

Legends Fund

The Netherlands

ANNUAL REPORT

for the year ended 31 December 2016

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General information

Fund Manager	Theta Fund Management B.V. Concertgebouwplein 19 1071 LM Amsterdam The Netherlands
Administrator	Custom House Fund Services (Netherlands) B.V. Westblaak 89 P.O. Box 25121 3001 HC Rotterdam The Netherlands
Legal Owner	Stichting Bewaarbedrijf Legends XL Fund 101 Barbara Strozzi laan 1083 HN Amsterdam The Netherlands
Independent Auditor	Ernst & Young Accountants LLP Boompjes 258 3011 XZ Rotterdam The Netherlands
Legal and Tax Counsel	Greenberg Traurig, LLP Hirsch Building, Leidseplein 29 1017 PS Amsterdam P.O. Box 75306 1070 AH Amsterdam The Netherlands
Custody Banks	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands
Listing Agent	NIBC Bank N.V. Carnegieplein 4 2517 KJ The Hague The Netherlands

General information

Depository	Darwin Depository Services B.V. 101 Barbara Strozilaan 1083 HN Amsterdam The Netherlands
Liquidity Provider	NIBC Bank N.V. Carnegieplein 4 2517 KJ The Hague The Netherlands
ENL - Agent and Principal Paying Agent	ABN AMRO Clearing Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands

Historical multi-year overview

Key figures

	2016	2015	2014	2013	2012
<i>(All amounts in EUR)</i>					
Equity	30,052,104	25,445,409	23,978,982	19,858,120	28,505,653
Number of participations					
Class A	320,867	246,876	230,990	200,505	320,248
Class B	174	174	-	-	-
Equity per participation					
Class A	96.15	102.98	103.92	98.91	88.53
Class B	96.15	102.98	-	-	-
Ongoing charges ratio (including incentive fee)	1.61%	1.54%	2.76%	2.52%	2.04%
Ongoing charges ratio (excluding incentive fee)	1.61%	1.54%	2.48%	2.38%	2.00%
Turnover ratio	98.54%	13.92%	60.27%	22.11%	8.44%
Performance of the Fund	(6.63%)	(0.91%)	5.07%	11.72%	6.33%
Weighted average number of participations	274,703	243,220	189,827	271,483	372,197
Net profit					
Investment income	385	9,007	5	192	1,943
Indirect investment result	(1,955,316)	111,527	1,427,221	3,229,118	1,756,191
Expenses	(439,115)	(395,485)	(532,854)	(660,267)	(618,060)
Net profit	(2,394,046)	(274,951)	894,372	2,569,043	1,140,074
Net profit per participation					
Investment income	0.00	0.04	0.00	0.00	0.00
Indirect investment result	(7.12)	0.46	7.52	11.89	4.72
Expenses	(1.60)	(1.63)	(2.81)	(2.43)	(1.66)
Net profit per participation	(8.72)	(1.13)	4.71	9.46	3.06

Fund Manager Report

We expect to look back at 2016 as the year in which the investment environment for hedge funds improved markedly. After a multi-year period with ultralow and still ever falling interest rates in which deflationary and inflationary forces were battling for investor attention, the fight was decided decisively in favor of the inflationary forces in 2016. This started to become clearer at the end of Q1 and strongly accelerated with the U.S. election which further boosted the expectations for fiscal stimulus. With inflation expectations, and as a result interest rate volatility, making a comeback, the investment roadmaps for our managers across strategies has become much clearer and we have seen a pickup in conviction levels of our managers translating in a strong fourth quarter.

The full year still was a difficult one and Legends Fund (the “Fund”) lost 6.63% in 2016. In comparison, the HFRX Global Hedge Fund Index was up 1.26%. The negative performance was almost fully contributable to three of the underlying hedge funds: Lansdowne Developed Markets, Pershing Square Holdings and Paulson Enhanced. We expect these funds to recover from their drawdowns as their theses play out. Each of these managers historically have shown their strongest performance in periods following previous drawdowns. We expect this time will be no different. Add to this the markedly improved environment for hedge fund strategies, and we foresee the Fund to achieve significantly better performance in the years ahead.

An improving environment for hedge funds

Ultra-easy monetary conditions in the last several years have driven up valuations and have resulted in broad-based capital misallocation and investor complacency. As we are entering the final stages of the quantitative easing era and see the focus shift to fiscal spending, fundamentals will be back to dictate asset prices. We expect this to mark the end of the success of a buy-and-hold strategy in equity- and bond markets and offer great long and short opportunities for our hedge fund managers across strategies.

In Global Macro, trading opportunities have returned with the pickup in interest rates and we expect the strategy to do well over the coming years as volatility is returning to fixed income markets. In the words of legendary trader Louis Moore Bacon: “The U.S. election launched nothing short of a sea change in the potential opportunity set for trading markets globally” and “I never have seen the outlook for macro opportunities turn on a dime like this in the history of my career.” The last time Bacon send a letter to investors about the market environment was in the summer of 2012, when a lack of trading opportunities led him to return 25% of external assets to investors.

Higher rates also provide a boost for value investors who have had a tough time in markets flooded with liquidity. With conditions tightening there are lots of areas that make for great shorting opportunities. Our Long-Short Equity as well as our Distressed Debt managers are in a good position to capitalize on this. Disruptive industry developments leave virtually no company untouched and offer rich pickings long and short to managers without exposing themselves to an overall expensive market. The anticipated deregulation and a more business friendly administration provides a strong backdrop for our Event Driven managers.

Portfolio changes

Per January 1st we added VR Global to the Fund. Richard Deitz, the PM of VR Global, is an outstanding investor that we have known for many years. Also, by adding VR Global to Legends Fund we are better positioned to capitalize on investment opportunities in emerging markets. In October we added Discovery Global Opportunity Fund. With the improved outlook for Global Macro managers we decided to expand the bucket and to include a macro manager that also looks outside of developed markets. Lastly, we decided to put in a redemption for King Street Capital. While King Street in our view remains a fantastic fund we feel that the performance outlook for the fund is less benign than that of other managers we can allocate to.

