–
Class F (EUR) acc. ²	70,820	103.08	–	–
Class F (USD) acc. ³	19,098	98.27	–	–
Total net assets in EUR		22,307,383		

*The Sub-Fund launched on 19 October 2021.

¹ The Share class launched on 22 November 2021.

² The Share class launched on 19 October 2021.

³ The Share class launched on 28 October 2021.

The accompanying notes form an integral part of these financial statement

ADELIO UCITS FUND

Notes to the Financial Statements

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

1. General

Adelio UCITS Fund (referred to hereafter as “the SICAV”) was incorporated for an unlimited period on 4 May 2021 as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg and qualifies as an open-ended investment company with variable capital (*société d’investissement à capital variable*) under part I of the Law of 2010.

The deed of incorporation, including the Articles of Incorporation, was published in the RESA on 25 May 2021. The SICAV is registered with the Luxembourg trade and companies’ register (*Registre de Commerce et des Sociétés*) under number RCS B254945. The SICAV is authorised by the CSSF as a UCITS under the Law of 2010.

The SICAV is an “umbrella fund” which is composed of sub-funds (the “sub-Funds”), each of which relate to a separate portfolio of assets. Shares in any particular Sub-Fund are (each a “Class” and together the “Classes”) to accommodate different subscription, conversion and further divided into different classes redemption provisions and/or fees and charges to which they are subject, as well as their availability to certain types of investors.

As at 31 December 2021, the Fund is comprised of the following sub-fund:

- Adelio UCITS Fund – Adelio European Fund (the “Sub-Fund”) (launched on 19 October 2021)

The SICAV has the possibility to create further sub-funds as well as further Classes of Shares.

As at 31 December 2021 the Sub-Fund has issued below Share Classes.

Share Classes	Currency	Launch date
Class A (EUR) acc.	EUR	19 October 2021
Class A (USD) acc.	USD	19 October 2021
Class F (EUR) acc.	EUR	19 October 2021
Class F (USD) acc.	USD	28 October 2021
Class A (CHF) acc.	CHF	22 November 2021

The accounts of the SICAV are expressed in EUR. As the SICAV has only one active sub-fund as at 31 December 2021, and as the reference currency of the sole sub-fund is in EUR, the accounts of the SICAV are the same as the accounts of the sole active sub-fund.

The accounting year of the SICAV ends on 31 December of each year.

2. Significant accounting policies

These financial statements are prepared in accordance with legal and regulatory requirements applicable for Investment Funds in the Grand Duchy of Luxembourg.

2.1 Investment valuation

(a) The value of any cash in hand or on deposit, notes and bills payable on demand and accounts receivable, prepaid expenses and cash dividends declared and interest accrued but not yet collected, shall be deemed the nominal value of these assets unless it is improbable that it can be paid and collected in full; in which case, the value will be arrived at after deducting such amounts as the Fund or the Management Company may consider appropriate to reflect the true value of these assets.

ADELIO UCITS FUND

Notes to the Financial Statements (continued)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

2. Significant accounting policies (continued)

2.1 Investment valuation (continued)

(b) Securities and Money Market Instruments listed on an official stock exchange or dealt on any other Regulated Market will be valued at their last available price in Luxembourg as of the Valuation Day and, if the security or Money Market Instrument is traded on several markets, on the basis of the last known price on the main market of this security. If the last known price is not representative, valuation will be based on the fair value at which it is expected it can be sold, as determined with prudence and in good faith by the Fund or the Management Company.

(c) Unlisted securities and securities or Money Market Instruments not traded on a stock exchange or any other Regulated Market as well as listed securities and securities or Money Market Instruments listed on a Regulated Market for which no price is available, or securities or Money Market Instruments whose quoted price is, in the opinion of the Fund or the Management Company, not representative of actual market value, will be valued at their last known price in Luxembourg or, in the absence of such price, on the basis of their probable realisation value, as determined with prudence and in good faith by the Fund or the Management Company.

(d) Securities or Money Market Instruments denominated in a currency other than the relevant Sub-Fund's or Class' valuation currency will be converted at the average exchange rate of the currency concerned applicable on the relevant Valuation Day.

(e) The valuation of investments reaching maturity within a maximum period of 90 days may include straight-line daily amortisation of the difference between the principal 91 days before maturity and the value at maturity.

