FundShare Fund Management B.V.

Annual Report for the year ended December 31, 2019

Profile and key figures

Profile

FundShare Fund Management B.V. (the "Company") is authorised by the financial supervisory authorities in The Netherlands to act as an investment fund manager (*beheerder*) and accordingly received a license under the Dutch act on financial supervision (Wft). The financial supervisory authorities issued the licence on November 3, 2006 on the basis of article 2:67 Wft (AIFMD-license), and from June 17, 2014 also based on article 2:69c Wft (UCITS-license).

As per 31 March 2019, the AFM has permitted the Manager to manage Money Market Funds (*geldmarktfondsen*) in relation to the Money Market Funds Regulation ("MMFR") ex article 4. The MMFR is the new European Union (EU) regulatory framework aimed at ensuring the stability and integrity of MMFs which are established, managed or marketed in the EU.

The Company manages the following alternative investment fund (AIF) and undertakings for the collective investment in transferable securities (UCITS):

- FundShare Umbrella Fund (AIF); and
- FundShare UCITS Umbrella Fund (UCITS).

Together hereafter: the "Funds".

In 2019 the following funds were liquidated:

- FundShare Fundamental Value Fund (AIF) (liquidated 1 October 2019); and
- HiQ Invest Market Neutral Fund (AIF) (liquidated 11th March 2019).

The Company was founded on August 9, 2006, has its statutory seat in Amsterdam, The Netherlands and is registered with the Chamber of Commerce and Industry in Amsterdam under number 34252934.

The website of the Company is: management.fundshare.nl.

Group structure

Per the balance sheet date the Company is a 97.73% subsidiary of LPE Capital B.V. LPE Capital B.V. is a holding company and as such forms a group with its direct and indirect owned operating companies (the "Group"). For more details on the Group structure please refer to the notes to the financial statements paragraph 1.3.

Overview of Key figures

Key figures	2019	2018	2017	2016	2015
Gross profit	**2,087,502**	**1,018,053**	**3,750,370**	**354,847**	**965,960**
Operating expenses	**1,564,533**	**2,587,540**	**2,679,638**	**1,921,765**	**2,025,360**
Operating result	**522,969**	**-1,569,487**	**1,070,732**	**-1,566,918**	**-1,059,400**
Net result	**335,327**	**-1,164,972**	**770,546**	**-1,163,481**	**-800,858**
Average Full Time Equivalents (FTE)	8.87	12.26	23.99	20.36	12.87
Number of employees	9	10	23	19	15

Directors' report

The directors of the Company hereby present the financial statements for the financial year ended on December 31, 2019. The "Profile and key figures" on page two are considered to be an integral part of the Directors' report.

Financial and Operating Review

Gross profit, expenses and results after tax

Gross profit

The increase in gross profit from EUR 1,018,053 to EUR 2,087,502 results primarily from a Commercial Services Agreement ("**CSA**") signed with DeGiro B.V. ("DeGiro") in December 2018. This agreement provides the Company with a fixed monthly fee in return for maintaining Qualified Money Market Funds ("QMMFs") available for DeGiro clients in most of the EU/EER countries where DeGiro clients are active. The agreement may be terminated by both parties on the last day of any given quarter with 3-months' notice. Management fees increased as well over the course of 2019 as a result of growth in AUM (+ 44 mln EUR).

Operating expenses

The total operating expenses decreased with more than EUR 1 million compared with 2018, mainly caused by the decrease of employee expenses and general and administrative expenses. Mainly in the course of 2018 but also in the beginning of 2019 employees associated with discontinued portfolios left the Company. All general and administrative expenses related to the liquidated HiQ Invest Market Neutral Fund (MNF) were also stopped. Most of the trading infrastructure was only for MNF and was not shared with other (Sub-) Funds.

Net result

The net result amounts to EUR 335,327 positive (2018: EUR 1,164,972 negative).

Results of the managed Funds

HiQ Invest Market Neutral Fund (Liquidated)

Early in 2019, after the last residual pay-out, the participants of the HiQ Invest Market Neutral received a transfer of potential claims via an "Akte van Cessie" arising from former positions within the fund. These are composed of potential claims from positions in Fortis N.V./S.A. stock, positions in SNS bonds which was ex-propriated by the Dutch Government and a potential tax reimbursement from the Polish Government related to a Total Return Swap. Subsequently the fund has been liquidated.

FundShare Fundamental Value Fund (Liquidated)

During the reporting period from January 1, 2019 until December 31, 2019, the NAV increased from EUR 18.89 to EUR 21.64. Per 1 October 2019 we merged the FundShare Fundamental Value Fund (FVF), under the same conditions as before, into a Sub-Fund of the FundShare UCITS Umbrella Fund (FSUU). The new FVF as Sub-Fund of FSUU had a NAV of EUR 21.64 at the start of 1 October 2019 and ended at a NAV of EUR 22.96 on 31 December 2019. This has resulted in a positive annual return of 21.53% for FVF participants from 1 January until 31 December 2019.

In 2019 the fund reached and exceeded the High Watermark (HWM) as a result of which the manager received a High Watermark Performance Fee amounting to EUR 11,446 (2018: EUR 20,749). There was no performance fee after the merger of FVF in FSUU.

The cumulative return of the FundShare Fundamental Value Fund (including the merger) since inception is 129.61% until 31 December 2019. For the liquidated old FVF it ended at 30 September 2019 with a NAV of 21.64 (before merger), a cumulative return of 116.38% since inception.

In the new FVF part of FSUU the AUM per year end 2019 is EUR 702 thousand.

FundShare Umbrella Fund (AIF)

FundShare Umbrella Fund was launched in 2012. The total assets under management, in this umbrella fund consisting of 9 active sub funds, per December 31, 2019 amounts to EUR 77 million (2018: EUR 55 million).

FundShare UCITS Umbrella Fund (UCITS)

FundShare UCITS Umbrella Fund was launched in 2014. The total assets under management, in this umbrella fund consisting of 19 active sub funds, per December 31, 2019 amounts to EUR 198 million (2018: EUR 172 million).

Financial position at the balance sheet date

Solvency and liquidity

Solvency and liquidity	2019	2018
Shareholder's equity (a.)	1,323,011	987,684
Current liabilities (b.)	746,338	606,978
Total liabilities (c.)	776,338	606,978
Current assets (d.)	1,976,259	1,391,396
Total assets (e.)	2,099,349	1,594,662
Debt-to-assets ratio (c.)/(e.)	37%	38%
Current ratio: (d.)/(b.)	2.65	2.29

Solvency is expresses through the debt-to-assets ratio, a leverage ratio: total liabilities divided by total assets. This ratio measures to what extent total assets were financed by (intercompany) creditors and liabilities (debt). The ratio decreased in 2019, mainly due to an increase of the current assets.

Liquidity is expresses through the current ratio. This measures the ability of the Company to repay current liabilities with current assets. The current ratio increased in 2019, mainly due to an increase of the cash and cash equivalents. The current ratio of 2.65 means that at the balance sheet date, the current assets cover 2.65 times the amount of current liabilities.