Fund Manager Report

Outlook for our managers

With regards to the three managers that drove the negative return this year we expect strong rebounds. Lansdowne Developed Markets was down 14%. This is a manager that is often early with identifying multi-year investment themes. As a consequence, it will face performance drawdowns from time to time. After its previous drawdown in 2011 the fund saw four years of high double digit gains. Pershing Square Holdings saw a double digit loss in its underlying investment portfolio, mainly due to its investment in Valeant Pharmaceuticals. On top of these losses the fund traded to a much larger discount to its NAV as investors lost confidence in the manager. The overall result was a loss of 28% to our position. We have selectively added at the depths of the discount as we expect the discount to narrow, as well as the underlying fund's performance to pick up. Paulson Enhanced was the third detractor. The main culprit here were its positions in specialty pharma names that have been dragged down in parallel with Valeant. With the election rhetoric behind us and the Trump Administration focusing on other areas, the manager expects valuations in the sector to normalize, unlocking large upside embedded in its portfolio. For all three managers we are not paying any performance fees until losses are recouped and as a result we are enjoying a free (of performance fees) ride for the foreseeable future.

We expect our other hedge funds to be able to continue their recent uptick in performance, which mostly applies to the Global Macro managers Moore Capital, Brevan Howard and Discovery Capital. Our Relative Value bucket performed well in 2016 and we expect it to continue to perform well in 2017. Glenview Capital and Egerton are expected to continue their bounce back from Q1 2016 lows. All-in-all we see significant upside in the Legends portfolio as we think each manager is poised to deliver double digit gains.

Risk management and willingness to take risks

In the table overleaf we list the various risks to which investors in the Fund are exposed and we discuss the measures applied to manage these risks and their potential impact on the Fund's NAV.

Fund Manager Report

Risk management and willingness to take risks (continued)

Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Impact on 2016 NAV	Expected impact on 2017 NAV if risk materializes
Price risk	No	Portfolio risk management as described in “Investment objective, policy and processes” is being applied and is expected to limit the price risk to a degree in line with the objective of achieving an annual return of Euribor +5%	The risk was comparable and did partially materialize as the fund did indeed suffer losses. They were contained though as we would typically expect.	As return volatility implies, we expect a 95% chance of NAV not declining by more than 11% (2 standard deviations below the mean)
Interest rate risk	No	The fund has no interest bearing financial instruments except for cash at bank which is limited to a couple of percent max. Therefore, the Fund is not exposed to significant interest rate risk.	None	None
Foreign Exchange Risk	Yes	We hedge non-Euro exposure through 3 month forward contracts. Every month, one-third of the contract is being renewed. The hedge fund assets and cash position serve as collateral.	Negligible	Negligible
Liquidity Risk	No	Liquidity risk is mitigated by investing in hedge funds that offer sufficiently liquid redemption terms and that we expect to be able to meet those terms at all times	No impact	We would not expect an NAV impact if this risk would materialize. It could trigger the fund gate delaying the redemption window for exiting participants
Credit Risk	No	The fund has a credit facility with ABN Amro but limits the amount of credit to bridging purposes for new positions and FX settlements. ABN Amro has an A credit-rating and we would reconsider the arrangement would this change.		In theory, the fund could lose the amount under the credit facility which, again in theory, could be as high as 20%. In practice, we expect to keep credit limited to a couple of percent of NAV at any time.

Fund Manager Report

General principles of remuneration policy

Theta Fund Management maintains a careful, controlled and sustainable remuneration policy. The remuneration policy is consistent with and contributes to a sound and effective risk management and does not encourage risk taking beyond what is acceptable for Theta Fund Management.

The remuneration policy consists of a fixed and variable component that is at the discretion of management. For employees that are involved in making investment decisions, the variable remuneration is linked to both the Fund's investment results and the employee's overall performance. For non-investment personnel the variable component is solely based on their overall performance and holds no relation to the Fund's investment results. The organization currently employs two people that are eligible for the variable remuneration component. The aggregate personnel cost for employees totalled EU 370.885. The variable component of the personnel costs amounted to EUR 78.297.

Control Statement

We declare as the manager of Legends Fund to have an AO/IB that meets the requirements of the “Wet op het Financiële Toezicht” and the “Besluit gedragstoezicht financiële ondernemingen (‘‘Bgfo’’)”.

During 2016, we assessed the various aspects of Legends Fund’s operations as outlined in this AO/IB. We have not identified any internal control measures that do not meet the requirements of article 121 of the Bgfo and as such we declare that the operations in the year 2016 functioned effectively as described.

We expect no significant changes to this document for the year 2017.

Investment objective, policy and processes

INVESTMENT OBJECTIVE

Legends Fund (the “Fund”) aims to provide individuals and institutional investors with an investment vehicle which targets average returns of approximately Euribor + 5% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures which employ diverse investment styles and strategies.

INVESTMENT POLICY

The Fund focuses on hedge funds that have an outstanding investment history and proven adaptiveness to changing market environments through various economic cycles. Many of these hedge funds have a minimum investment amount of USD 1 million to USD 20 million and therefore are not easily accessible for private investors. It is expected that a Fund Manager of an investment fund will have a track record of at least 10 years.

The Fund aims to achieve consistent high absolute returns on investment, irrespective of the direction of comparable publicly traded securities, i.e. to have limited correlation to general market risks. The Fund’s portfolio will contain participations in between 5 and 15 hedge funds with no single investment in a fund representing 20% or more of the book value of the Fund’s assets. Diversification is sought through the underlying market, securities, investment strategies, trading styles and regions, rather than the number of hedge funds.

The Fund invests primarily in investment funds based in established onshore and offshore financial centers, but will retain the flexibility to invest in funds established in other developing hedge fund markets if and when suitable opportunities arise. The Fund intends, in principle, to invest in investment funds established by hedge fund managers with strong and consistent track records.

The overall success of the Fund depends on (i) the ability of the Fund Manager in selecting hedge fund managers and to build a diversified investment portfolio amongst them, (ii) the hedge fund managers’ ability to be successful in their strategies.

Below is a summary of investment strategies that fit into the profile of the Fund.

- Long-Short Equity Strategy;
- Event-Driven Strategy;
- Global Macro Strategy; and
- Relative Value and Credit Strategy.

INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS

In its investment process, the Fund Manager takes a predominantly bottom-up approach reflecting its belief that hedge fund managers are well equipped to capitalise on varying market conditions. In other words, the Fund Manager does not actively manage its portfolios according to pre-formulated return expectations for the different hedge fund investment strategies. Rather, the Fund Manager strives to select managers that have proven the ability to successfully exploit investment opportunities across various market environments and aims to compose portfolios of hedge funds with fundamentally different risk-return profiles to maximise the benefit of diversification. This approach endeavours to provide the Fund investors with capital appreciation and downside protection, at all times.

Investment objective, policy and processes

INVESTMENT PROCESS AND RISK MANAGEMENT PROCESS (*CONTINUED*)

Manager Selection and Due Diligence

The objective of the Fund Manager's selection process is to identify hedge fund managers with superior investment skills that have proven to operate successfully through different market environments. The selection process entails three levels of analysis, each with its own information requirements, documents and criteria. The selection process is supported by several databases, a qualitative information system and various tools (some proprietary) for quantitative fund analysis and stress-testing.