(f) The liquidation value of futures, spot, forward or options contracts that are not traded on stock exchanges or other Regulated Markets will be equal to their net liquidation value determined in accordance with the policies established by the Fund or the Management Company on a basis consistently applied to each type of contract. The liquidation value of futures, spot, forward or options contracts traded on stock exchanges or other Regulated Markets will be based on the latest available price for these contracts on the stock exchanges and Regulated Markets on which these options, spot, forward or futures contracts are traded, provided that if an option or future contract cannot be liquidated on the relevant Valuation Day, the basis for determining the liquidation value of said contract shall be determined by the Fund or the Management Company in a fair and reasonable manner.

(g) Swaps are valued at their fair value based on the last known closing price of the underlying security.

(h) UCIs are valued on the basis of their last available net asset value. As indicated below, this net asset value may be adjusted by applying a recognised index so as to reflect market changes since the last valuation.

(i) Liquid assets and Money Market Instruments are valued at their nominal value plus accrued interest, or on the basis of amortised costs.

(j) Any other securities and assets are valued in accordance with the procedures put in place by the Fund or the Management Company and, where necessary and appropriate, with the support of valuers who will be instructed to carry out valuations.

2.2 Foreign currency translation

Assets or liabilities denominated in a currency other than that in which the relevant net asset value will be expressed, will be converted at the relevant foreign currency spot rate on the relevant valuation day. If such quotations are not available, the rate of exchange will be determined in good faith by or under procedures established by the Board of Directors.

Main exchange rates used as at 31 December 2021 are:

Currency	Rate
USD	1.1372
CHF	1.0362

ADELIO UCITS FUND

Notes to the Financial Statements (continued)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

2. Significant accounting policies (continued)

2.3 Dividend income

Dividends are accounted for an “ex-dividend” basis net of any irrecoverable withholding tax.

2.4 Realised gains or losses

Realised gains or losses comprise the profit or loss arising from disposal of securities during the period and differences arising on the revaluation of other assets and liabilities denominated in foreign currencies.

Realised gains or losses on sales of securities are determined on the basis of the weighted average cost of the securities sold.

2.5 Formation expenses

The costs incurred in connection with the formation of the SICAV and new Sub-Funds are capitalised and amortised over a period not exceeding five years.

2.6 Forward foreign exchange contracts

Unrealised gains and losses on outstanding forward foreign exchange contracts are valued by reference to the forward rate of exchange applicable to the outstanding life of the contract and are included in the Statement of Net Assets.

The realised and unrealised gain/(loss) on forward foreign exchange contracts are disclosed separately in the Statement of Operations and Changes in Net Assets.

3. Management Company fees

Pursuant to the Management Company Services Agreement, Carne Global Fund Managers (Luxembourg) S.A. was appointed as the management company of the Fund.

The Fund pays the Management Company a fee of up to 0.03% per Sub-Fund per year with a minimum of up to EUR 25,000 per year per Sub-Fund.

As remuneration for its services as corporate secretary and domiciliary agent, the Management Company receives from the Fund an annual fee of EUR 5,000 and variable fee being EUR 1,000 per Sub-Fund and EUR 1,000 per board meeting.

Third parties to whom functions have been delegated by the Management Company with the approval of the SICAV are remunerated directly by the SICAV (out of the assets of the relevant Sub-Fund). Such remunerations are not included in the Management Company fee payable to the Management Company.

4. Depositary Fee

Under the Depositary Agreement, the Depositary receives annual safekeeping and servicing fees, according to the agreed schedule with the Fund in respect of each Sub-Fund, the rates for which vary according to the country of investment and, in some cases, according to the Class. The depositary fee is payable at the end of each month by the Fund in respect of each Sub-Fund and is accrued on each Valuation Day based on the previous Valuation Day's Net Asset Value and the number of transactions processed. The depositary fee normally includes depositary fees, safekeeping fees, transaction charges and out of pocket expenses. The depositary fees paid by the Fund will not exceed 0.025% of the net assets of the Fund (excluding transaction charges and reasonable disbursements and out-of-pocket expenses). The depositary safekeeping fee varies depending upon the markets in which the assets of the Fund are invested and typically ranges from 0.01% of the net assets of the Fund in developed markets to a maximum of 0.0125% of the net assets of the Fund in less developed markets (excluding transaction charges and reasonable disbursements and out-of-pocket expenses) and remain subject to a minimum fee of EUR 50,000 per Sub-Fund per year.