Cash flows and financing requirements

Cash and cash equivalents increased from EUR 302,596 to EUR 606,790.

Capital requirements

For capital adequacy purposes the minimum own equity capital of the Company should be at least the higher of:

- EUR 125,000 with a premium of 0.02% of the excess of assets under management exceeding EUR 250 million, up to a maximum of EUR 10 million; or
- 25% of the fixed costs of the preceding financial year (the fixed overhead requirement).

As the fixed overhead requirement is the highest, the present minimum required regulatory capital of the Company amounts to EUR 681,564 (2018: EUR 619,000), once these annual accounts are audited this will be decreased to EUR 380,311. The eligible available capital at the balance sheet date amounts to EUR 987,684, after the audited of these annual accounts this will increase to EUR 1,323,011. The Company is sufficiently capitalized.

Personnel and remuneration

The staff headcount has decreased from 10 employees in 2018 to 9 employees in 2019, in line with the change in scope of activities.

Remuneration policies and practices

The Company meets the applicable requirements and guidelines on “Sound remuneration policies”. The Company deems the remuneration policy to be consistent with and to promote sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the funds under management and do not impair compliance with the Company's duty to act in the best interest of the AIFs. The outlines of this remuneration policy are disclosed on the Company's website: management.fundshare.nl

Main principles

The remuneration policy is based on the following main principles:

- ✓ it aims at promoting a sound and effective risk management;
- ✓ it does not encourage the taking of more risks than is acceptable considering the risk profiles, rules or instruments of incorporation of the UCITS and AIFMD funds it manages;
- ✓ it aims to achieve and maintain a sound capital base;
- ✓ it is in line with the business strategy, objectives, values and long-term interests of the company; and
- ✓ it is designed to avoid conflict of interests.

The remuneration policy is intended to be flexible and it is designed to safeguard a sound capital base, while providing sufficient reward to key personnel. The Company can grant a variable remuneration as part of the remuneration package of its employees in addition to a fixed salary. The Company believes that the current relationship between fixed and variable remuneration is appropriate. The board of the Manager and the heads of Portfolio Management and Operations & Control are considered to be "Identified Staff".

The criteria used for calculating the remuneration are aimed at reflecting the link between payment and performance. The size of a remuneration package is based on the scope of responsibilities and experience of the employee.

The variable remuneration of all the employees is calculated taking the financial achievements of the Company in the previous year and the projection of the regulatory capital requirement for the next year into account. The variable remuneration may be paid partially in financial instruments (units in investment funds managed by the Company) or as share-based payment (shares in the Company) and may be subject to retention and/or deferral over a period which is deemed appropriate in light of the risks of the managed funds.

Annual Review

The management board in its supervisory function has adopted the remuneration policy. The remuneration policy is reviewed on an annual basis by the board and the compliance officer, in order to ensure compliance with (national) laws and regulations and in order to monitor that it operates as intended. The implementation of the remuneration policy is subject to central and independent review performed annually by the compliance department, in order to assess its compliance with policies and procedures laid down by the management board in its supervisory function.

In 2019 the remuneration policy was assessed by the internal audit department, which revealed its findings. The findings mainly focus on further aligning the remuneration policy with current legislation and regulations. As per the date of these annual accounts the Manager has effectively addressed the findings and adopted an updated remuneration policy in December 2019.

Risk management

Financial instruments risk management

The financial instruments recognized as financial assets in the balance sheet include: receivables, securities and cash and cash equivalents. The Company is therefore exposed to credit risks and market risks. Refer below for the description of these risks and their mitigating measures.

Principal risks, uncertainties and risk appetite

The Company is exposed to a number of principal risks and uncertainties arising from its main business activities and financial instruments. The principle risks which the Company seeks to actively manage are compliance and regulatory risks and investment strategy risks. The Company has implemented a risk management policy and has a low risk appetite. Below please find a description of the mitigating activities undertaken per principal risk.

Compliance and regulatory risks

Compliance and regulatory risks concern the risks that a failure to comply with applicable laws, regulations, internal policies, best practices and lack of good conduct may result in supervisory penalties, financial losses or reputational damages. In the worst-case scenario such failure may result in termination of the license.

Mitigating measures:

- **Compliance Function:** FFM has an independent Compliance Officer acting in the second line of defence.
- **Implementation of new laws:** The CFO together with the Compliance Officer, is focused and responsible for identification, interpretation and advising on legislative and regulatory developments and monitors the embedding thereof.
- **Compliance culture:** Through a sound Code of Conduct, compliance training and workshops the importance of compliance is embedded in our operations, this creates a compliant culture.
- **Compliance monitoring program:** By effective execution of the compliance monitoring program, the Compliance Officer provides assurance to the Board that the Company operates within a compliant framework.

Impact and expected impact of compliance and regulatory risk

The financial regulatory environment is currently subject to continuous and extensive developments and this requires a significant effort of the organization to adequately interpret and implement newly adopted laws and regulations within the organization. The further growth and regulatory attention for the Group, require an increased focus on regulatory and compliance risks.

Beginning 2017 and ending 2018, the Netherland Authority for the Financial Markets (AFM) has performed a regulatory audit at the Company. During this audit at the Company the AFM has focussed on the main topics governance, controlled and sound conduct of its business and asset segregation. In November 2018 the AFM has let the Company know that:

1) The FundShare UCITS Umbrella Fund was in violation of article 2:123, first sentence of the Wft. This article regards the distribution of funds under the European Passport framework. FundShare UCITS Umbrella Fund has remediated this finding and in the beginning of 2019; and

2) The Company was not compliant in its obligation with regard to on-going monitoring of Wwft. The basis for this conclusion was that this function may not be delegated to a third party, even within a consolidated group holding. The Company has built its own processes and controls to manage this risk in the first half of 2019 and is now fully compliant.

With the enhancement of the compliance function and the focus on the monitoring of regulatory changes, the Company expects to be able to keep its organization and processes fully compliant with applicable laws and regulations. The Company assesses the potential impact of the compliance and regulatory risk for the year 2020 to be medium.

Investment strategy and investment compliance risk

The quality of execution of investment policy of the Funds is a dominant factor that will determine the performance of the Fund. Consistent negative returns could lead to a significant outflow and reducing AuM. This will have an adverse effect on the results and the financial condition of the Company. In the course of 2018, the fund manager has chosen to adopt the Qualifying Money Market Funds (“QMMF”) regime as guideline for the investment restrictions for its UCITS Umbrella Money Market sub-funds. Since March 2019 all the Cash Funds are recognised by the regulator (AFM) as QMMFs. The definitions for a QMMF can be found under the MiFID, MiFID II and MMFR. Unfortunately, it was not possible for one of our sub-funds (HUF Cash Fund) to meet the QMMF criteria (carrying increased risk of breaching investment rules) and management has decided to close and liquidate the fund during the first half of 2019.

