

Performance Update

Legends Fund - Year-end Report

Legends Fund was down 2.91% in December, closing out the year at a total loss of 7.43%. We are by no means satisfied with the result, even though it does compare well with the HFRX Global Hedge Fund Index (euro hedged) which was down 9.93% for the year.

Most importantly, we are standing at a crossroads from which the prospects for hedge funds look extremely compelling. We are approaching this opportunity with what we feel is the best possible portfolio of managers for the upcoming expected changing market environment. We strongly believe any investor should be wary of strategies that have worked well over the past five years and should seriously consider the active, risk managed, and value-added approaches despite their relative recent underperformance.

We can be very clear about Legends Fund's results over the last 5 years. They have not been the results we were aiming for and have achieved for most of our 17 year history of investing in hedge funds. The last five years, investors would have been significantly better off by putting their money in a cheap 50/50 equity/bond index strategy. However, a new regime in markets is taking over now that central banks are withdrawing liquidity, interest rates are starting to normalise, and the growth outlook is less clear. This new regime is starting to offer a great amount of highly compelling investment opportunities to our managers. We encourage investors to look beyond the results of the past few years and to think about where they are going to achieve attractive positive returns going forward. With a significant share of the fund being our own capital, be assured that our interests are fully aligned with our investors' interests.

In this letter we will discuss the underlying managers, review the impact of our portfolio adjustments and share some exciting news on the organisational front.

Underlying managers

Of the twelve funds in the Legends Fund Portfolio, five posted a positive result in 2018. There was no single stand-out strategy and results were primarily driven by manager selection. The 2018 losses were primarily driven by our positions in **Andurand Capital** (-20%), **VR Global** (-11%), **Moore Global Investors** (-8%) and **Lansdowne Developed Markets** (-7%). Most of this we consider unrealized losses that we expect to make back over time and some of this has already reversed in January. In some cases, like VR, we realize that in order to reap bigger returns in the future we need to accept some periods of shorter term losses. We will make use of such periods by actually adding to our position, like we have done in this particular case. Andurand Capital is a different story, as the manager had to reduce his positions when energy prices moved against him at a time when he was fully exposed. He did avoid further losses as a result, but it will take some time for him to make his way back. We know this is a volatile strategy, but we expect outsized results over time and have sized it accordingly.

We'll briefly discuss each of the underlying funds that are larger than 5%, moving from the largest to the smallest manager.

VR Global: *distressed debt strategy with a focus on emerging markets*

17.3% position, -10.5% in 2018

We have seized on the opportunity of VR Global opening up to some additional capital to grow it to become the largest position in the fund. Some of the markets in which the fund has a unique expertise are offering highly compelling risk-reward opportunities not seen for many years. We expect strong double-digit gains from the position.

Millennium International: *long-short trading platform in equities and fixed income*

14.0% position, +4.4% in 2018

Millennium delivered positive results in 2018 despite a difficult November month for their strategy. It is a unique trading and risk management platform with 200+ trading teams that we expect to deliver strong positive numbers with volatility and dispersion in markets being a positive for the strategy.

Renaissance Technologies: *quantitative long-short equity strategies*

14.0% position, +9.5% in 2018

Renaissance strongly delivered in 2018 despite the negative market backdrop. The group delivered strong alpha on both the long- and the short side of the book. The relatively low gross book protected well in November (+3%) when most of their quantitative peers suffered.

Autonomy Capital: *multi-asset class with an emerging market focus*

13.0% position, + 15.2% in 2018

Autonomy delivered an outstanding year with double digit gains. Main drivers were positions in Puerto Rico debt and Brazilian rates. Shorts in Italy, China and Turkey helped as well. The manager sees great opportunities given the dispersion in emerging markets.

Lansdowne Developed Markets: *fundamental long short equity in developed markets*

8.8% position, -7.0% in 2018

Fundamental long-short equities had a difficult year in 2018 as demonstrated by the 9.4% loss for the HFRX Equity Hedge Index. While Lansdowne did a bit better than that, they did suffer from this market in which especially shorts did offer very little downside protection. With the valuation-gap between longs and shorts being at historical highs we actually think the prospects for the strategy are very strong going forward.

