



APPLE TREE FUND

Annual Report 2021

**Attention! This investment falls outside AFM supervision.
No license and no prospectus required for this activity.**





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1. Fund Manager's report

With pride we present our first annual report of Apple Tree Fund (hereafter 'the Fund'). The Fund was formally established on 18 December 2020 and was opened for investors as per 1 February 2021.

This report represents the (extended) fiscal year 2021, which formally covers the period 18 December 2020 – 31 December 2021, but de facto presents the Fund's results between 1 February 2021 and 31 December 2021. This report has been written and approved by the board of the Fund Manager Apple Tree Capital Partners B.V.

Financial markets

In the below paragraph we highlight some key developments in the financial markets over 2021 that are most relevant for the Fund. The AEX and especially the EURO STOXX 50 (ESTX50) were used as underlying stock indices to execute the Fund's investment strategy.¹

2021 was a very good year for most (Western) financial markets. Especially between February and October, record after previous record was broken and All Time Highs (ATH) followed each other rapidly. Technology led (most) other sectors, which boosted the tech heavy AEX as well. In November and December, we started to see the first (small) cracks in the ceiling leading to the AEX and the ESTX50 closing the year around 3.8% and 2.6% below their ATH respectively. Over 2021FY, the ESTX50 realized a net return of 20.5%, excluding gross dividends of around 1.6%. The AEX realized a net return of 26.3%, also before gross dividends of around 1.6%²

The VIX, a measure for the volatility of, in this case, the ESTX50, moved in a bandwidth of 15%-35%. Where Q1 through Q3 volatility was mainly between 15% and 25%, the last quarter of 2021 we saw a rise in the VIX moving mainly between 25% and 35%. Although this is relatively high for a year that has seen such strong performance, its fairly narrow bandwidth and low peaks also indicate that 2021 was a relatively calm year for the stock market. The year was characterized by "Buy the dip"; every (small) correction was short lived.

The Dutch 10-years risk-free interest rate stayed below zero but moved in an upward trend during the whole year. It opened at -0.49% on 1 January 2021, and closed on -0.03% on 31 December 2021, rising almost 50bps. Saving accounts rates, driven by the negative deposit interest rate, stayed close to 0%. Several banks in the Netherlands, however, pushed a negative deposit rate onto clients in the second half of the year for deposits that exceeded EUR 100k. The still existing adage of TINA (There Is No Alternative, for stocks) is probably a large part of the reason why stock markets have performed so well over 2021.

In 2021 the Fund has primarily written put option contracts on the aforementioned stock indices. The Fund was able to benefit from the relatively high volatility and its peaks, without risks of too large

¹ The AEX is the Dutch leading stock index based on the 25 company stocks with the largest market capitalisation on the Amsterdam stock exchange. The Euro Stoxx 50 is a stock index based on the 50 company stocks with the highest market capitalisation in the Euro zone.

² The ESTX50 and the AEX gross dividend returns are estimates before 15% dividend tax. The estimated dividend returns of 1.6% are relatively low, due to the aftermath of COVID-19 and the 2020 financial markets, as well as a fairly high stock valuation in 2021. For 2022 we expect a gross dividend return for both indices around 3%.



decreases in the index value. The Fund's net return between 1 February and 31 December 2021 (11 months) was 25.6%.

Investment results

Apple Tree Fund's goal is to provide stable annual net results for participants between 6% and 10%, with minimal risk where preservation of capital is of key importance, for both the short term and the long term.

The table below provides the Fund's net returns (after deduction of all fees and costs).

Fund	Unit price 31-01-2021	Unit price 31-12-2021	Net result
Apple Tree Fund	€ 100.0000	€ 125.6180	25.6%

The Fund's returns have exceeded its target in its first eleven months of investing. We would like to emphasize that this is a single moment in time and that results should be viewed over a longer period. Having said that, our first results are promising and in line with the Fund's goal and philosophy.

The figure below compares the Fund's net returns, over the 11 months starting 1 February 2021, with the development of the AEX, the ESTX50 and the return on a savings account over the same period.



Assets under Management

The below table provides the development of the Assets under Management (AuM, or 'Fund Assets') of Apple Tree Fund, as well as the total AuM of the Fund Manager Apple Tree Capital Partners.