In the qualitative due diligence process the Fund Manager focuses on:

- independent mind, potential to generate uncorrelated returns, flexibility of investment approach;
- competitive edge in investment strategy, trading style;
- investment process;
- risk management; and
- background and experience.

The objective of performing quantitative analysis of a hedge fund track record is twofold: risk analysis and relative return analysis. To allow for the dynamism inherent in a fund's investment strategy, quantitative techniques cannot be applied in a strict and rigid manner, but a healthy dose of common sense and expert judgement is required.

The objective of the Fund Manager's operational due diligence process is to provide a transparent overview of the infrastructure supporting the trading strategy in terms of:

- People & organisation;
- Processes & systems; and
- Involvement of third party service providers.

Crucial elements in the operational risk assessment are reference checks, evaluation of portfolio marking-to-market and net asset value ("NAV") calculations, administrators and prime brokers.

The Fund Manager has an arrangement in place with Banque Privée Edmond de Rothschild ("BPER") through which the Fund Manager has access to the range of funds approved by BPER as well as the due diligence documentation and research of BPER that relates to these funds and the hedge fund universe in general. With BPER being one of the world's largest and longest established hedge fund investors, this adds a significant layer of skills, diligence, hedge fund relationships and implementation options to the Fund Manager.

Portfolio construction and risk management

In its portfolio construction, the Fund Manager is driven by the concept that it can only set the level of portfolio risk, and the market will dictate returns. The Fund Manager does not apply top-down (tactical) allocation based on relative return expectations across the various hedge fund strategies but takes a bottom-up approach where risk parameters on the portfolio level determine the allocation across individual hedge funds. Allocation limits to certain strategies, managers and market risks are applied to control concentration risk. This approach to portfolio construction complements the manager selection process, where the Fund Manager strives to select managers that are able to produce positive returns in all market environments. The process embodies an optimisation of the portfolio in which the Fund Manager aims to minimise concentration risk by focusing on cross-correlations between fund managers and strategies. The Fund Manager believes this disciplined, quantitative approach enables it to engineer risk-return profiles that match the clients' needs and preferences.

Hedging Strategies

The Fund will make use of hedging strategies to hedge the currency risk in a particular Class. All classes will be subject to the same investment objectives and strategy but will have a currency hedge strategy linked to the currency of the class. The related hedging costs and the gains and losses attributable to the hedging transactions will be credited or charged to the class on behalf of which such transactions are effected.

Financial statements

BALANCE SHEET

(As at 31 December)

(After profit appropriation)

	<i>Note</i>	2016 EUR	2015 EUR
Assets			
Investments			
Investment in investment funds		33,050,550	26,129,452
Derivative financial assets		-	151,831
	3	<u>33,050,550</u>	<u>26,281,283</u>
Current assets			
Cash	4	953,960	110,808
Prepaid investments	5	-	460,575
		<u>953,960</u>	<u>571,383</u>
Total assets		<u>34,004,510</u>	<u>26,852,666</u>
Investment liabilities			
Derivative financial liabilities		(318,913)	(56,936)
	3	<u>(318,913)</u>	<u>(56,936)</u>
Current liabilities			
Due to broker	4	(3,507,234)	(1,250,684)
Accrued expenses and other payables	6	(126,259)	(99,637)
		<u>(3,633,493)</u>	<u>(1,350,321)</u>
Total liabilities		<u>(3,952,406)</u>	<u>(1,407,257)</u>
Total assets minus total liabilities		<u>30,052,104</u>	<u>25,445,409</u>
Equity			
Participants equity		30,052,104	25,445,409
Total equity	7	<u>30,052,104</u>	<u>25,445,409</u>

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

Financial statements

INCOME STATEMENT

(For the year ended 31 December)

	Note	2016 EUR	2015 EUR
Investment result			
<i>Direct investment result</i>			
Interest income	8	385	9,007
		385	9,007
<i>Indirect investment result</i>			
Realised gains on investment in investment funds	3, 10	405,493	802,881
Realised losses on derivative financial instruments	3, 10	(475,526)	(1,924,776)
Unrealised (losses)/gains on investment in investment funds	3, 10	(1,551,774)	817,341
Unrealised (losses)/gains on derivative financial instruments	3, 10	(413,808)	550,813
Foreign currency translation	9	80,299	(134,732)
		(1,955,316)	111,527
Total investment (loss)/income		(1,954,931)	120,534
Expenses	11		
Management fee		(171,101)	(162,664)
Administration fee		(45,475)	(45,025)
Custody fee		(33,629)	(20,663)
Depositary fees		(27,754)	(23,233)
Legal fee		(18,157)	(17,979)
Audit fee		(16,335)	(16,940)
Interest expense		(15,429)	(15,627)
Bank charges		(4,919)	(504)
Incentive fee		-	(562)
Other operational costs		(106,316)	(92,288)
Total expenses		(439,115)	(395,485)
Net loss		(2,394,046)	(274,951)

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

Financial statements

STATEMENT OF CASH FLOWS (For the year ended 31 December)

	Note	2016 EUR	2015 EUR
Cash flows from operating activities			
Net receipts from non-derivative financial assets at fair value through profit or loss		(7,606,804)	2,078,392
Net receipts from derivative financial assets and liabilities		(475,526)	(1,924,776)
Interest received		385	9,007
Interest paid		(12,916)	(20,204)
Management fee paid		(163,437)	(187,448)
Incentive fee paid		(562)	(29,211)
Administration fee paid		(44,862)	(45,025)
Audit fee paid		(16,335)	(15,730)
Custody fee paid		(33,577)	(21,434)
Legal fee paid		(18,157)	(25,671)
Bank charges paid		(4,919)	(504)
Other general expenses paid		(117,728)	(115,931)
Net cash flows used in operating activities		(8,494,438)	(298,535)
Cash flows from financing activities			
Proceeds from sales of participations		7,532,037	2,224,015
Payments on redemptions of participations		(531,296)	(482,637)
Net cash flows provided by financing activities		7,000,741	1,741,378
Net (decrease)/increase in cash		(1,493,697)	1,442,843
Cash at the beginning of the year		(1,139,876)	(2,447,987)
Foreign currency translation of cash positions		80,299	(134,732)
Cash at the end of the year	4	(2,553,274)	(1,139,876)
Total cash		(2,553,274)	(1,139,876)
Analysis of cash			
Cash at bank		3,390	110,808
Due from broker		950,570	-
Due to broker		(3,507,234)	(1,250,684)
Total cash		(2,553,274)	(1,139,876)

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

Notes to the financial statements

1. GENERAL INFORMATION

Legends Fund (the “Fund”) is structured as a common contractual fund in the Netherlands, established on 22 February 2011. The Fund commenced operations in March 2011.