Mitigating measures

- **Independent risk management function:** FFM has set up a risk management function which is hierarchically and functionally independent of the portfolio management function. The risk management function ensures that on an ongoing basis that the actual risk profile disclosed to investors by the prospectus is consistent with the (quantitative and qualitative) risk limits and asset eligibility criteria;
- **Risk limits system**: The Company has implemented a system of risk limits approved by the Investment Committee, concerning the measures used to monitor and manage potential relevant risk factors of the (Sub) Funds and are consistent with (Sub) Funds risk profile;
- **Daily breach monitoring:** On a daily basis the compliance with the approved risk limits is monitored (continual checking) by the risk management function as a second line of defence. Immediate remedial actions for breaches of limits are undertaken, notifying (reporting to) the board and portfolio management (responsible for investment decisions) to remediate.

Impact and expected impact of investment strategy and investment compliance risk
In 2019 issue a clean unqualified opinion with respect the audit of the investment compliance of our UCITS fund. Due to the effective daily intra-day monitoring of investment breaches and asset eligibility criteria together close communication with portfolio management (or the delegated operating company) breaches are immediately identified and remediated. The Company assesses the potential impact of the investment strategy and investment compliance risk for the year 2020 to be low.

Credit risk

Refers to the risk that the Company has an uncovered credit exposure with respect to outstanding receivables and cash and cash equivalents. This risk is not actively managed by the Company.

Impact and expected impact of credit risk

The maximum credit risk exposure per December 31, 2019 amounts to EUR 1,931,403 (2018: EUR 1,384,228). Almost half of this exposure is an unsecured intercompany exposure to the financially sound parent company. The other large exposure is an exposure toward a majority stake state owned bank. The Company has not suffered any losses in 2019 due to uncovered credit exposure. The likelihood that this risk will have a significant impact in the next financial year is deemed remote.

Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. As a result of the Company's investments in equity instruments in non-listed units in AIFs, the Company is exposed to price risk, as the net asset values of these AIFs fluctuate. This risk is not actively managed by the Company.

Impact and expected impact of market risk

The Company has not suffered any losses in 2019 due to market risk exposure. The likelihood that this risk will have a significant impact in the next financial year is deemed remote.

Strategy and business model risk

This risk refers to the current or prospective risk to earning and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

Mitigating measures:

- **New business development:** The Company through its UCITS and AIFMD umbrella funds, provides for a fast set up and smooth integration of new Sub-Funds. It offers this opportunity to third party asset managers (the Operating Companies) to make use of tailor made funds where they are delegated the execution of investment policies; and
- **M&A activity:** to diversify its revenue base and to leverage its cost base the Company will be actively exploring M&A opportunities in the field of fund management and fund administration.

Impact and expected impact of credit risk

The Company has seen a transformation in its business model in 2019 with the liquidation of HiQ Invest Market Neutral Fund. The Company focused more on funds where it has delegated part the portfolio management function and the Cash Funds. The Company entered into a Commercial Services Agreement with DeGiro. Based on this agreement. The Company receives a payment from DeGiro as compensation for maintaining its Cash Funds. This ceteris paribus preserves the capital base of the Company and allows to invest in growth and marketing. The Company is in an advanced stage to acquire FundShare Fund Administrator, the current fund administration service provider to our Funds and is in discussion with several parties to purchase fund management activities. It is the objective of these initiatives to be less dependent on the CSA with DeGiro. The Company is currently significantly dependent on this agreement. The likelihood that this risk will have a significant impact in the next financial year is high considering that the CSA may be terminated by both parties on the last day of any given quarter with 3-months' notice, the next quarter-end being 30 June 2020.

Regulatory environment

UCITS license

The Company obtained a license in 2014 from the AFM to manage undertakings for the collective investment in transferable securities (UCITS). The external audit of the UCITS fund performed by Mazars that took place in 2018 was unqualified.

AIFM license

The AFM have licensed the Manager on 3 November 2006 on the grounds of article 2:67 Wft and on 17 June 2014 on grounds of article 2:69c.

Money Market Funds (MMRF) license

As per 31 March 2019, the AFM has permitted the Manager to manage Money Market Funds (*geldmarktfondsen*) in relation to the Money Market Funds Regulation ("MMFR") ex article 4. The MMFR is the new European Union (EU) regulatory framework aimed at ensuring the stability and integrity of MMFs which are established, managed or marketed in the EU.

Subsequent events after the balance sheet date

Coronavirus outbreak
The current Coronavirus outbreak is not an adjusting subsequent event. This means new Coronavirus outbreak does not provide additional evidence about the situation that existed at 31 December 2019 for the FundShare Umbrella Fund. The Coronavirus outbreak has an impact (although not material) on the operations of the Manager and the value of the assets under management of each sub-fund of the Funds. Therefore we provide connected risk disclosures including risk mitigation measures and an outlook.

The Coronavirus outbreak has triggered the following (principal) risks:

- **Operational continuity risk**: Disruptions to business operations can result from quarantines of employees due to social distancing measures and government-imposed closures; and
- **Technology risk**: Technology infrastructure may be stressed or show weak spots as more employees work remotely for extended periods of time and demands on the systems increase;
- **Market risk (equity prices)**: The Coronavirus outbreak has caused a global financial markets crash (falling stock prices) due to a massive sell off, which has had an negative impact of around

20% on the Net Asset Value (NAV)/Assets under Management (AuM) of the equity funds we manage; and

- **Earnings risk**: Our revenues (management fees) decrease if AuM decreases.

Risk impact

- Absenteeism of key employees could make it harder to maintain business operations control breakdowns, errors and other risks that could lead to regulatory exposure;
- The lower AuM of the Sub-Funds translate to less revenues to be generated by the Company. As a consequence the financial condition of the Company can deteriorate and negatively affect the minimum required regulatory capital level.

Mitigating measures

The Company has taken all the necessary steps to ensure that it can continue to provide its activities and services to its Funds and investors.

- As the Coronavirus outbreak expanded from a global health emergency to being classified as a global pandemic, the Manager has immediately shifted all key employees to working remotely in response to the advice by the Dutch government on social distancing measures, in order to ensure continuity of core operations;
- Through having arranged stable remote access to mailboxes, database and tooling, portfolio management department in conjunction with risk department can ensure that all financial and operational risks are adequately measured, monitored and managed on a daily basis;
- The Company uses the benefits of technology, as all funds are managed and distributed online. On the other hand, this means that there is crucial dependence on technology managed and maintained by third parties. The Manager has arranged dedicated remote-access IT support from DeGiro; and
- The Company keeps a buffer of own funds above the minimum required regulatory capital level which can absorb losses from risk exposures (including such as the Coronavirus outbreak) on a going concern basis.

Coronavirus outlook – expected impact coming period

It is unknown whether to what extent the global economy, global financial markets and investor confidence, may be affected if such an pandemic persists for an extended period of time. A global recession scenario part of a global financial crisis with market staying highly volatile is not unlikely. The full, long-term effect of the coronavirus outbreak on our business, our Funds, operating results and financial condition and risk mitigation remains to be seen.