Two (key) factors define a fund's AuM development: 1. deposits/withdrawals of outside capital and 2. its (net) results. For the Fund and its Manager, both these factors have been positive during the period, which has resulted in the AuM development as depicted below.

Fund / Manager	AuM 31-01-2021	AuM 31-12-2021
Apple Tree Fund	€ 0	€ 1,873,066
Total AUM Fund Manager	€ 0	€ 3,228,068

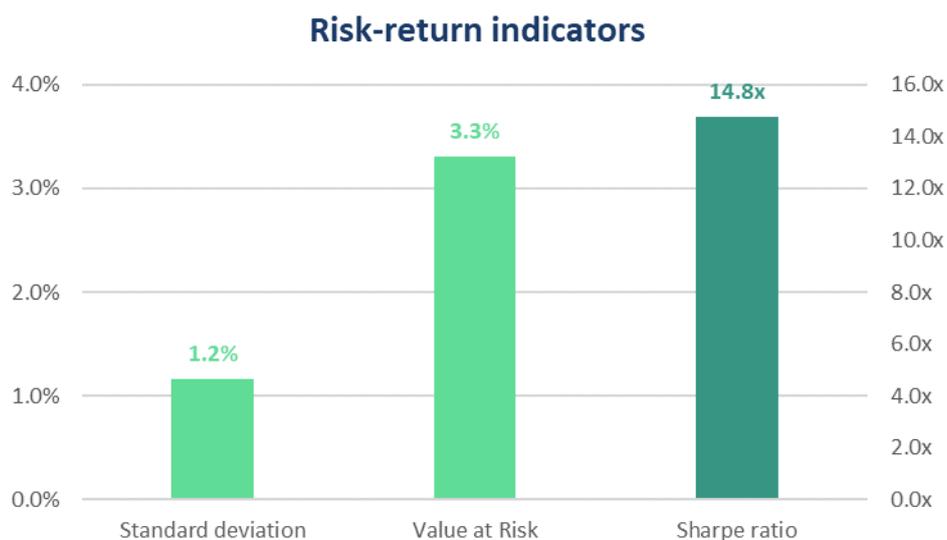


Risk-return indicators

The Fund aims to generate a stable short-term and long-term net return, while minimizing risks (see chapter 2). To monitor this, we use the following indicators, amongst others:

- Standard deviation: a measure for the stability of a fund's results. The lower, the more stable the results.
- Value at Risk (VaR): a measure for risk of losses. For the Fund the depicted value means there is '95% confidence' that in 1 year Apple Tree Fund will not lose more than 3.3%.
- Sharpe ratio: a measure for the risk adjusted return, which is calculated as [Return -/- Risk-free Return] / St.Dev. Generally, a ratio of 3 or better is regarded 'excellent'.
- ESTX50 correlation (R^2): a measure for the sensitivity of returns for general market movements, with the ESTX50 as a measure for the market. For the Fund this measure is 0.2. This indicates that the Fund has low correlation with market movements (measured against the ESTX50-index), and thus barely moves up and down with market developments.

The figure below illustrates the value of the first three indicators as per 17-12-2021, measured over a period of three years.³



³ The Standard deviation, VaR, Sharpe ratio and ESTX50 correlation are calculated based on (rolling) returns over the past three years, with the most recent expiration date (17 December 2021) as end date.



Outlook

Results achieved in the past offer no guarantee for the future. Financial markets are too complex to offer a solid outlook and view for the near future with some certainty. We are transparent about the fact that we are not able to predict developments in financial markets, and hence any predictions about the future Fund performance. Therefore, we are careful to convey views on economic developments as well as on Fund performance for 2022.

However, we do expect that 2022 will hold severe challenges and stock markets could be in for some heavy weather, potentially increasing volatility throughout the year. More to the point, we see four potential areas as the key risk for 2022.