The Fund may issue participations in various classes, each denominated in different currencies and listed on different exchanges. All classes are subject to the same investment objectives and strategies but will have a different hedge strategy linked to the currency of the class. As at 31 December 2016 and 31 December 2015, class A and class B participations have been issued by the Fund. The class A and class B participations are denominated in Euro (“EUR”). The Fund is registered at the commercial register of the Chamber of Commerce of the Netherlands under number 27198870.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The class B participations were created to facilitate “Pensioen Beleggen”.

The investment objective of the Fund is to generate average investment returns of approximately Euribor + 5% per annum. The Fund attempts to accomplish this objective by investing in a diversified portfolio of hedge funds (collective investment vehicles) and other investment structures, which employ diverse investment styles and strategies. The Fund focuses on hedge funds that have an outstanding investment history and have proven adaptiveness to changing market environments through various economic cycles.

The Fund and the Fund Manager are subject to the supervision of the Netherlands Authority for the Financial Markets (“AFM”) and the Dutch Central Bank (“DNB”).

The Fund’s investment activities are managed by Theta Fund Management B.V. (the “Fund Manager”), with the administration delegated to Custom House Fund Services (Netherlands) B.V. (the “Administrator”).

The Fund had no employees during the years ended 31 December 2016 and 31 December 2015.

The financial statements have been authorised for issue by the Fund Manager 26 April 2017.

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the reporting principles generally accepted in the Netherlands (“Dutch GAAP”) and the statutory provisions concerning annual accounts contained in Part 9, Book 2 of the Dutch Civil Code. The financial statements have also been prepared in accordance with the requirements of the Dutch Financial Supervision Act (“FSA”).

The financial statements are prepared on a fair value basis for financial investments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

Below is a summary of the accounting policies of the Fund.

Functional currency

The financial statements are presented in EUR, which is the Fund’s functional currency.

Recognition and measurement

An asset is recognised in the balance sheet when it is probable that future economic benefits of the asset will flow to the Fund and the amount of the asset can be reliably measured. A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Income is recognised in the income statement when an increase in future economic benefit related to an increase in an asset or decrease in a liability has arisen that can be measured reliably.

Expenses (including value added tax (“VAT”), where applicable) are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

Foreign exchange

Assets and liabilities denominated in currencies other than the EUR are converted to EUR at the exchange rates prevailing on the balance sheet date. Transactions in foreign currency are converted at the rates prevailing on the date of the transaction. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in the income statement.

Classification of participations

The participations of the Fund are classified as equity. These participations are recognised and measured at the redemption amount. Any distribution of equity is recognised through equity.

Basis of valuation - policies in preparing the balance sheet

Financial investments and financial derivatives are initially measured at fair value which is the fair value of the consideration given or received. Financial investments are subsequently re-measured at fair value.

Gains and losses arising from fair value changes are recognised in the income statement as 'realised gains/(losses) on investment in investment funds and derivative financial instruments' or 'unrealised gains/(losses) on investment in investment funds and derivative financial instruments'.

The Fund's investments in investment funds are valued based on the reporting received from the administrators of those funds. As at 31 December 2016, the value of investments in investment funds is the aggregate of the Fund's attributable share of the latest available (unaudited) NAV of the investment funds.

The profit or loss of the Fund on its investments in investment funds is the aggregate of the Fund's attributable share of the result of the investment funds. The Fund Manager may, if it thinks fit, make adjustments as a result of the different bases of determination of results applied by the investment funds.

Where an up-to-date value of an underlying investment fund is not available, or the valuation date does not coincide with that of the Fund, the Fund Manager will use an estimated value. As at 31 December 2016 and 31 December 2015, there were differences between the estimated and final valuations of certain underlying investment funds held by the Fund. The differences resulted in a valuation adjustment in these financial statements. Please refer to note 16 for further details.

Forward currency contracts

The Fund may use forward currency contracts to hedge the currency exposure. Details of hedging, if any, are disclosed in the financial investments and associated risk note. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward currency contracts are valued by reference to the forward price at which a new forward currency contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price.

Receivables and prepayments

The value of accounts receivable and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or received in full. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Cash is carried at face value.

Payables and accruals

Payables and accruals and deferred income are included at fair value.

Cash

Cash comprises cash on hand and demand deposits. Cash also includes are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Statement of cash flows

The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the Fund's cash flows for the year divided into cash flows from operations and financing activities and how the cash flows have affected cash funds.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

Statement of cash flows (continued)

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

Principles for determining the result

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase and sale of investments is recognised using trade date accounting.

The changes in value of investments in investment funds are accounted for in the income statement. The Fund uses forward currency contracts to limit the exchange rate risk. Forward currency contracts are accounted for as currency transactions. The change in value of forward currency contracts are also accounted for in the income statement.

Expenses are accounted for in the income statement on the accrual basis. Transaction costs in relation to investment funds are capitalised while transaction costs in relation to forward currency contracts are expensed immediately.

Tax position

The Dutch tax authorities have granted a ruling confirming that the Fund is tax transparent. This implies that the Fund is not subject to corporate income tax. Distributions made by the Fund (for example in case of redemption by a participant) are not subject to dividend withholding tax.

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS

3. Investments

Movement in schedule of investments

<i>(All amounts in EUR)</i>	2016	2015
Investment in investment funds		
As at 1 January	26,129,452	27,048,198
Purchases	21,503,544	1,861,985
Sales	(13,436,165)	(4,400,953)
Realised	405,493	802,881
Unrealised	(1,551,774)	817,341
As at 31 December	33,050,550	26,129,452
Derivative financial instruments		
As at 1 January	94,895	(455,918)
Purchases	475,526	1,924,776
Realised	(475,526)	(1,924,776)
Unrealised	(413,808)	550,813
As at 31 December	(318,913)	94,895
Total investments		
As at 1 January	26,224,347	26,592,280
Purchases	21,979,070	3,786,761
Sales	(13,436,165)	(4,400,953)
Realised	(70,033)	(1,121,895)
Unrealised	(1,965,582)	1,368,154
As at 31 December	32,731,637	26,224,347

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

3. Investments (continued)

The table below provides an analysis of the forward currency contracts at 31 December 2016:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
31/01/2017	EUR	3,856,683	USD	4,242,000	1.09991	1.05366	(169,288)
28/02/2017	EUR	7,630,747	USD	8,162,000	1.06962	1.05500	(105,746)
31/03/2017	EUR	5,798,939	USD	6,175,000	1.06485	1.05685	(43,879)
Total unrealised loss on open forward currency contracts							(318,913)

* Showing the equivalent of 1 Euro.