Out of the LPE Group

As per 24 April 2020 the Company is not part of the LPE Group anymore. The individual shareholders of LPE Capital B.V. have received their pro rata shares as a dividend distribution. This also means that the Company is out of the fiscal unity for value added tax (VAT) and corporate income tax (CIT) per this date.

Outlook

Personnel

At the end of 2019 we’re working with a team of 9 people. In July of 2019 one of the directors, the Chief Risk Officer, left the Company. This position was filled in September by a new director with the function of Chief Financial Officer (CFO). We believe that this base is stable for 2020 and intend on making 2 new hires during the course of the year.

Investments and Financing

In addition, we’re focussing on investments to further improve our Umbrella funds. The Company is completely financed with equity and it is expected to remain that way for the foreseeable future. The aforementioned investments will be financed by equity.

Inflow to investment funds

For 2020, we believe the revenues from the Umbrella funds will be similar to those experienced in 2019. Although the negative markets have led to a negative start for the equity, fixed income and mix sub-funds. The inflow in the Cash Funds from new DeGiro clients have offset this completely. How the markets in the second half of 2020 will develop is very uncertain, including any prediction on our sub-fund returns.

<u>HiQ Invest Market Neutral Fund</u>

This fund has been liquidated and deregistered in 2019.

<u>FundShare Cash Funds</u>

After a great start in the beginning of the year, we expect for the remainder of the year inflow in Cash Funds from new clients from DeGiro. The uncertainty is the merger with flatex, as they have a bank license which could replace (parts of) our Cash Fund solution. Besides this uncertainty we see DeGiro returning excess money to their clients, also from our Cash Funds, because of regulatory requirements.

<u>Other FundShare Sub-Funds</u>

The negative return in the beginning of 2020 will have a negative impact on the results of the equity, fixed income and Mix sub-funds for the remainder of 2020. The regulatory rules are increasing the costs of compliance for wealth managers, which makes our fund solution an attractive alternative. We expect to start at least one new sub-fund in 2020. This could offset a part in the reduced management fees, due to the lower AuM's in the other sub-funds.

<u>Fundamental Value Fund (FVF)</u>

This fund is in liquidation status and all assets within the fund have been paid out to participants in 2019 through a transfer to the new FVF part of the FundShare UCITS Umbrella. We expect to deregister this fund shortly.

<u>New Sub-Funds</u>

Just as Wealth managers are experiencing increasing compliance costs, is this also the case for fund managers. Especially smaller fund managers are looking for other fund managers for consolidation, to lower their (overhead) costs. Due to our open and efficient fund structure, we expect to add additional funds in 2020.

From a different perspective, other fund managers approach us because of our retail infrastructure. They want to have exposure to the DeGiro customers via our (UCITS) funds. Although the outcome is uncertain (low probability) the impact is high.

Based on the above, the management is confident about the near future. Finally, we express our appreciation for the efforts made by all the people who are involved in our activities.

Amsterdam, April 30, 2020

FundShare Fund Management B.V.

A.M. Rose
Director

M.S. Huisman
Director

Financial statements 2019

Balance sheet as of December 31, 2019

(Amounts in EUR, after appropriation of result)

Assets	Notes	12/31/2019		12/31/2018	
Fixed assets					
Tangible fixed assets					
Other operating fixed assets	5	123,090		203,266	
			123,090		**203,266**
Current assets					
Receivables					
Trade debtors	6.1	149,294		115,003	
Receivables from Group companies	6.2	1,167,365		931,179	
Other receivables	6.3	1,433		1,116	
Prepayments and accrued income	6.4	6,521		34,334	
			1,324,613		**1,081,632**
Securities	6.5		44,856		7,168
Cash and cash equivalents	6.6		606,790		302,596
Total Assets			**2,099,349**		**1,594,662**

Equity & Liabilities		12/31/2019		12/31/2018	
Shareholders' equity	**7**				
Share capital paid up and called up	7.2	18,000		18,000	
Share premium	7.3	2,422,983		2,422,983	
Other reserves	7.4	-1,117,972		-1,453,299	
			1,323,011		**987,684**
Provisions	**8**				
Provision for deferred remuneration	8.1	30,000		0	
			30,000		**0**
Short-term liabilities					
Trade creditors	9.1	212,562		252,680	
Amounts due to group companies	9.2	7,254		0	
Taxes and social security contributions	9.3	43,112		51,794	
Other liabilities	9.4	64,183		111,894	
Accrued liabilities and deferred income	9.5	419,226		190,610	
			746,338		**606,978**
Total Equity & Liabilities			**2,099,349**		**1,594,662**

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

Profit and loss account for the year ended December 31, 2019

Over the period January 1- December 31 (Amounts in EUR).

Profit and loss account	Notes	2019	2018
Gross profit	**11**	**2,087,502**	**1,018,053**
Employee expenses	12.1	1,165,622	1,453,040
Depreciation tangible fixed assets	12.2	16,136	28,275
Marketing expenses		0	700
General and administrative expenses	12.3	382,775	1,105,525
Total operating expenses		**1,564,533**	**2,587,540**
Operating result		**522,969**	**-1,569,487**
Changes in value of receivables included in fixed assets and of investments	13.1	-90,577	-1,896
Interest expenses and similar charges	13.2	-646	-1,650
Other financial results		146	0
Result before taxation		**431,892**	**-1,573,033**
Corporate Income Tax gains (loss)	14	-96,565	408,061
Net result		**335,327**	**-1,164,972**

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

Notes to the 2019 financial statements

1 General

1.1 Activities

The Company, with its registered office in Amsterdam, The Netherlands is a wholly owned subsidiary of LPE Capital B.V. in Amsterdam. The Company is registered at the Chamber of Commerce and Industry in Amsterdam under number 34252934. The activities of the Company consist of the management of two investment funds (hereinafter: the “Funds”), whereby two other funds were liquidated in 2019:

- FundShare Fundamental Value Fund (liquidated 1 October 2019);
- HiQ Invest Market Neutral Fund (liquidated 11th March 2019);
- FundShare Umbrella Fund; and
- FundShare UCITS Umbrella Fund.

1.2 Financial supervision

The Company is regulated by and falls under the supervision of The Netherlands Authority for the Financial Markets (“AFM”) and De Nederlandsche Bank (“DNB”). The Company is a fund manager with a license to manage both UCITS- and AIF funds and Money Market Funds.

1.3 Group companies

In addition to the Company the following active and relevant entities are part of the Group per the balance sheet date:

- LPE Capital B.V. (parent company and head of the Group);
- DEGIRO B.V. (Investment firm) (90.56%);
    - Stichting DEGIRO (special purpose safekeeping entity founded and controlled by DEGIRO B.V.);
    - Stichting DEGIRO II (special purpose safekeeping entity founded and controlled by DEGIRO B.V.):
    - Stichting DEGIRO IIb (special purpose safekeeping entity founded and controlled by DEGIRO B.V.): and
- FundShare Administrator B.V. (fund administrator) (100%).