Russian invasion in Ukraine

Since late 2021 Russia has been gathering and positioning military troops at strategic points across the Russian-Ukrainian border. In Q1 of 2022 Russia did invade Ukraine, on 24 February 2022. The consequences are beyond anything we can imagine, especially on the humanitarian front but also economically. Russia remains a nuclear super-power and is a large supplier of oil and gas, especially to Europe. Ukraine is a significant exporter of grain and (precious) metals used for phones, batteries, and everyday life. An additional uncertainty is the role of China in this specific war (if any), but also China's own position and (military and economic) agenda for the near future.

Covid-19

Although the Omicron variant as of November 2021 seems to be less of a concern than initially thought, and a large percentage of the (Western) population has been vaccinated, COVID-19 remains a serious risk. New variants are a first worry, but also 'zero tolerance' policies, like in China, or other consequences could have a negative (economic) impact in the short and medium term. Developing countries struggle with vaccine shortages and this inequality could impact supply chains and/or, worse, ignite or increase global unrest, with unforeseen consequences.

Inflation

Inflation is on the rise. Quantitative easing (QE) by central banks, supply chain issues due to COVID and the war in Ukraine are some of the key drivers. Central banks, amongst others in the US and Europe, are (getting) worried and are forced to act. Their two main tools are quantitative tightening (QT) and increasing interest rates. This could have a positive effect by potentially ending the era of "free money", even though it remains a question of how effective these monetary tools prove to be. Interventions of these kinds could negatively impact stock markets, especially in the short term. And there are additional risks to QT and increasing interest rates: stagflation, economic recession, or even worse, economic depression. This could potentially have a bigger and longer (negative) impact on global financial markets.



Climate change / global warming

In the medium to long term companies and consumers need to become significantly more (climate) sustainable. The current actions are nowhere near enough to stop, or rather reverse, current developments in climate change, with potentially dramatic social and economic impact. The longer real changes are postponed the higher the urgency as well as needed investments will become. All this could have a significant impact on consumer spending and on company profits. The longer we wait, the greater the shock will be.

The first three risks could potentially negatively impact consumer spending in the short term (the fourth one is more likely longer term). This could negatively affect company profits, that are the fundament for stock market growth, already in the second half of 2022, and well into 2023. Moreover, should inflation change to stagflation, or if the economy should develop into a recession/depression, then financial markets are expected to be affected heavily. If and for how long any of these scenarios will happen, only time will tell. Currently the odds in favour of a market correction with increased volatility are increasing, especially after a “boom” year like 2021.

Stock market corrections are not necessarily bad for the Fund’s performance. A negative trend and higher volatility do require even more strict risk management that could potentially lower the Fund’s returns, but they also provide opportunities for higher returns within the Fund’s strategy. Despite the risks and our somewhat negative outlook on financial markets for 2022, we expect the Fund to achieve its return targets in 2022 by consistently executing its strategy and low-risk management.

Because we continue to believe in equal opportunities for everyone.

Vught, 24-06-2022

On behalf of Apple Tree Capital Partners,

Roger Hennekens & Marco Kerste



2. General information

Apple Tree Fund (hereafter ‘the Fund’) is an open-ended investment fund, established for an indefinite period. The Fund is a mutual fund under Dutch law (“MF”; “FGR” in the Netherlands). An MF is not a legal entity; it is a contractual relationship between the fund manager, the depositary and the unit-holders, which is defined by the contents of the Information Memorandum and the Fund's Terms and Conditions. These documents are available on www.appletreecp.com.

The fund manager of the Fund is Apple Tree Capital Partners B.V. (hereafter ‘the Fund Manager’), the depositary of the Fund is Stichting Bewaarder Apple Tree Fund (*Apple Tree Fund Depositary Foundation*, hereafter ‘the Depositary’).

The Fund was established on 18 December 2020 and was open for investments by participants as per 1 February 2021.

Philosophy

We – the founders and management of fund manager Apple Tree Capital Partners – believe in a more balanced world with equal opportunities. With our funds we aim to enable a broad audience to reap the benefits from a long-standing and proven investment strategy, which to date has only been applied by a limited group of specialist investment professionals. But we offer it in a safe setting with low risk.

Our goal is to make investing safe, flexible, profitable, and stress-free. Accessible to a broad group of people with different goals, different time horizons, and different risk profiles.