The table below provides an analysis of the forward currency contracts at 31 December 2015:

(All amounts in EUR)

Expiration date	Contract currency	Bought	Contract currency	Sold	Contract rate*	Current rate*	Unrealised EUR
29/01/2016	EUR	2,325,676	USD	2,561,500	1.10140	1.08625	(32,441)
29/02/2016	EUR	6,355,669	USD	6,744,000	1.06110	1.08707	151,831
31/03/2016	EUR	3,953,871	USD	4,328,500	1.09475	1.08801	(24,495)
Total unrealised gain on open forward currency contracts							94,895

* Showing the equivalent of 1 Euro.

The tables below provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value based on how that fair value is determined.

2016		Quoted prices (unadjusted) in active markets EUR	Derived from Administrator statements EUR
	Total EUR		
Investment in investment funds	33,050,550	3,149,883	29,900,667
Derivative financial liabilities	(318,913)	(318,913)	-
Total	32,731,637	2,830,970	29,900,667
2015		Quoted prices (unadjusted) in active markets EUR	Derived from Administrator statements EUR
	Total EUR		
Investment in investment funds	26,129,452	2,419,775	23,709,677
Derivative financial assets	151,831	151,831	-
Derivative financial liabilities	(56,936)	(56,936)	-
Total	26,224,347	2,514,670	23,709,677

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

4. Cash

As at 31 December 2016, cash comprise of balances held with ABN AMRO Clearing Bank N.V. of EUR 3,390 (2015: EUR 110,808). As at 31 December 2016 and 31 December 2015, no restrictions in the use of these balances exist.

Cash also include amounts due from ABN AMRO Clearing Bank N.V. of EUR 950,570 (2015: EUR Nil), representing amounts held in brokerage accounts.

ABN AMRO Clearing Bank N.V. has made available a credit facility for a total maximum amount of EUR 6 million. The total credit facility drawdown may at no time exceed 20% of the financial instruments pledged by the Fund. The credit facility is interest bearing for debit balances in EUR at EONIA interest rate plus 150 basis points, and for USD debit balances at LIBOR plus 150 basis points. The Fund also pays ABN AMRO Clearing Bank N.V. a commitment fee per annum of 10 basis points over the approved credit facility, payable quarterly in arrears. As at 31 December 2016, the Fund had drawn down an amount of EUR 3,507,234 (2015: EUR 1,250,684).

ABN AMRO Clearing Bank N.V. has made available to the Fund a treasury product facility. The treasury product facility may be used to enter into foreign exchange contracts and/or over the counter financial derivative transactions in order to cover foreign exchange risks and/or interest rate risks. The Fund may enter transactions in various currencies as agreed upon between the Fund and ABN AMRO Clearing Bank N.V. in a case by case basis. The maximum treasury product limit for foreign exchange contracts is EUR 2 million and the maximum transaction limit is EUR 20 million.

5. Prepaid investments

As at 31 December 2016, prepaid investments amount to EUR Nil.

During 2015, the Fund subscribed for shares in an investment fund which was to be settled on the first business day after the reporting date. Subscribers in investment funds are required to pay in advance prior to settlement. The prepaid investments represent the amounts paid in advance to the funds. All prepaid investments have been converted into the following investments subsequent to the reporting date.

(All amounts in EUR)

2015

VR Global Offshore Fund Ltd.

460,575

Total prepaid investments

460,575

6. Accrued expenses and other payables

At 31 December 2016 and 31 December 2015, accrued expenses and other payables consist of the following:

(All amounts in EUR)

2016

2015

Management fee payable	(47,944)	(40,280)
Regulator fees payable	(26,101)	(23,113)
Audit fee payable	(16,335)	(16,335)
Administration fee payable	(14,113)	(13,500)
Commitment fee	(6,500)	(1,500)
Interest payable	(2,513)	-
Custody fee payable	(1,375)	(1,323)
Incentive fee payable	-	(562)
Other payables	(11,378)	(3,024)
Total accrued expenses and other payables	(126,259)	(99,637)

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

7. Participations of the Fund

Structure of the Fund's capital

The Fund is organised as a common contractual fund and is subject to Dutch law. The Fund may issue participations in various classes denominated in different currencies and with a different listing. As at 31 December 2016 and 31 December 2015, class A and class B participations have been issued by the Fund. The class A and class B participations are denominated in EUR.

The class A participations are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V.

The movement of equity in the participations during the year is as follows:

<i>(All amounts in EUR)</i>	2016	2015
<i>Contributions of participants</i>		
Balance at the beginning of the year	24,018,067	22,276,689
Issue of participations	7,532,037	2,224,015
Redemption of participations	(531,296)	(482,637)
Total contributions at the end of the year	31,018,808	24,018,067
<i>Undistributed (loss)/gain</i>		
Balance at the beginning of the year	1,427,342	1,702,293
Net loss	(2,394,046)	(274,951)
Total undistributed (loss)/gain at the end of the year	(966,704)	1,427,342
Equity at the end of the year	30,052,104	25,445,409

Subscriptions and redemptions

The class A participations were issued at an initial subscription price of EUR 100 per participation and thereafter at the NAV. Prospective participants will be informed about the actual subscription charge on the website of the Fund Manager (<http://www.legendsfund.nl>).

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one subscription will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

Participations may be redeemed as of the last business day of each calendar month, pursuant to written notice, which must be received by the administrator at least 90 calendar days prior to the redemption day.

The Fund is not obliged to redeem more than 10% of the total of the participations in issue in any class on a redemption day.

Redemptions are subject to a redemption charge with a maximum of 3% of the NAV at the redemption day, which is due and payable to the Fund.

Unless otherwise determined by the Fund Manager, the minimum value of participations which may be the subject of one redemption request will be EUR 10,000 (or the equivalent thereof in the relevant other currency of the class).

For the convenience of investors, to create a market with orderly trading and to promote liquidity of the participations, the Fund has designated NIBC Bank N.V. as liquidity provider. The Fund has agreed, subject to certain limitations, to accept redemption of participations by the liquidity provider on each business day at the NAV for that business day.