1.4 Branch offices (foreign operations)

The Company has a branch in Sofia, Bulgaria (currently in liquidation).

1.5 Going concern assumption

The Company entered into a Commercial Services Agreement (CSA) with DeGiro (see note 11.5). Based on this agreement the Company receives a monthly service fee from DeGiro as compensation for maintaining Cash Funds for its clients. This agreement can be terminated every quarter-end with a notice period of 3 months.

1.5.1 Material uncertainty related to going concern

There is a material uncertainty with respect to the continuation of the Commercial Services Agreement (CSA) with DeGiro for the foreseeable future:

- In a worst case scenario, which we consider unlikely, the CSA could be terminated in the second quarter of 2020, if for example DeGiro can arrange flatex multicurrency bank accounts as an alternative to our Cash Funds.
- In the worst case scenario that the Commercial Services Agreement with DeGiro is cancelled in the second quarter of 2020 quarter and given the notice period of 3 months, the last payment will be received per 30 September 2020.

- The remaining expected value of these CSA revenues in 2020 would then be EUR 1.35 million instead of EUR 1.8 million for full year 2020.

The above described material uncertainty based on a worst case scenario is deemed to be counterbalanced by the following positive events and conditions:

(i) The scenario we consider <u>probable</u> with respect to the termination of the CSA would be a termination in the fourth quarter of 2020. We believe that after the acquisition of DeGiro by flatex, it will take DeGiro at least a couple of months before they can fully arrange flatex multicurrency bank accounts as an alternative to our Cash Funds. This means in this case that the last CSA payment is expected to be received 31 March 2021;

(ii) The remaining revenues from the CSA in the worst case scenario would still be able to cover all forecasted 2020 operating expenses. In the worst case scenario the Company still has sufficient liquid assets to satisfy working capital requirements and to fulfil its obligations for the foreseeable future;

(iii) To substantiate the above statement we have prepared a detailed cash flow forecast and earnings forecast, resulting from existing and anticipated operations, the current economic environment (Corona crisis), performance and capital position together with related risk exposures. On the basis of this forecast management is of the opinion that the Company will show a positive net result in 2020 (even in the worst case CSA scenario), will have sufficient cash and liquid asset resources available in the foreseeable future to satisfy working capital requirements and is able to pay its debts as and when they fall due;

(iv) The forecasted capital position for the foreseeable future will exceed the minimum required capital levels based upon the fixed overhead requirement; and

(v) The Company is actively exploring potential new business opportunities to substitute for the expected loss of revenues and corresponding cash flows.

After having assessed the business forecast, the principal risk exposures to the business model and company strategy - including the risk of losing revenues from DeGiro per 1 October 2020 in the going concern period - we are still satisfied that the Company can maintain sufficient liquid resources and will remain solvent in order to enable it to continue in operation for at least the foreseeable future. Management therefore considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements. As with all business forecasts, the management statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about the future events.

1.6 Significant accounting estimates and judgements

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may vary from these estimates. The estimates and the underlying assumptions are constantly assessed. If necessary, to provide the transparency required under article 362 paragraph 1 Book 2 of the Dutch Civil Code, the nature of these estimates and judgements, are disclosed in the notes to the relevant financial statement item. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

2 General accounting principles regarding the valuation of assets and liabilities

2.1 General

2.1.1 Basis of preparation

The financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for annual reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The accounting policies applied are based on the historical cost convention, unless stated otherwise.

2.1.2 Financial reporting period

These financial statements have been prepared for the reporting period from January 1st till December 31st.

2.2 Foreign currencies

2.2.1 Functional currency

The amounts in the financial statements are stated in consideration of the currency in the economic environment in which the Company performs its business activities (the functional currency). The annual financial statements are presented in euro (EUR). This is both the Company's functional and presentation currency.

2.2.2 Transactions in foreign currencies

Transactions denominated in foreign currency are translated to EUR at the exchange rate applicable on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate applicable on the balance sheet date. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated into EUR at the applicable exchange rates on the transaction date. Translation gains and losses on monetary assets and liabilities are taken to the profit and loss account.

2.2.3 Foreign operations

The assets and liabilities of foreign operations are translated to EUR at exchange rates applicable on the balance sheet date. Income and expenses of foreign operations are translated into EUR at the exchange rate applicable on the transaction date.

2.3 Recognition and derecognition of assets and liabilities

An asset is included in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet (derecognition). Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

2.4 Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In this connection, financial assets particularly comprise cash and cash equivalents, equity instruments held in other entities (e.g. investments in participating interests), trade accounts receivable, receivables from Group companies and investments securities.

Financial liabilities generally represent a contractual obligation to deliver cash or other financial assets. These include in particular, trade creditors, payables to Group companies and other liabilities.

Within the Company, purchases and sales of (derivative) financial instruments are generally recorded as of the trade date, i.e. the date that the Company commits to purchase or sell the financial instrument. Financial assets and financial liabilities are generally reported separately (i.e. without being netted).

2.4.1 Financial instrument risk management

As the Company qualifies as a small-sized company, the Company has no obligation to disclose are included in the directors' report.

2.4.2 Measurement of fair value

Fair value (market value) is the amount for which an asset can be exchanged or a liability can be settled between knowledgeable willing parties in an arm's length transaction.

2.4.3 Initial recognition and subsequent measurement

Financial instruments are initially stated at fair value (i.e. the transaction price), including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are separately recognized in the profit and loss account.

2.4.4 Investments in securities

Securities consist of short-term positions (available for sale) in unlisted securities. Investments in unlisted equity securities are stated at fair value. The fair value of unlisted units in investment funds is determined by reference to the underlying net asset value (NAV) of each of the individual funds.

Changes in the market values of securities are reported in the profit and loss account under “Changes in value of financial fixed assets and securities”.

2.5 Tangible fixed assets

Tangible fixed assets are valued at the purchase price less straight-line depreciation based on the expected economic (useful) life, or at the lower realisable value.

The expected useful life is:

Tangible asset category	Depreciation term
Leasehold improvement	5 years
Furniture	5 years
Computers and software	5 years

A tangible fixed asset is derecognised in the event of disposal or if no future economic benefits are expected from its disposal or use. Any gains or losses arising from its balance sheet derecognition (calculated as the difference between the net proceeds on disposal and the book value of the asset) are taken through profit or loss for the year in which the asset is derecognised.

The residual value of the asset, its economic life and valuation principles are reviewed and, if necessary, adapted at the end of the financial year.

2.6 Financial fixed assets

2.6.1 Participating interests

Participating interests, over which significant influence can be exercised, are valued using the net asset value method based on the Company’s accounting policies. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

Participating interests with a negative net asset value are valued at EUR 1. If the company fully or partly guarantees the liabilities of these participating interests a provision is set up, primarily comprising the receivables from this investment.

A provision is created for the remainder, either being the share in the losses incurred by the investment, or the amount of payments the company is obliged to make on behalf of these investments.