Investment objective

The Fund aims to generate a stable short-term and long-term net return for its unit-holders of 6-10% per annum (after all fees and costs), while minimizing risks and focusing on capital preservation.

Investment policy

The Fund insures market participants against highly improbable events in global, regulated equity markets. These risks are also referred to as tail risks. The Fund achieves this by investing worldwide in derivatives on indices, with a focus on selling ('writing') short-term put and call options. To insure against tail risks, the Fund receives premiums from market participants who purchase the Fund's options.

Risk management

The Fund's objective is to generate stable short-term and long-term returns at minimum risk. Capital preservation is therefore the priority of the Fund.



Writing options as an investment strategy is sometimes generically perceived as 'risky'. However, this depends on the specific interpretation of the strategy. Within a clear and controlled risk framework, writing options can be used as a low-risk investment strategy. This is the interpretation used for the Fund.

The Fund Manager has developed a risk management system specifically for this strategy over more than 20 years. The system consists of strict rules that remove emotion from the decision-making process. This risk management system ensures the consistent, stable returns described above under *Investment Objective*.

To provide insight in the Fund's risk, we use a uniform risk classification. This risk classification is obligatory under EU financial regulation and needs to be calculated according to EU standards so that risk between products can be compared in a uniform way (1 = low risk, 7 = high risk). The Fund has a low calculated risk, based on the uniform risk calculation: it falls in risk category 3. The calculated class is 2, but has to be adjusted to class 3 because the Fund works with monthly instead of daily data.



Risk factors

An investment in the Fund involves financial opportunities, but also financial risks associated with investing in general and investing in derivatives in particular.

It is possible for the investment in the Fund to increase in value. However, it is also possible that an investment in the Fund will generate little or no income and that all or part of the investment in the Fund will be lost. When investing in the Fund, a unit-holder cannot lose more than the initial investment.

A description of the risks material to an investment in the Fund is provided in the Investment Memorandum. It also includes a more detailed description of the Fund's *Investment Policy* and *Risk Management*.

No AFM supervision

The Fund Manager is registered with the AFM as an administrator exempt from the licensing requirement under Section 2:66a of the Wft. The Fund and the Fund Manager are therefore not subject to supervision by the AFM.

Tax aspects

Units may only be transferred to the Fund and to relatives by blood or marriage in the direct line. As a result, the Fund is considered to be "fiscally transparent". This means that the Fund itself is not liable for corporation tax and dividend tax.

The financial year of the Fund corresponds to the calendar year. The first year is an extended financial year due to the establishment of the Fund as per December 2020.