Notes to the financial statements

NOTES FOR INDIVIDUAL BALANCE SHEET ITEMS (CONTINUED)

7. Participations of the Fund (continued)

Subscriptions and redemptions (continued)

The movement of the participations during the year ended 31 December 2016 is as follows:

	Participations at the beginning of the year	Participations issued	Participations redeemed	Participations at the end of the year
Class A	246,876	79,485	(5,494)	320,867
Class B	174	-	-	174
Total	247,050	79,485	(5,494)	321,041

The movement of the participations during the year ended 31 December 2015 is as follows:

	Participations at the beginning of the year	Participations issued	Participations redeemed	Participations at the end of the year
Class A	230,990	20,425	(4,539)	246,876
Class B	-	174	-	174
Total	230,990	20,599	(4,539)	247,050

Rights and obligations

Each participation of a certain class is entitled to one vote in the meeting of participants of that class. Each participation denominated in EUR gives without exception, an entitlement to one vote in a meeting of participants of the Fund. Participations denominated in a currency other than the EUR will have voting power in a meeting of participants depending on the relevant exchange rate against the EUR on the most recent business day prior to the day on which the votes are cast.

Capital management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for participants and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, it is not expected that the Fund will declare any dividends. All earnings will normally be retained for investments. However, the Fund reserves the right to declare dividends or make distributions if the Fund Manager so decides.

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS

8. Interest income

Interest income relates to the interest on bank deposits.

9. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains and losses on assets and liabilities other than financial assets and liabilities.

For the year ended 31 December 2016, this amounted to gains of EUR 80,299 (2015: losses of EUR 134,732). The following average and closing rates have been applied in the preparation of these financial statements (the equivalent of one euro is shown):

	2016		2015	
	Average	Closing	Average	Closing
<i>(Showing the equivalent of 1 euro)</i>				
United States Dollar	1.1069	1.0520	1.1102	1.0856

Notes to the financial statements

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

10. Investment return

<i>(All amounts in EUR)</i>	Profit	2016 Loss	Balance	2015 Balance
Investment funds				
Realised result	457,856	(52,363)	405,493	802,881
Unrealised result	1,919,214	(3,470,988)	(1,551,774)	817,341
	<u>2,377,070</u>	<u>(3,523,351)</u>	<u>(1,146,281)</u>	<u>1,620,222</u>
Derivative financial instruments				
Realised result	-	(475,526)	(475,526)	(1,924,776)
Unrealised result	-	(413,808)	(413,808)	550,813
	<u>-</u>	<u>(889,334)</u>	<u>(889,334)</u>	<u>(1,373,963)</u>
Total result	<u>2,377,070</u>	<u>(4,412,685)</u>	<u>(2,035,615)</u>	<u>246,259</u>

11. Costs

The Fund makes use of various parties for management, administration and custody services. The table below provides a breakdown of expenses.

<i>(All amounts in EUR)</i>	2016	2015
Expenses accruing to Fund Manager		
Management fee	(171,101)	(162,664)
Incentive fee	-	(562)
Other expenses		
Administration fee	(45,475)	(45,025)
Custody fee	(33,629)	(20,663)
Depositary fees	(27,754)	(23,233)
Legal fee	(18,157)	(17,979)
Audit fee	(16,335)	(16,940)
Interest expense	(15,429)	(15,627)
Bank charges	(4,919)	(504)
Other operational costs*	(106,316)	(92,288)
Total	<u>(439,115)</u>	<u>(395,485)</u>

* Other operational costs include regulator fees of EUR 32,941 (2015: EUR 10,850), liquidity provider fees of EUR 25,000 (2015: EUR 25,030), professional fees of EUR 19,997 (2015: EUR 22,905), listing fees of EUR 9,474 (2015: EUR 9,198), compliance fees of EUR 6,504 (2015: EUR 7,260), commitment fees of EUR 6,000 (2015: EUR 6,000), transfer agency fees of EUR 3,600 (2015: EUR 5,800), Euronext fees of EUR 2,800 (2015: EUR 2,800) and trustee fees of EUR Nil (2015: EUR 2,445).

The basis on which various costs are charged to the Fund are disclosed in detail in the Prospectus. It is a Dutch regulatory requirement to disclose any differences between actual costs and the costs disclosed in the Prospectus. During the financial year ended 31 December 2016 and 31 December 2015, all costs actually charged to the Fund were in accordance with the costs disclosed in the Prospectus. During the year, the Fund also incurred costs such as custody fees of EUR 33,629 (2015: EUR 20,663), legal fees of EUR 18,157 (2015: EUR 17,979), depositary fees of EUR 27,754 (2015: EUR 23,233), bank charges of EUR 4,919 (2015: EUR 504) and other general expenses of EUR 6,000 (2015: EUR 6,000) which are not detailed in the Prospectus.

Notes to the financial statements

NOTES FOR INDIVIDUAL INCOME STATEMENT ITEMS (CONTINUED)

11. Costs (continued)

Ongoing charges ratio

The ongoing charges ratio is the ratio of the total costs to the average net assets of the Fund. The average net assets are based on the Fund's net assets at each calculation of the NAV i.e., daily.

For the year ended 31 December 2016, the ongoing charges ratio for the Fund is as follows:

	2016
Ongoing charges ratio including incentive fees	1.61%
Ongoing charges ratio excluding incentive fees	1.61%
Ongoing charges ratio including expenses of underlying funds	2.59%
Ongoing charges ratio excluding incentive fees of the Fund and of the underlying funds	1.98%

For the year ended 31 December 2015, the ongoing charges ratio for the Fund is as follows:

	2015
Ongoing charges ratio including incentive fees	1.54%
Ongoing charges ratio excluding incentive fees	1.54%
Ongoing charges ratio including expenses of underlying funds	3.89%
Ongoing charges ratio excluding incentive fees of the Fund and of the underlying funds	2.73%

Turnover factor

For the year ended 31 December 2016, the turnover factor for the Fund is 98.54% (2015: 13.92%). The turnover factor is calculated by adding total purchases and sales, subtracting total subscriptions plus total redemptions and dividing the total by the daily average NAV.

12. RELEVANT CONTRACTS

Fund Manager

Management agreement

Theta Fund Management B.V. acts as the Fund Manager to the Fund. The Fund Manager is entitled to an annual management fee of 0.625% of the total NAV of a class. The management fee accrues on each business day by reference to the NAV on that day and is paid quarterly in arrears on the last business day of March, June, September and December. Details of management fees charged for the year are disclosed in the income statement.

The Fund Manager is also entitled to an annual incentive fee calculated per class equal to 5% of the amount by which the NAV at the end of the financial year of the Fund exceeds the High Water Mark (the "HWM").

HWM means the highest NAV that the Fund has reached at the end of any previous financial year.

In calculating the incentive fee in an absolute amount:

- 1) an equitable adjustment is made for participations subscribed and redeemed during the financial year; and
- 2) any distributions paid to participants during the financial year are added back.