ADELIO UCITS FUND

Notes to the Financial Statements (continued)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

5. Administrative Fee

Under the Administration Agreement, the Central Administration Agent receives annual administrative fees, according to the agreed schedule with the Fund in respect of each Sub-Fund, the rates for which vary according to the country of investment and, in some cases, according to Class. The administrative fee is payable at the end of each month by the Fund in respect of each Sub-Fund and is accrued on each Valuation Day based on the previous Valuation Day's Net Asset Value and the number of transactions processed during that month. The administrative fee is calculated by the agreed schedule and shall, in principle, not exceed 0.04% per annum of the Net Asset Value of each Sub-Fund and remains subject to a minimum of EUR 48,000 per year, with the minimum fee waived for the first six months. These fees may be raised from time to time to reflect current market practice if agreed between the Fund and the Central Administration Agent, in which case the Prospectus will be updated accordingly. Further, additional transaction fees, share class surcharges, tax calculation charges and maintenance fees for transfer agency services will be levied by the Central Administration Agent.

6. Investment Management Fee

Pursuant to the Investment Management Agreement, Adelio Partners Limited was appointed to provide certain discretionary investment management services in respect of the Company. The Investment Manager manages the investment and reinvestment of the assets of each Sub-Fund in accordance with the investment objectives and restrictions of each Sub-Fund, under the overall responsibility of the Board of Directors.

The Investment Manager may pay out of its investment management fee, marketing commission or trailer fees to eligible introducers of investors to the Fund. The Investment Manager may also pay retrocessions or rebates out of its investment management fee to certain investors, taking due account of the requirement to act in the best interests of the Shareholders.

The Investment Manager receives from the Fund an investment management fee in respect of each Sub-Fund as specified below:

Fund	Rate
Adelio European Fund	
Class A (CHF) acc.	1.00%
Class A (EUR) acc.	1.00%
Class A (USD) acc.	1.00%
Class F (EUR) acc.	0.50%
Class F (USD) acc.	0.50%

7. Performance Fee

The Investment Manager is entitled to a Performance Fee for Outperformance during each Performance Period. The performance fees for all Share Classes (except Class Z (EUR) acc.) equals 10 % of the amount by which the appreciation of the net asset value of such share exceeds the total return of the benchmark over that performance period. Share class Z (EUR) acc does not pay any performance fees.

The Performance Fee will be calculated on each Valuation Day and an accrual will be reflected in the Net Asset Value per Share of the relevant Class on each Valuation Day on which there is Outperformance.

The Performance Fee due for the relevant Performance Period will be the aggregate amount of each Outperformance of the relevant Class as it is calculated on the last Valuation Day of the relevant Performance Period. The Performance Fee will be equal to the Outperformance multiplied by the Performance Fee Percentage.

The Performance Fee is payable on the last Valuation Day of each Performance Period, or if the Class is terminated before the end of a Performance Period, the Valuation Day on which the final redemption of Shares of the relevant Class takes place, or in the case of Shares being redeemed during a Performance Period, the accrued Performance Fee in respect of those Shares will be payable within 14 calendar days of the date of redemption (each a "Payment Date").

Outperformance will be adjusted for any dividends paid by Adelio European Fund during the Performance Period.

ADELIO UCITS FUND

Notes to the Financial Statements (continued)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

7. Performance Fee (continued)

The value of the High Water Mark for the next Performance Period will be reset on 1 January to the Net Asset Value of the Shares of the relevant Class on the last Valuation Day of the preceding Performance Period, such Net Asset Value to be adjusted to reflect any underperformance against the Relevant Benchmark on a five year rolling basis.

The Performance Fee is calculated based on the Net Asset Value of the Shares of the relevant Class and no Shareholder level equalisation is undertaken. This may result in inequalities between Shareholders in relation to the payment of Performance Fees (with some Shareholders paying disproportionately higher performance fees in certain circumstances). Because there is no Shareholder level equalisation, this may also result in certain Shareholders having more of their capital at risk at any given time than other Shareholders. The methodology may, in certain circumstances, result in certain Shareholders being charged a Performance Fee in circumstances where the Net Asset Value per Share of their Shares has not increased over the relevant calculation period as a whole.

Calculation of the High Water Mark for the Performance Period beginning at launch

The Performance Fee is payable where there is an Outperformance during the Performance Period, although this may be due to market movements impacting on retained holdings in the Sub-Fund rather than specific actions undertaken by the Investment Manager.

Any change to the Relevant Benchmark will be disclosed in the periodic reports of Adelio European Fund.

For the purposes of the Performance Fee calculation, the Net Asset Value shall be calculated before the deduction of any accrual for Performance Fee for that Performance Period, other than Performance Fee accrued in relation to the Class in respect of redemptions during the Performance Period but not yet paid.