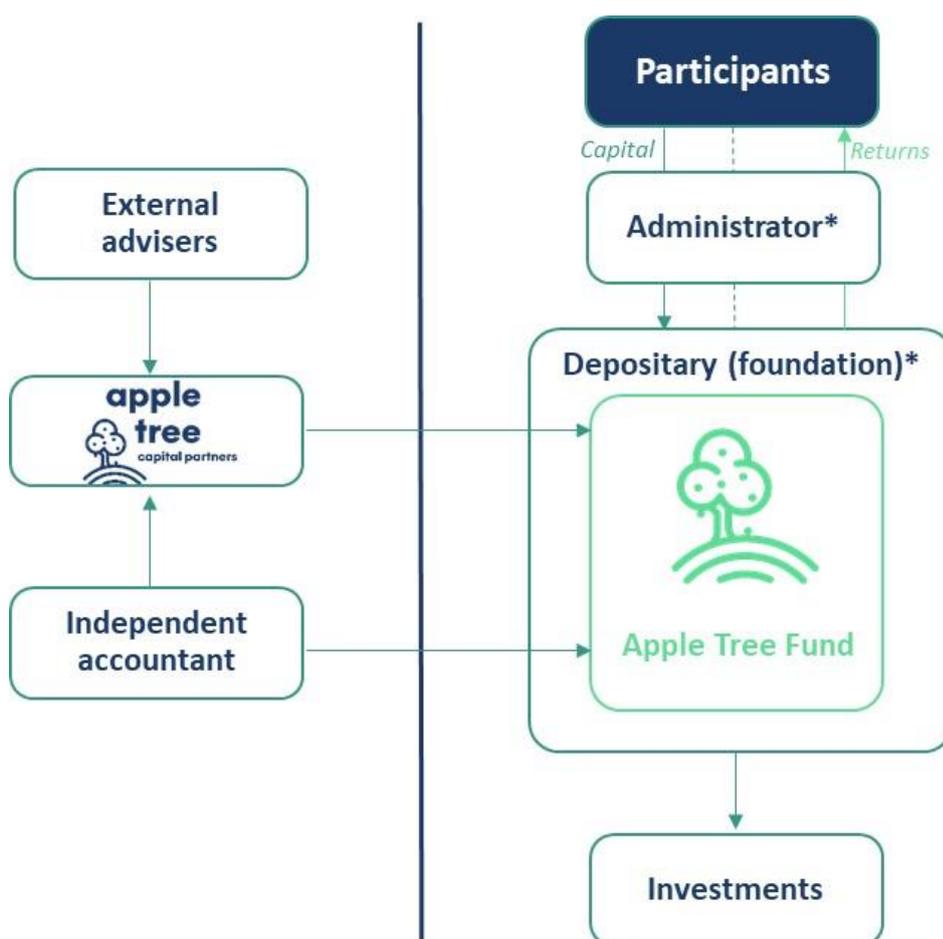
Structure and relevant parties

Below, the structure of the Fund is illustrated. A strict separation between Apple Tree Capital Partners (the Fund Manager) and the Participants' capital is in place. The capital is under the supervision of an independent Depository.

The Fund Manager is in charge of defining and implementing the investment strategy and its risk management within the investment mandate

Participants invest capital into the Fund. The Administrator calculates the Net Asset Value (NAV) and oversees registering, and the communication regarding this process with, participants. The Depository safeguards the Participants' interests. The Fund Manager cannot access the Participants' money; it can only invest the capital within the investment mandate as described in the IM. The Depository is completely independent of the Fund Manager.

Participants own their share in the Fund. The Depository can only transfer money to and from Participants or access it to pay fees and costs on behalf of the Fund. The Depository checks whether the investments are done within the investment mandate as described in the IM.



*These activities are executed by AssetCare, an independent supplier of administrative services that a.o. works for Atradius, Philips Pensionfund and Kempen.

Below, the primary parties in the structure are further discussed.



Fund Manager

The main duties and powers of the Fund Manager are:

- (i) determining and implementing the Fund's investment policy. The Fund Manager makes the decisions about the Fund's investment activities;
- (ii) being in charge of the Fund's administration (under direct management or outsourced);
- (iii) ensuring the correct and timely determination of the Net Asset Value per Unit; and
- (iv) ensuring that the Fund complies with applicable regulations.

Depositary

The main duties and powers of the Depositary are:

- (i) guarding the interests of the Unit-holders;
- (ii) holding the Fund's assets for the benefit of the Unit-holders;
- (iii) ensuring that the Fund Manager manages the Fund's assets in accordance with the Fund's investment policy as described in the Information Memorandum and in accordance with the provisions of the Fund's Terms and Conditions;
- (iv) ensuring that the outgoing cash flows of the Fund correspond to actual costs incurred and that leaving Unit-holders receive proper compensation; and
- (v) checking whether joining Unit-holders receive the correct number of Units.

Administrator

The main duties of the Administrator, under the responsibility of the Fund Manager, are: (i) keeping the financial accounts and investment records of the Fund; (ii) calculating the Net Asset Value of the Fund and the Net Asset Value per Unit; and (iii) keeping the Register.

Unit-holders

The Unit-holders are jointly (each in proportion to the number of Units he or she holds) economically entitled to the Fund's assets. The capital contributed by the Unit-holders is intended for collective investment at the risk and expense of the Unit-holders.

Legal relationship between Unit-holders, Fund Manager and Depositary

The legal relationship between the Unit-holders, the Fund Manager and the Depositary is governed by the provisions of the Information Memorandum and by the provisions of the Fund Conditions, which form part of the Information Memorandum.