The incentive fee is payable to the Fund Manager as to 90% of the estimated amount thereof one month after the end of the relevant financial year. The balance is payable within 14 days following completion of the audit of the accounts for the relevant financial year. On redemption of participations during the year an amount equal to the incentive fee accrued to the date of redemption in respect of such participations shall be due to the Fund Manager. No incentive fee is charged when the NAV, including distributions, at the end of a financial year is below the HWM.

Notes to the financial statements

12. RELEVANT CONTRACTS (CONTINUED)

Administrator

The Fund has entered into an administration agreement with Custom House Fund Services (Netherlands) B.V. The Administrator charges a fee based on 0.12% of the NAV of the Fund up to EUR 100 million, 0.10% of the NAV between 100 million and 200 million and 0.08% on the NAV above EUR 200 million. There is a minimum fee of EUR 40,000 per year. All fees are excluding VAT. Details of administration fees charged for the year are disclosed in the income statement.

Custody services

The current annual fee charged by ABN AMRO Clearing Bank N.V. equals 0.04% per annum. The Fund will be subject to a minimum fee of EUR 6,000 (excluding VAT) per annum.

Independent Auditor

The Fund appointed Ernst & Young Accountants LLP as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 16,335 (2015: EUR 16,940) audit fee (including VAT) for the audit of the financial statements. The Independent Auditor does not provide any non-audit services or other audit services to the Fund.

Depository

The Fund has entered into a depository agreement with Darwin Depository Services B.V. The Depository charges an annual fee of EUR 16,500 (excluding VAT), payable quarterly in advance, for depository services provided to the Fund. A once-off fee of EUR 2,500 for the on-boarding process was paid by the Fund on signing the depository agreement. Details of depository fees charged for the year are disclosed in the income statement.

13. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following provides details on the related parties of the Fund and transactions with the related parties.

Fund Manager

The following transactions occurred between the Fund and the Fund Manager during the reporting year.

2016 transactions and balances as at 31 December 2016

	Paid EUR	Balance EUR
Management fee	163,437	47,944
Incentive fee	562	-

2015 transactions and balances as at 31 December 2015

	Paid EUR	Balance EUR
Management fee	187,448	40,280
Incentive fee	29,211	562

As per 31 December 2016, one of the Directors of the Fund Manager holds 10,690 (2015: 10,690) shares in the Fund.

Notes to the financial statements

14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The investment funds, to which the Fund subscribes, may also indirectly expose the Fund to the financial risks as detailed above and because of this indirect exposure the financial risks discussed herein may not fully indicate the total exposure of the Fund.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk comprises market price risk, interest rate risk and currency risk. The Fund's exposure to market risk relates to the Fund's investment in investment funds. The Fund's market risk is managed through diversification of the investment in investment funds. For further explanation of the investment objectives, policies and processes, refer to pages 7 and 8 of this annual report.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no interest bearing financial instruments except for cash at bank which is subject to normal market related short-term interest rates. Therefore, the Fund is not exposed to significant interest rate risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Fund investing in financial instruments and entering into transactions which are denominated in currencies other than its functional currency. At 31 December 2016, 45.0% of the investment in investment funds are denominated in EUR (2015: 52.2%) and 55.0% are denominated in USD (2015: 47.8%).

The Fund uses forward rate contracts to mitigate the foreign currency exchange risk. This hedging strategy is intended to substantially mitigate the currency risk but does not eliminate such risk.

The Fund uses forward currency contracts in order to manage the currency risk exposure of foreign currency positions. The forward currency contracts are settled on a gross basis and as such the Fund has a settlement risk of EUR 17.3 million (2015: EUR 12.7 million) and a credit risk exposure towards the counterparty at 31 December 2016 of EUR Nil (2015: EUR 151,831).

The currency exposure of the Fund at 31 December 2016 and 31 December 2015 is as follows:

	Net position EUR	2016 Notional amount forwards EUR	Total currency exposure EUR	Net position EUR	2015 Notional amount forwards EUR	Total currency exposure EUR
Currency						
United States Dollar	17,309,672	(17,286,369)	23,303	12,481,309	(12,635,216)	(153,907)

All forward contracts will mature within 3 (2015: 3) months. The notional amounts represent the undiscounted cash flow at the maturity date.

Notes to the financial statements

14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS *(CONTINUED)*

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises from derivative financial assets, cash and other receivables. The carrying values of financial assets (excluding any investments in investment funds) best represent the maximum credit risk exposure at the reporting date and amount to EUR 953,960 (2015: EUR 723,214).

All transactions of the Fund are cleared by ABN AMRO Clearing Bank N.V. representing a concentration risk. Bankruptcy or insolvency of ABN AMRO Clearing Bank N.V. may cause the Fund's rights with respect to the cash and/or its investments to be delayed or limited. The Fund regularly monitors its risk by monitoring the credit quality of ABN AMRO Clearing Bank N.V. as reported.

As at 31 December 2016, the credit rating of ABN AMRO Clearing Bank N.V. is 'A' (2015: 'A'), as determined by Standard and Poor's. If the credit quality or the financial position of this entity deteriorates significantly the Investment Manager will deal with another provider.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities.

The Fund's Prospectus provides for the daily creation and monthly cancellation of participations and it is therefore exposed to liquidity risk of meeting participant's redemptions. To manage this liquidity risk the Fund has a 90 day notice period for the participants. In addition, the Fund is not obliged to redeem more than 10% of the total participations in a class in issue on any dealing day.

The Fund is exposed to liquidity risk as the investments of the Fund in investment funds cannot immediately be converted into cash. The liquidity risk involved with the investment funds will be dependent on the redemption policies of the individual investment funds. Some of the investment funds may be or become illiquid, and the realisation of investments from them may take a considerable time and/or be costly. The Fund's investments in such investment funds may not be readily realisable and their marketability may be restricted, in particular because the investment funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups and/or redemption fees.

The liquidity risk is significantly reduced because the Fund diversifies its investments across different investment funds.

The Fund Manager may borrow to meet its liquidity requirements.

The Fund's other liabilities are short-term in nature.

Specific instruments

Derivative financial instruments

The notional amounts of certain types of derivative financial instruments including forward contracts provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

Notes to the financial statements

14. FINANCIAL INVESTMENTS AND ASSOCIATED RISKS (CONTINUED)

Specific instruments (continued)

Derivative financial instruments (continued)

As at 31 December 2016 and 31 December 2015, the Fund holds the following derivative financial instruments:

Forward contracts

- Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a future date for a specified price and may be settled in cash or another financial asset. Forward contracts are individually traded over-the-counter contracts and result in credit exposure to the counterparty.