Newly acquired associates are initially recognized on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

For financial fixed assets, an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If the carrying value of an asset is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value.

2.7 Current assets

2.7.1 Receivables

2.7.1.1 Receivables from group companies

The intra group balances outstanding are recorded at their nominal value (and if applicable) less a provision for doubtful items at year-end.

2.7.1.2 Trade and other receivables

At initial recognition trade and other receivables are measured at fair value. After initial recognition receivables are valued at amortized cost less impairment losses. The amortized cost value equals the nominal value, if no directly attributable transaction costs or premium/discounts are applicable.

2.7.1.3 Deferred tax assets

Deferred tax assets are determined using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses and credits carried forward. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The calculation of the deferred tax asset is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law. Deferred tax assets are stated at nominal value.

2.7.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in bank accounts with a maturity of less than twelve months. Cash and cash equivalents are measured at nominal value.

2.8 Provisions

2.8.1 General

Provisions are made for legal or constructive obligations that exist at the balance sheet date, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The provisions are carried at the nominal value of the expenditure that is expected to be required to settle the obligation. When an affiliated company reimburses the obligations, this amount is settled in the current account between both Group companies.

2.8.2 Provision for deferred tax liabilities

Provisions for deferred tax liabilities are determined using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The calculation of the deferred tax liability is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law. The deferred tax liabilities are measured at nominal value.

2.8.3 Provision for deferred remuneration

The provision for deferred remuneration refers to conditional performance-based remuneration awards where the actual payment is deferred for a period of, in principle, three years and depends on the performance (net asset value) of two specific investment funds managed by a related party to the Company. The change in value of the remuneration awards directly related to the performance of the investment funds is expressed in the calculation of the provision.

2.9 Current liabilities

Payables are classified as current liabilities if payment is due within one year, if not, they are presented as non-current liabilities. Payables are initially recognized at fair value and subsequently measured at amortized cost. The amortized cost value equals the nominal value, if there are no directly attributable transaction costs or premium/discounts applicable.

3 General accounting principles for determination of the result

Income and expense items are recognised in the period to which they relate, having due regard to the above accounting principles. Revenues are recognised if it is probable that their economic benefits will flow to the Company and the revenues can be reliably measured.

3.1 Revenues

3.1.1 Management and other fees

Management and other fees represent management fees, operating fees and performance fees.

3.2 Employee expenses

Salaries and wages, social security charges and other salary related expenses are recognized over the period in which the employees provide their services to the Group.

3.3 Financial income and expenses

Financial income and expenses comprise interest income and expenses on cash and cash equivalents and changes in value of securities.

3.4 Taxes

3.4.1 Corporate income tax (CIT)

Corporate income tax is calculated on the basis of the standard tax rates in the countries where the results were achieved, taking into account applicable tax facilities in these countries. Corporate income tax comprises the current and deferred income tax relating to the reporting period. Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. If the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences. A provision for deferred tax liabilities is recognized for taxable temporary differences.

3.4.2 Value added tax (VAT)

The Company is exempted from VAT with respect to revenues generated from the management of investment funds and the execution of investment transactions and the granting of loans. Due to this exemption a significant portion of invoiced VAT is not recoverable. Expenses therefore include non-recoverable VAT.

3.4.3 Fiscal unity

Under the Dutch corporate income tax act, Dutch companies (and Dutch permanent establishments of foreign subsidiaries) can form a consolidated group for tax purposes, a so-called ‘fiscal unity’. The Company is part of a fiscal unity for corporate income tax (CIT) and value added tax (VAT) purposes together with its parent company, LPE Capital and other fiscal unity members within the Group. Each of the companies within the fiscal unity recognizes the pro rata portion of corporate income tax that the relevant company would owe as an independent taxpayer, taking into account the applicable tax facilities. All companies in this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

3.5 Result from participations

The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation to the extent that this can be attributed to the Company.

4 Cash flow statement

Based on the fact that capital, directly or indirectly, is fully provided by a legal entity that prepares a comparable cash flow statement (DAS 360.104), the Company itself does not prepare a cash flow statement. These figures are included in the consolidated cash flow statement of LPE Capital B.V. The consolidated financial statements of LPE Capital B.V. are filed with the Trade Register of The Netherlands.

Notes to the balance sheet

5 Fixed assets

5.1 Tangible fixed assets

Movement schedule tangible fixed assets	2019	2018
Opening balance 1 January	**203,265**	**259,114**
Investments	0	39,025
Depreciation	-80,176	-94,874
Closing balance 31 December	**123,090**	**203,265**

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5.1.1 Breakdown per category

Category	Purchase value	Depreciation till 2018	Depreciation 2019	Book value
Leasehold improvements	58,954	-16,400	-11,791	30,763
Furniture	169,703	-106,621	-18,842	44,240
Computers & software	502,177	-404,547	-49,543	48,087
Total	**730,834**	**-527,568**	**-80,176**	**123,090**

6 Current assets

6.1 Trade debtors

Trade debtors	2019	2018
Trade debtors	149,294	115,003
Total	**149,294**	**115,003**

6.2 Receivables from group companies

Receivables from Group companies	2019	2018
LPE Capital B.V.	574,344	792,349
DeGiro B.V.	537,601	96,299
LPE Software B.V.	36,631	36,820
FundShare Administrator B.V.	0	3,492
GMO Limited	18,789	0
DeGiro Hypotheken B.V.	0	2,219
Total	**1,167,365**	**931,179**

The loan receivables in current account from Group companies are non-interest bearing. There are no arrangements in place regarding timing and magnitude of repayments or with respect to the security of these payments.

6.3 Other receivables

The other receivables mainly relate to deferred tax assets of the Bulgarian branch.

6.4 Prepayments and accrued income

Prepayments and accrued income	2019	2018
Prepayments	6,521	34,334
Total	**6,521**	**34,334**

The prepayments and accrued income amounts are due within one year.

6.5 Securities

Securities	2019	2018
Equity instruments	44,856	7,168
Total	**44,856**	**7,168**

The investments in unlisted equity instruments concerns investments in units of investments funds (AIF) managed by the Company. The units are priced at the validated net asset values at the balance sheet date.

6.5.1 Breakdown per category

Category breakdown	2019	2018
At free disposal	14,856	7,168
Linked to provision for deferred remuneration	30,000	0
Total	**44,856**	**7,168**

The securities linked to the provision for deferred remuneration are not at free disposal of the Company (refer to note 8.1).

6.6 Cash and cash equivalents

The cash and cash equivalents are specified as follows:

Cash and cash equivalents	2019	2018
Current bank and broker accounts	606,790	302,596
Total	**606,790**	**302,596**

Cash and cash equivalents are available for the Company's immediate use in day-to-day operations, besides the restrictions as reflected below.

6.6.1 Restrictions

Restricted cash entails cash held in a specific designated bank account which is earmarked for a specific purpose or on a contractual basis or at management's discretion and therefore not available for immediate and/or general use by the Company.