As the Performance Fee depends on the performance of the Net Asset Value per Share of the relevant Class of Shares, it is not possible to predict the amount of Performance Fee that will be payable and there is in effect, no maximum Performance Fee as it is impossible to quantify any Outperformance in advance.

A Performance Fee may be payable by Adelio European Fund even if the Net Asset Value per Share of the relevant Class declined during the Performance Period if the Adelio European Fund has out-performed the Benchmark Performance (which shall be the case if the Net Asset Value per Share declined by less than the High Water Mark as adjusted by the Benchmark Performance). In calculating the Performance Fee payable in respect of a Performance Period, any underperformance of the Net Asset Value per Share of the relevant Class relative to the value of the Relevant Benchmark for that Class during prior Performance Periods will be carried forward on a rolling five year basis.

The Performance Fee will be calculated and accrued on each Valuation Day by the Central Administration Agent. The Depositary shall verify the calculation of each Performance Fee prior to payment. Where Performance Fees are payable in respect of the relevant Class of Shares, these will be based on net realised and net unrealised gains and losses as at each Payment Date. As a result, Performance Fees may be paid on unrealised gains which may subsequently never be realised. Performance Fees will reduce investors' returns.

The table below shows the performance fee charged for the period ended 31 December 2021 and the performance fee as a percentage of the average net assets value for each share class:

	Sub-fund currency	Performance fee	Percentage of average net assets
Adelio European Fund			
Class A (EUR) acc. ¹	EUR	17	0.00
Class F (EUR) acc. ¹	EUR	179	0.00

¹ Share class launched on 19 October 2021.

ADELIO UCITS FUND

Notes to the Financial Statements (continued)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

8. Directors' Remuneration

Each of the Directors is currently entitled to an annual fee of EUR 20,000 payable by the Fund. Mr. Ashley Brown, an employee of the Investment Manager has waived his fee. Ms. Sylvie Rodrigues, as chair is entitled to an annual fee of EUR 25,000. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund.

9. Formation Costs

The costs and expenses of the formation of the Fund and the initial Sub-Fund are to be borne by the Fund and amortized over a period not exceeding five (5) years from the date of formation. The formation costs of any new Sub-Fund shall be borne by the relevant Sub-Fund and amortized over a period not exceeding five (5) years.

Adelio European Fund Class Z, which launched on 26 January 2022, will pay 50% of the formation costs with the remaining costs borne by the other investment classes.

10. Taxation

The Fund is not liable for any Luxembourg tax on profits or income.

The Fund is liable in Luxembourg for an annual subscription tax ("taxe d'abonnement") which is payable quarterly on the basis of the value of the net assets of the Fund at the end of the relevant calendar quarter. The rate of the subscription tax is 0.05% per annum of the Net Asset Value of each Class which is available to all investors.

The rate of the subscription tax is 0.01% per annum of the Net Asset Value for:

- (a) Sub-Funds whose sole object is the collective investment in Money Market Instruments and the placing of deposits with credit institutions,
- (b) Sub-Funds whose sole object is the collective investment in deposits with credit institutions, and
- (c) Sub-Funds or Classes which are reserved to one or more Institutional Investors.

A Sub-Fund that satisfies the following conditions is exempt from the annual subscription tax:

- (i) the securities issued by the Sub-Fund are reserved to Institutional Investors,
- (ii) the sole object of the Sub-Fund is the collective investment in Money Market Instruments and the placing of deposits with credit institutions,
- (iii) the weighted residual portfolio maturity of the Sub-Fund does not exceed 90 days, and
- (iv) the Sub-Fund has obtained the highest possible rating from a recognised rating agency.

The Fund was liable for an initial fixed charge of 75 Euro which was paid upon its incorporation.

No Luxembourg tax is payable on the realized capital gains or unrealized capital appreciation of the assets of the Fund.

Dividends and interest received by the Fund on its investments are in many cases subject to irrecoverable withholding taxes at source.

11. Swing Pricing

The Fund adopted a partial swing pricing process. If on any Valuation Day the aggregate transactions in Shares of a Sub-Fund result in a net increase or decrease in net assets which exceeds a certain percentage of total net assets, as established by the Board of Directors and communicated to the Management Company, in situations other than in case of subscriptions or redemptions in specie, the Management Company may adjust the Net Asset Value of the relevant Sub-Fund by an amount not exceeding 0.75% of that Net Asset Value, to reflect the estimated dealing costs that may be incurred by the Sub-Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. The adjustment will be an addition when the net movement results in a net increase in total net assets of the Sub-Fund and a deduction when it results in a net decrease.