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency, exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally related to contract sizes, a high degree of leverage may be typical of a forward trading account. As a result, a relatively small price movement in an underlying forward contract may result in substantial losses to the Fund. Forward contracts are subject to liquidity risk.

15. SOFT DOLLAR ARRANGEMENTS

A 'soft dollar arrangement' applies when a (financial) service provider offers services and products (such as research and information services) to an asset manager in exchange for executing certain securities transactions. The Fund Manager had no soft dollar arrangements during the years ended 31 December 2016 and 31 December 2015.

16. EQUITY AS ISSUED

The following schedule shows the reconciliation between the equity as determined in accordance with Dutch Accounting Standard 210 ("Dutch GAAP") and the equity as determined in accordance with the Prospectus.

The Prospectus states that incorporation costs should be amortised over 5 years. Dutch GAAP states that incorporation costs should be expensed immediately.

The reconciliation also includes a valuation adjustment of EUR 818,199 (2015: EUR 7,588) relating to differences between estimated and final valuations of certain underlying investment funds. In preparing the equity in accordance with the Prospectus provisional valuations were applied where the final valuations of certain underlying funds were not available. Included within the valuation adjustment of EUR 818,199 is an amount of EUR 786,085 which relates to differences between the reporting of the Administrator of the Fund and the brokers of the Fund due to transfers in-kind of certain positions. The incentive fee charged to the Fund for the years ended 31 December 2016 and 31 December 2015 is based on the equity in accordance with the Prospectus. The difference between the incentive fee based on the equity in accordance with the Prospectus and in accordance with Dutch GAAP is not material and is not included in the overleaf reconciliation.

Notes to the financial statements

16. EQUITY AS ISSUED (CONTINUED)

	2016 EUR	2015 EUR
Equity attributable to holders of participations in accordance with the Prospectus	30,870,303	25,442,716
Adjustments		
Unamortised incorporation costs	-	(4,895)
Valuation adjustment	(818,199)	7,588
Adjusted equity attributable to holders of participations in accordance with Dutch GAAP	30,052,104	25,445,409
Number of participations		
Class A	320,867	246,876
Class B	174	174
Equity per participation as reported to the Fund		
Class A	96.15	102.98
Class B	96.15	102.98

17. SCHEDULE OF INVESTMENTS BY INVESTMENT STRATEGY

	2016 EUR	% of equity	2015 EUR	% of equity
Strategy				
Global Macro	10,871,546	36.2	7,958,552	31.3
Relative Value & Credit	8,165,869	27.2	6,049,526	23.8
Event Driven	7,248,324	24.1	5,931,074	23.3
Long/Short Equity	6,764,811	22.5	6,190,300	24.3
	33,050,550	110.0	26,129,452	102.7

18. PROVISION OF INFORMATION

This annual report and the Prospectus of the Fund are available free of charge from the Fund Manager or available for download free of charge from the Fund Manager's website: <http://www.legendsfund.nl>.

19. DATE OF AUTHORISATION

The financial statements have been authorised for issue by the Fund Manager in Amsterdam on 26 April 2017.

20. EVENTS AFTER THE BALANCE SHEET DATE

On 1 March 2017, the Fund entered into a new credit facility letter with ABN AMRO Clearing Bank N.V. up to an amount of EUR 4.5 million.

No other material events occurred after the balance sheet date that could influence the transparency of the financial statements.

Investment portfolio as at 31 December 2016

Assets	Currency	Fair value EUR	% of equity
Investment funds			
BH Macro Ltd	USD	544,030	1.8
Brevan Howard Fund Ltd.	USD	131,653	0.4
Brevan Howard Fund Ltd.	EUR	2,862,032	9.5
Discovery Global Opportunity Fund	USD	1,755,034	5.8
Egerton Long Short Fund	EUR	3,531,644	11.8
Glenview Capital Partners Ltd.	USD	2,860,692	9.5
King Street Capital Ltd.	USD	2,527,758	8.4
Lansdowne Developed Markets Fund Ltd.	EUR	3,233,166	10.8
Millennium International Ltd.	USD	3,954,286	13.2
Moore Global Investments Ltd.	EUR	3,714,562	12.4
Paulson Enhanced Ltd.	USD	1,781,779	5.9
Pershing Square Holdings Ltd.	USD	2,605,853	8.7
Transtrend Fund Alliance - Omnitrend Plus	EUR	1,864,235	6.2
VR Global Offshore Fund	USD	1,683,826	5.6
		33,050,550	110.0

Investment portfolio as at 31 December 2015

Assets	Currency	Fair value EUR	% of equity
Investment funds			
BH Macro Ltd	USD	501,271	2.0
Brevan Howard Fund Ltd.	EUR	2,298,322	9.0
Egerton Long Short Fund	EUR	3,045,419	12.0
Glenview Capital Partners Ltd.	USD	1,962,523	7.7
King Street Capital Ltd.	USD	2,822,520	11.1
Lansdowne Developed Markets Fund Ltd.	EUR	3,144,881	12.4
Millennium International Ltd.	USD	3,227,006	12.7
Moore Global Investments Ltd.	EUR	3,164,767	12.4
Paulson Enhanced Ltd.	USD	2,050,047	8.1
Pershing Square Holdings Ltd.	USD	1,918,504	7.5
Transtrend Fund Alliance - Omnitrend Plus	EUR	1,994,192	7.8
		26,129,452	102.7

Other information

Provisions of the Prospectus on distribution policy

The Fund Manager does not intend to distribute any income of the Fund to its participants. The Fund Manager shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund.

Interests held by the Directors

As at 31 December 2016, one of the Directors of the Fund Manager holds 10,690 (2015: 10,690) shares in the Fund. The Directors also hold shares in the following underlying investments:

▪ BH Macro Ordinary NPV USD	7,250.0000 shares
▪ Lansdowne Developed Markets (USD) Fund Limited Class R (Restricted)	398.8259 shares
▪ Millenium International Fund Class FF Sub-Class 3 Series 01A	84.8727 shares
▪ Moore Global Investments Ltd. Class H (EUR)	125.1527 shares
▪ Pershing Square Holdings Ltd.	9,817.0000 shares

General principles of remuneration policy

Theta Capital Management maintains a careful, controlled and sustainable remuneration policy. The remuneration policy is consistent with and contributes to a sound and effective risk management and does not encourage risk taking beyond what is acceptable for Theta Capital Management. The remuneration policy consists of a fixed and variable component that is at the discretion of management.

Other information

Independent auditor's report