An amount of EUR 68,215 (2018: EUR 42,972) in current accounts is held in a designated bank account, in connection with a bank guarantee to secure the Company's Bulgarian branch office lease obligations.

7 Shareholder's equity

The shareholder's equity is specified as follows:

Shareholders' equity	2019	2018
Share capital paid up and called up	18,000	18,000
Share premium reserve	2,422,983	2,422,983
Other reserves	-1,117,972	-1,453,299
Total	**1,323,011**	**987,684**

7.1 Initial capital requirement and fixed overhead requirement

The Company as both a UCITS and AIF manager has to comply with an initial capital requirement of EUR 125,000 with a premium of 0.02% of the excess of AUM over EUR 250 million and a fixed overhead requirement. The minimum required regulatory capital is equal to the higher of the initial capital of EUR 125,000 plus the aforementioned premium and the fixed overhead requirement (FOR). The minimum required regulatory capital in 2019 of the Company amounts to EUR 681,564 (2018: EUR 619,000).

7.2 Share capital

The authorised share capital amounts to EUR 90,000, divided in 9,000,000 ordinary shares, with a nominal value of EUR 0,01 each. 1,800,000 shares are issued and paid-up.

7.3 Share premium

During 2019 there are no mutations in the share premium reserve.

7.4 Other reserves

The movement in the other reserves is specified as follows:

Movement schedule other reserves	2019	2018
Opening balance 1 January	**-1,453,299**	**-288,327**
Result current year	335,327	-1,164,972
Closing balance 31 December	**-1,117,972**	**-1,453,299**

8 Provisions

8.1 Provision for deferred remuneration

Provision for deferred remuneration	2019	2018
Opening balance 1 January	**0**	**87,415**
Awarded value (in fund units)	30,000	0
Changes in value	0	-87,415
Closing balance 31 December	**30,000**	**0**

This provision entails conditional bonus awards which are subsequently linked to the changes in value of units in investment funds managed by the Company.

A deferral period of three years minimum is applicable, whereby pro rata spreading is applied over the deferral period. The deferred and conditional bonus awards are fully funded through earmarked investments in units of funds managed by the Company, invested just after at the granting date (see note 6.5.1). Income tax payments on the deferred bonus amounts are due when the net deferred bonus amounts are actually paid to employees.

9 Current liabilities

9.1 Trade creditors

Trade creditors	2019	2018
Trade creditors	212,562	252,680
Total	**212,562**	**252,680**

9.2 Amounts due to group companies

Amounts due to group companies	2019	2018
FundShare Administrator B.V.	7,254	0
Total	**7,254**	**0**

The loan amounts payables in current account to group companies are non-interest bearing. There are no arrangements in place regarding timing and magnitude of repayments or with respect to the security of these payments.

9.3 Taxes and social security premiums

The taxes and social security premiums are specified as follows:

Taxes and social security contributions	2019	2018
Payroll taxes and social security premiums	36,864	42,809
Value added tax	1,701	4,559
Corporate income tax	4,547	4,426
Total	**43,112**	**51,794**

9.4 Other liabilities

Other liabilities	2019	2018
Other liabilities	64,183	111,894
Total	**64,183**	**111,894**

The other liabilities mainly relate to a received rental deposit for the Bulgarian branch (see note 6.6.1).

9.5 Accrued expenses and deferred income

Accrued liabilities and deferred income	2019	2018
Accruals and other payables	419,224	190,610
Total	**419,224**	**190,610**

Accrual and other payables mainly relate to accrued audit fees, accrued holiday allowance, accrued holiday entitlement and the 2019 passporting expenses for cross-border UCITS fund distribution.

The accrued expenses and deferred income will be paid within one year.

10 Off balance sheet assets and liabilities

The off balance sheet assets and liabilities are valued at nominal value, if applicable unless stated otherwise.

10.1 Contingent liability in a fiscal unity

The Company is part of a fiscal unity for corporate income tax and value added tax purposes with her parent company LPE Capital B.V. All group companies within this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity as a whole.

11 Gross profit

11.1 Management fees

The Company has entered into separate agreements per Fund together with the depositary. The Funds offer investors the opportunity to participate. Under these agreements, the Company for portfolio and risk management services, is entitled to receive management fees on an annual basis calculated on a monthly basis over the net asset value of these Funds. The Company realised a net management fee in 2019 of EUR 351,260 (2018: EUR 618,677).

11.1.1 Operating company service fees

In case the execution of the investment policy of sub-funds of the Funds (which is the case for almost all non-Cash Funds sub-funds) is delegated to a licensed operating company, these service fees are offset against the recognized management fees.

11.2 Performance fees

The Company realised a High Watermark Performance Fee in 2019 amounting to EUR 11,446 (2018: EUR 373,450).

11.3 Commercial service fee

The Company entered on 1st of December 2018 into a commercial service agreement with DeGiro B.V. in which has been agreed that FFM will continue to provide the following services:

- Setting up and maintaining Qualified Money Market Funds (Cash Funds) at the request of DeGiro; and
- Delegating asset management activities to operating companies for sub-funds of the FundShare UCITS Umbrella Fund and FundShare Umbrella Fund.

The Company recognized a commercial service fee of EUR 1,800,000 in 2019 (2018: EUR 150,000).

11.4 Fund administration and depositary fees

The administration and depositary fees are charged by fund service providers in connection with the funds managed by the Company.

12 Operating expenses

12.1 Employee expenses

Employee expenses	2019	2018
Salaries	858,969	1,019,675
Social security contributions	71,756	105,997
Other employee expenses	25,777	118,904
Wage tax reduction*	-13,744	-22,246
(Re)charged employee expenses by group	222,864	230,711
Total	**1,165,622**	**1,453,040**

*This reduction in the wage tax paid refers to a facility provided by the Research and Development Promotion Act (WBSO).

12.1.1 Remuneration

For the performance period 2019 the Company has awarded performance related bonuses. The total fixed and variable remuneration for the directors and other employees (identified staff) is shown in the table below:

Details remuneration	2019	2018
Fixed remuneration	751,084	1,011,889
Variable remuneration	107,885	97,100
Which is paid in cash for an amount of	65,385	*97,100*
Which is deferred for an amount of	*42,500*	*0*
Total	**858,969**	**1,108,989**

Allocation remuneration	2019	2018
Directors	448,916	283,555
Other employees	410,053	825,434
Total	**858,969**	**1,108,989**

12.1.2 Share based compensation

The directors, based on their performance in 2019 and as part of their remuneration package, have been awarded unvested shares by the shareholder with a total value of EUR 130 thousand. The director can become entitled to the awarded shares, meaning they may vest subject to the satisfaction of a specific performance hurdle and to service conditions in 2020 and 2021. Vesting occurs over a two years period at 50% per year.

12.1.2.1 Measurement and recognition

The fair value at the grant date (April 2020) of the Company shares will be recognized as a personnel expense with a corresponding increase in equity (equity-settled), net of tax, over the period that the employees become unconditionally entitled to the share rights, meaning vesting occurred.