General Information

Fund Manager

Apple Tree Capital Partners B.V.
Heikantstraat 35
5261 XM Vught
www.appletreecp.com

Depository

Stichting Bewaarder Apple Tree Fund
P/A AssetCare Bewaarder Services B.V.
Barbara Strozilaan 310
1083 HN Amsterdam

Administrator

AssetCare B.V.
Barbara Strozilaan 310
1083 HN Amsterdam

Depository bank

ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam

Accountant/Fiscal adviser

db-adviseurs
Einsteinbaan 12
Postbus 515
3430 AM Nieuwegein

Legal adviser

Van Zaal Advocatuur B.V.
Entrada 501
1114 Amsterdam



3. Financial statement

Balance sheet

Amounts in (whole) EUR

	Notes	31-12-2021
ASSETS		
Financial fixed assets		
Investments	1	- 8,514
Receivables		
Other receivables		0
Liquid assets	2	1,886,361
Total Assets		1,877,847
LIABILITIES		
Fund assets	3	1,873,066
Short term debt		
Other debt	4	4,780
Total Liabilities		1,877,847



Income statement

For the period to December 31st. Amounts in (whole) EUR.

	Notes	31-12-2021
INCOME		
Investment results		
Realized results		231,882
Unrealized results		58,613
Total Income		290,495
EXPENSES		
Charges related to management of the fund		
Management fee		15,021
Service fee		7,511
Financial income and expenses		
Interest	5	7,952
Bank charges		81
Other costs broker	6	7,139
Expenses reimbursed by Fund Manager	7	- 717
Total expenses		36,986
Net Fund Result		253,509



Cash flow statement

For the period to December 31st. Amounts in (whole) EUR.

	Notes	31-12-2021
Cash flow from operational activities		
Net fund result		253,509
Short term debt	4	4,780
Total		258,289
Cash flow from investment activities		
Investments	1	67,127
Unrealized results	1	- 58,613
Total		8,514
Cash flow from financing activities		
Net balance subscriptions and redemptions participants	3	1,619,557
Changes in liquid assets		1,886,361



Notes

Amounts in (whole) EUR.

Notes to the Balance sheet

1. Investments

Investments	31-12-2021
Options	- 8,514
Total	- 8,514

Development in investments	2021
Balance as per January 31 st	0
Investments	- 67,127
Unrealized results	58,613
Balance as per December 31st	- 8,514

2. Liquid assets

Liquid assets	31-12-2021
ING Business Euro account	33
Interactive Brokers Euro account	1,886,328
Total	1,886,361

3. Fund assets

Development fund assets	Number	2021
Balance as per January 31 st	0	0
Net balance subscriptions and redemptions participants	14,910.8104	1,619,557
Net fund result		253,509
Balance as per December 31st	14,910.8104	1,873,066

4. Short term debt

Short term debt	31-12-2021
Payments received in advance	0
Management fee	2,391
Service fee	1,195
Interest on cash accounts	1,194
Total	4,780



'Payments received in advance' refer to investments per beginning of the next month that are already received from participants. The other categories refer to amounts to be paid.

For all clarity, the total fee of 2.25% per annum that is charged by the Fund Manager to the Fund is divided in a Management fee (1.5%) and a Service fee (1.5%). The amounts refer to charged but not yet paid Management and Service fee.

Notes to the Income statement

5. Interest

The interest refers to negative interest on cash accounts.

6. Other costs broker

Transaction costs are directly charged by the broker as part of transactions and are not separately stated. The amount in the table refers to other costs charged by the broker, i.e. 'exposure fee' (€6,628) and a subscription to 'real-time' market information (€511). The costs of the subscription are reimbursed by the Fund Manager.

7. Expenses reimbursed by Fund Manager

Only the costs described as such in the Information Memorandum are incurred by the Fund. All other costs are borne by the Fund Manager. However, because part of these costs is invoiced to the Fund, the Fund Manager reimburses the Fund for these costs, which are depicted as negative costs in the Income Statement. The amount in the table (- €717) refers to costs for payment transactions and a subscription for 'real-time' market information.

Auditor Report

On request of the Depositary, an independent auditor has compiled the annual financial statements for the Depositary (i.e., the 'Stichting Bewaarder'), including issuing a compilation statement. The financial statements of the Depositary also include the financials of the Fund, which thereby form the input for the Fund's Annual report.