ADELIO UCITS FUND

The threshold is set by the Board of Directors taking into account factors such as prevailing market conditions, estimated dilution costs and the size of the relevant Sub-Fund. The adjustment up or down will be determined mechanically based on predetermined threshold percentages and adjustment factors. This mechanism acts as a counter to the dilution effect on the relevant Sub-Fund arising from large net

Notes to the Financial Statements (continued)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021

cash inflows and outflows and aims to enhance the protection of the existing Shareholders in the relevant Sub-Fund. The adjustment factor for each Sub-Fund is established based on the historical liquidity and costs of trading assets of the type held by the relevant Sub-Fund and may be different between Sub-Funds.

During the period the swing prices were applied six times.

There were no swing prices applied as at 31 December 2021.

12. Changes in the investment portfolio

The details of the changes in investment portfolio composition are held at the disposal of the shareholders at the registered office of the SICAV and are available upon request free of charge.

13. Transaction costs

Transaction costs include broker commission fees and taxes related to the purchase and sale of securities.

For the period from 4 May 2021 (date of incorporation) to 31 December 2021, the Fund incurred transaction costs as below:

<u>Sub-Fund</u>	<u>Sub-Fund Currency</u>	<u>Total transaction costs</u>
Adelio European Fund	EUR	40,037

14. Significant events

Adelio - Adelio European Fund Sub Fund was launched on 19 October 2021.

There were no other significant events during the period which require disclosure in the Financial Statements.

15. Subsequent events

There we no subsequent events post the period ended 31 December 2021.

ADELIO UCITS FUND

Unaudited Supplementary Information

Soft Commission Arrangements

There were no soft commission arrangements affecting the Company for the period from 4 May 2021 (date of incorporation) to 31 December 2021.

Risk exposure

In accordance with the Law and the applicable regulations, in particular Circular CSSF 11/512, the Management Company uses for each Sub-Fund a risk-management process which enables it to assess the exposure of each Sub-Fund to market, liquidity and counterparty risks, and to all other risks, including operational risks, which are material to that Sub-Fund.

As part of the risk management process, the Management Company uses the commitment approach to monitor and measure the global exposure for all the Sub-Funds. This approach measures the global Exposure related to position on financial derivative instruments (“FDI”) and, where relevant, to other efficient portfolio management techniques, under consideration of netting and hedging effects (if used) which may not exceed the total net value of the portfolio of the relevant Sub-Fund.

European Regulation (EU) 2015/2365 on the transparency of financial transactions in securities and reuse of collateral (Securities Financing Transactions or SFTR)

For the period from 4 May 2021 (date of incorporation) to 31 December 2021, the SICAV did not enter into securities financing transactions and total return swaps.

European Regulation (EU) 2019/2088 on Sustainable Finance Disclosure Regulation (SFDR)

As part of its investment process, in line with article 6 (1) of regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector, as amended (the Sustainable Finance Disclosure Regulation, “SFDR”), the Investment Manager in line with article 2 (22) of SFDR takes any environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the Adelio European Fund into account in its investment decision-making process (“Sustainability Risks”) and evaluates them on an ongoing basis. The occurrence of Sustainability Risks may lead to a (substantial) decline in the financial profile, liquidity, profitability or reputation of the underlying investments of the Adelio European Fund and therefore potentially the Adelio European Fund itself. Sustainability Risks may have a significant impact on all known risk types and, as a factor, can contribute to the materiality of these risk types.

The Investment Manager for the Adelio European Fund integrates Sustainability Risks in the investment decision-making process by designing a portfolio of equities with the following characteristics:

- Sufficient liquidity in each stock to meet our stringent requirements – only c. 1,000 of the 14,000 listed names in our universe are eligible;
- A risk profile for each stock that falls within our acceptable limits – we turn away candidates we view as too dangerous, based on our proprietary scorecard in particular ESG or Sustainability Risks and other factors;
- Return expectations for each stock that are among the best we can find in our universe when adjusted for risk, including ESG or Sustainability Risks. That is, we select stocks that show the most potential upside per unit of risk.
- For the whole portfolio, sufficient factor diversification, and aggregate metrics that beat those of our benchmark: risk score, expected return, ESG score.