The employee expenses are spread evenly over the vesting period (2020 and 2021), during which vesting performance conditions are applicable subject to continued services. The wage tax charges related to the conditionally awarded shares will be cash-settled by the Company at the moment of vesting. This will then be categorized as a cash settled performance share-based payment.

12.2 Depreciation tangible fixed assets

Depreciation expenses	2019	2018
Depreciation leasehold improvements	11,791	11,791
Depreciation furniture	18,842	19,810
Depreciation computers & software	49,543	63,273
(Re)charged depreciation expenses by group	-64,040	-67,270
Total	**16,136**	**27,604**

12.3 General and administrative expenses

General and administrative expenses	2019	2018
Rents and services	69,123	118,912
Market data and exchange connectivity fees	65,791	346,811
ICT infrastructure	9,654	244,102
Financial supervision	43,812	77,868
Audit* and consultancy fees	154,538	283,922
Office expenses and insurance	16,810	38,311
Payment services	20,346	6,716
Exchange rate differences (profit)	3,467	6,743
Other expenses	-766	-17,859
Total	**382,775**	**1,105,525**

* The Company has appointed Mazars Accountants N.V. as its Independent Auditor. The Independent Auditor's remuneration accounted for in 2019 amounted to EUR 56,291. (including VAT) with respect to audit fees (2018: EUR 42,350). The Independent Auditor has been engaged to perform the audit of these annual accounts of the Company (EUR 27,225 including VAT) and the investment funds (AIF and UCITS) under its management, including an UCITS investment restrictions audit. The Independent Auditor did not provide any non-audit services to the Company.

13 Financial income and expenses

13.1 Income from receivables included in fixed assets and from investments

Changes in value of investments	2019	2018
Changes in value of receivables included in fixed assets and of investments	90,577	1,896
Total	**90,577**	**1,896**

13.2 Interest expenses and similar charges

Interest expenses and similar charges	2019	2018
Interest expenses and similar charges	646	1650
Total	**646**	**1,650**

14 Corporate Income Tax

The components of the Corporate Income Tax gains (expenses) are as follows:

Corporate income tax gain or expenses	2019	2018
Result before taxes	**431,892**	**-1,573,033**
Permanent differences	2,762	4,452
Temporay differences	0	6,331
Taxable profit (loss)	**434,654**	**-1,562,250**
Carry forward tax losses	0	0
Carry back	0	0
Taxable amount	**434,654**	**-1,562,250**
Current income tax gains (charge)	-96,404	-5,126
The components of income tax gains are as follows:		
Current income tax gain (charge)	-96,404	-5,126
Horizontal compensation tax losses fiscal union	0	402,523
Deferred tax liability due to temporary differences	0	1,583
Corporate income tax prior year	-161	9,082
Total	**-96,565**	**408,061**

The applicable statutory nominal corporate income tax rates in The Netherlands are 25% (2018: 25%) for profits above the amount of EUR 200,000 and 20% for profits below the amount of EUR 200,000 (2018: 20%).The statutory tax rates applicable in Bulgaria and Hong Kong are 10% and 16.5%.

14.1 Average number of employees

During 2019 an average number of 8,87 employees (including directors) were employed based on a full-time employment (2018: 12.26). The breakdown of the average employees is as follows:

FTE overview	2019	2018
Working in The Netherlands	7.87	9.50
Working outside The Netherlands	1.00	2.76
Total	**8.87**	**12.26**

14.2 Remuneration of directors

The remuneration of the active and retired directors of the Company (fixed and variable) amounted to EUR 448,916 in 2019 (2018: EUR 283,555), refer to note 12.1.1. An amount of EUR 145,833 is connected to the retired director.

15 Transactions with related parties

During the year there were no transactions (other than intra-group) with related parties that were not at arm’s length and which should be disclosed in the financial statements.

16 Proposal for result appropriation 2019

The General Meeting will be asked to approve the following appropriation of the 2019 result after taxation (net result):

- The net result of EUR 335,327 will be added to the other reserves. In anticipation of the General Meeting, the appropriation of the result has been included in the financial statements.

17 Subsequent events

There have been no events after the end of the financial year that give further information about the actual situation at balance sheet date or raise doubt regarding the assumption of continuity of the Company. Even though the Coronavirus outbreak is a non-adjusting event subsequent to the balance sheet date, we disclose this as an important event after the balance sheet date.

Coronavirus impact and outlook – expected impact coming period

With the onset of the Coronavirus, and preventive measures taken by governments, there is high economic uncertainty for at least a short period and most likely for a longer period as well. Developments however remain very uncertain and subject to change. As the Corona-crisis could not have been foreseen at the balance sheet date, the respective implications, if any, have not been reflected in these financial statements as per 31 December 2019.

It is unknown whether to what extent the global economy, global financial markets and investor confidence, may be affected if such an pandemic persists for an extended period of time. A global recession scenario part of a global financial crisis with market staying highly volatile is not unlikely. Considering the high level of uncertainty regarding the implications of the Corona-crisis and further developments of this crisis going forward the full, long-term effect of the coronavirus outbreak on our business, our Funds, operating results and financial condition and risk mitigating measures remains to be seen.

Amsterdam, April 30, 2020

FundShare Fund Management B.V.

A.M. Rose Director	M.S. Huisman Director

Other information

Statutory arrangement regarding the allocation of the result

Article 14 of the Articles of Association includes the following regarding the appropriation of the result: The corporate profit shown in the financial statements approved by the General Meeting of Shareholders – to the extent that the profit is not to be used for the creation or maintenance of reserves prescribed by law – is at the disposal of the General Meeting of Shareholders, that decides regarding reservation or distribution of profits. The distribution of profits may only be made to a maximum amount that exceeds the portion of equity that is issued and called plus the legally held reserves.

Branch office

The Company has a branch in Sofia, Bulgaria (currently in liquidation).

Auditor's report of the independent accountant

The auditor's report is included on the next pages of this annual report.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

FundShare Fund Management B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2019 of FundShare Fund Management B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of FundShare Fund Management B.V. as at 31 December 2019, and of its result for 2019 in accordance Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2019;
2. the profit and loss account for 2019; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of FundShare Fund Management B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the going concern paragraph in the notes on page 14 of the financial statements which indicates that the company depends on a Commercial Service Agreement (CSA) with DeGiro and the willingness of DeGiro to continue the financing of the services performed by FundShare Fund Management B.V. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

EMPHASIS OF MATTER: EFFECT OF THE CORONA CRISIS

We draw attention to the section "Subsequent events" in the notes to the financial statements on page 29 where management describes its assessment of the effects of the corona crisis on FundShare Fund Management B.V.

Our opinion is not modified in respect of this matter.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- profile and key figures;
- the Directors' report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- obtaining 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 company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 30 April 2020

MAZARS ACCOUNTANTS N.V.

Orginal was signed by drs. C.A. Harteveld RA