Egerton Long Short Fund: *fundamental long short equity in developed markets*

8.7% position, -1.6% in 2018

Egerton fared significantly better with the same strategy, outperforming markets by a decent margin. They did achieve alpha on both the long and the short side. As with Lansdowne, we expect the prospects for the strategy to be strong.

Moore Global Investors: *traditional global macro*

7.6% position, -7.6% in 2018

Probably the most disappointing to us in 2018. Moore Capital didn't capitalize on the increased volatility in markets over the last year. In addition due to the relatively high fees and poor transparency we have been reducing the position.

Pershing Square Holdings: *concentrated equity investing with an activist angle*

7.1% position, -5.3% in 2018

Pershing Square's portfolio was actually flat on the year in 2018. . This listed closed-end fund's 5% loss was fully explained by a 5% increase in the discount to the underlying NAV the fund is trading at. We believe the fund has several new interesting positions where they can add significant value. In combination with the large discount to NAV we believe this is a highly attractive position.

Brevan Howard Fund: *developed markets global macro strategy with a focus on rates markets*

6.4% position, +11.1% in 2018

The bread and butter of Brevan Howard's strategy is interest rate trading. With the rate rises by the US FED and some renewed volatility in interest rate markets, the fund lived up to our expectations in 2018. We expect them to do continue to do well, especially when the volatility in markets continues.

Currency Hedge

Most of the underlying funds in the portfolio are denominated in USD. We consistently hedge this risk to euros. This has been a significant drag on performance with an interest differential of 3% between Europe and the US. However, it does protect us from a weakening USD, which in our opinion is not an unlikely scenario.

Portfolio adjustments

The changes we made to the portfolio in 2018 have had a significant positive effect. Per June 30th we sold **Glenview Capital** because of its high equity market correlation. We avoided a 19% downturn for the fund in the fourth quarter. Also we redeemed out of **Discovery Capital** where we did not feel the manager would benefit our portfolio and also here we avoided a 20% downturn in the last quarter. Finally, we sold our position in **Transtrend Omnitrend Plus** as we believed CTAs would not protect us in an equity market downturn. This proved correct and as a result we did not participate in the double digit losses posted by the fund. We added to our positions in **Renaissance Institutional Equities Fund** and added an equally sized position in the market-neutral **Renaissance Institutional Diversified Global Equities Fund**. Both funds did very well with gains of 8.4% and 10.4% respectively. And as mentioned before we aggressively increased our position with **VR Global** when we had the opportunity per September 1st. The manager made 0.5% in those last four months of the year, already quite an accomplishment given the market backdrop, but obviously we are in it because we expect much stronger prospective returns.

Organisation

We are tremendously pleased to announce that **Marc de Kloe** has joined the Theta Team per January 1st. Many of you will know Marc from the annual Legends4Legends charity conference which we have been organising together. Marc has an extensive background in alternatives. For several years he rebuilt and headed the worldwide Alternatives efforts of ABN Amro Private Banking and more recently was COO at Adamas Asset Management, a private credit group in Hong Kong working in a joint venture with Ping An.

With Marc on board we are fully prepared to address the great opportunity we see ahead of us in valued added strategies.

We hope the letter gets across our excitement and we look forward to working with you in 2019.

About Legends Fund

Legends Fund offers unique access to some of the world's most renowned money managers. The underlying funds are mostly closed to new investors or require multi-million dollar minimums. Through its industry network and long standing history with these managers Legends Fund makes this unique investment talent accessible to all investors. Through its listing at Euronext Amsterdam, Legends Fund can be bought and sold on a daily basis without a minimum investment amount.

Legends Fund is managed by the hedge fund specialists of Theta Capital Management. Established in 2001, Theta Capital Management is one of the oldest and largest independent Dutch Alternative Asset Managers. Since its creation, Theta has been exclusively focused on managing portfolios of hedge funds for both private and institutional clients. Management and shareholders of Theta Capital are among the largest investors in Legends.