To implement this process, we have built a technology platform (“AQUA”) which collects and standardizes data from various providers, automates valuation calculations and risk analysis using market estimates along with our own inputs, and supports our analysts’ work.

AQUA collects industry and company ESG data from external providers as well as direct measures collected by us. These scores feed into our risk scorecard for every stock, with a 20% weight. The relative weights of industry score and company score vary, depending on the type of industry: a “good” company score carries more weight in a “bad” industry than in a “good” industry for instance.

ADELIO UCITS FUND

Unaudited Supplementary Information (continued)

European Regulation (EU) 2019/2088 on Sustainable Finance Disclosure Regulation (SFDR) (continued)

Based on the above mentioned screening, target companies are allocated to one of three following groups:

- The first group are companies on our exclusion list, with names that we deem to have the worst ESG footprints and no reasonable hope of improvement even through strong shareholder engagement, such as controversial weapons and tobacco products. These securities are excluded from investment;
- The second group are securities issued by companies with a low ESG rating: we may invest in these securities, but cannot exceed their weight in the benchmark, and we must engage actively with the issuer to improve the ESG rating; and
- The third group are all other securities, which are freely investable but where we will continue to engage for continuous ESG improvement.

We track our portfolio's aggregate ESG score and aim to keep it above that of our benchmark index.

The Adelio European Fund does not promote environmental or social characteristics within the meaning of the Disclosure Regulation (Article 8 SFDR) nor is it classified as a sustainable investment (Article 9 SFDR).

Adverse sustainability impacts

The Management Company does not consider principal adverse impacts on the basis that, in the context of the investment strategies of the Fund, it is not possible to conduct detailed diligence on the principal adverse impacts of the Investment Manager's investment decisions on sustainability factors.

Taxonomy Regulation

The investments underlying the Adelio European Fund do not take into account the EU criteria for environmentally sustainable economic activities.

Information on Remuneration

The Management Company has designed and implemented a remuneration policy (the "Remuneration Policy") in line with the provisions on remuneration as set out by the European Directive 2009/65/EC ("UCITS Directive"), as amended by Directive 2014/91/EU ("UCITS V Directive") as implemented into Luxembourg in the Law of 10 May 2016 (the "2016 Law").

The Management Company has developed and implemented remuneration policies and practices that are consistent with and promote a sound and effective risk management of the Fund, do not encourage risk-taking which is inconsistent with the risk profiles/rules governing the Fund, and do not impair compliance with the Management Company's duty to act in the best interest of the Fund and ultimately its investors.

The Board of Directors of the Management Company is responsible for the design, implementation and regular review of the Remuneration Policy. In reviewing the Remuneration Policy, the Board of Directors of the Management Company will consider whether the remuneration framework operates as intended and ensure that the risk profile, long-term objectives and goals of the Fund are adequately reflected. No material amendments were made to the Remuneration Policy and no irregularities were uncovered during the period under review. The current version of the Remuneration Policy is available on the Management Company's website.

ADELIO UCITS FUND

Unaudited Supplementary Information (continued)

Information on Remuneration (continued)

Proportion of the total remuneration of the staff of the UCITS attributable to Adelio UCITS Fund as of 31 December 2021¹.

The proportion of the total remuneration attributable to Adelio UCITS Fund has been calculated on a pro rata basis and on the basis of the number of Funds managed by the Management Company.

	Number of beneficiaries	Total remuneration (EUR) ²	Fixed remuneration in percentage of total	Variable remuneration in percentage of total
Total remuneration paid to Identified Staff ³ by the Management Company during the financial year	18	2,045,841	0.13	0.05

Total remuneration of the Investment Manager attributable to Adelio UCITS Fund as of 31 December 2021.

	Number of beneficiaries	Total remuneration (GBP) ⁴	Fixed remuneration in percentage of total	Variable remuneration in percentage of total
Total remuneration paid to Identified Staff ⁵ by the Investment Manager during the financial year	5	202,528	100	0

¹ 31 December is the financial year end of the Management Company.

² Total remuneration = sum of fixed remuneration and variable remuneration paid during the Management Company 's financial year.

³ Identified Staff comprises = Chief Executive Officer and Country Head of Luxembourg, Conducting Officers and Head of Legal, Head of Compliance, Directors of the Company and Members of the Investment Committee.

⁴ Total remuneration = sum of fixed remuneration and variable remuneration paid during the Investment Managers' financial year.

⁵ Identified Staff comprises = Chief Investment Officer, Portfolio Managers, Trading, Chief Operating Officer and Compliance.