ANNUAL REPORT 2019

Commodity Discovery Fund

The original financial statements were drafted in Dutch. This document is an English translation of the original. In case of discrepancies between the English and the Dutch text, the latter will prevail.

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General information

Registered Office
Commodity Discovery Management B.V.
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The Netherlands

Website
www.cdfund.com

Fund Manager
Commodity Discovery Management B.V.
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The Netherlands

Depositary
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The Netherlands

Legal and Tax Counsel
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1076 ED Amsterdam
The Netherlands

Bank
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1082 PP Amsterdam
The Netherlands

Legal Owner
Stichting Legal Owner CDFund
Smallepad 30F
3811 MG Amersfoort
The Netherlands

Administrator
Circle Investment Support Services B.V.
Smallepad 30F
3811 MG Amersfoort
The Netherlands

Independent Auditor
Ernst & Young Accountants LLP
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

Brokers and custodians
KASBANK N.V. (The Netherlands)
Interactive Brokers (U.K.) Ltd. (United Kingdom)
Raymond James Ltd. (Canada)
Paradigm Capital Inc. (Canada)
Canaccord Wealth Management (Canada)

Key figures

	2019	2018	2017	2016	2015
Class CDF new asset class					
Net Asset Value (x € 1,000)	3,133	1,414	-	-	-
Number of outstanding units	46,394	23,088	-	-	-
Net Asset Value per unit	67.53	61.23	-	-	-
Klasse CDF all investors					
Net Asset Value (x € 1,000)	39,235	30,666	44,619	41,999	23,355
Number of outstanding units	586,675	503,138	492,784	456,123	431,440
Net Asset Value per unit	66,88	60,95	90,54	92,08	54,13
Total for the Fund					
Net Asset Value (x € 1,000)	42,368	32,080	44,619	41,999	23,355
Number of outstanding units	633,069	526,226	492,784	456,123	431,440
Net Asset Value per unit[1]	66.92	60.96	90.54	92.08	54.13
Performance (in %)	9.78	(32.68)	(1.67)	70.11	(17.38)
Result (x € 1,000)	3,778	(14,827)	(1,022)	15,694	(5,062)
Ongoing Charges Figure	2.42%	2.46%	2.39%	2.49%	2.62%
Portfolio Turnover Ratio	212%	475%	465%	559%	142%
Result					
Per unit (in %*)					
Direct result	0.14	2.38	1.19	0.35	0.32
Revaluation	9.11	(27.65)	0.34	76.49	(14.60)
Costs	(3.47)	(2.91)	(3.20)	(6.73)	(3.10)
Net result	**5.78**	**(28.18)**	**(1.67)**	**70.11**	**(17.38)**
Benchmark[2] (in %)	27.16	(25.50)	(8.54)	54.50	(28.32)

***** The result per unit is calculated using the total number of outstanding units at the end of the year.

[1] The net asset value per unit is calculated by dividing the net asset value in the financial statements of the Fund by the number of outstanding units.
[2] Benchmark: 50%TSX V Index & 50% HUI-Index.

Manager's report

Last year we wrote: 'We expect a further cooling of the global economy and increasing stress in credit markets in 2019, which could take the credit crisis into a new phase.'

In the meantime, it has become clear that the world economy is not only affected by the trade conflict between America and China. The sudden outbreak of the corona virus late 2019 has plunged the global economy into an unprecedented crisis and it is true that a new financial crisis is born. It started with a sudden jump in repo rates in September 2019.

The underlying reason for this crisis is to be found in Asia. More and more countries have since stopped buying US government bonds (Treasuries), because the interest rate no longer compensated for the currency - and default - risk. As a result, mainly American investors had to absorb this drop in demand. After the raising of the US debt ceiling in the summer of 2019, Wall Street had to cope with a wave of additional US government bonds issued by the US Treasury, to cover the growing deficits of the Trump administration. The Primary Dealers entrusted with the distribution of these government bonds, failed to distribute the Treasuries to investors; this led to an acute liquidity crisis in the financial system. The US Federal Reserve had to take immediate action and come to the rescue as a 'buyer of last resort.' The new buy-back program led to a sharp rise of the FED's balance sheet. The sudden rescue operation was presented to the public as very temporary in nature. The tens of billions in asset purchases would only last several days. This was extended to several weeks and subsequently to the turn of the year. It is now clear that for an extended period, significant financial support will remain necessary in order not to jeopardize US funding.

While in 2019 the Federal Reserve insisted it wasn't considering another round of QE, this sudden abundance of liquidity had a similar effect on the stock exchanges and led to a new period of rising share prices, as a result of which almost all stock exchanges worldwide ended the year significantly higher. The Dutch AEX ended the year with a plus of 28%, after 2018 being the first loss-making year since 2011. The extreme rise in stock prices was especially striking as the economic outlook continued to deteriorate into 2019. Taking account of a deepening of the Corona crisis, the positioning of our portfolio became slightly more defensive in the course of 2019.

Due to the necessary financial support programs and the increasing budget deficits worldwide, the required 'monetary financing' will only become more substantial in the coming years. It is now clear that governments worldwide will pump at least $ 10 trillion ($ 10,000 billion) into the world economy. As a result, the systemic risks increased sharply, and the monetary endgame of the current dollar system is getting closer.

It is therefore hardly surprising that also on Wall Street the focus on gold has increased. It started with the publication of an article by millionaire Ray Dalio in July. In his essay *Paradigm Shift*, the Bridgewater hedge fund manager describes that an era seems to be coming to an end, with stocks, real estate, and bonds continuing to rise in value as a matter of course. The driver behind this trend were the declining interest rates of the past 40 years. This trend seems to be coming to an end soon. When this happens, according to Dalio, investors will approach the markets from a completely different perspective.

The unbridled money creation by central banks has led to a situation where government bonds of a total value of almost $ 15,000 billion offer negative returns. This can have major consequences, according to Dalio. We quote from his Paradigm Shift (July 15, 2019):

"[this] will reduce the value of money and real returns for creditors and will test how far creditors will let central banks go in providing negative real returns before moving into other assets [including gold]."

This means, according to Dalio, that gold may again become a fixed component in many portfolios.

His analysis immediately received a great deal of interest in the financial world, and it is no coincidence that in the months that followed many Wall Street banks published a stream of positive comments about gold.

Most notable was JP Morgan's advice to its private clients to halve their dollar exposure and add gold to their assets. Also, Citi and Bank of America advised their clients to start adding gold to their portfolios. To our best recollection, we have never seen such a positive attitude towards gold on Wall Street. A *Paradigm Shift* indeed.

Another event that should not go unnoticed was a speech of the governor of the British central bank just before his retirement. At the annual FED-party in Jackson Hole in July, Mark Carney said that the world's reliance on the US dollar "won't hold" and needs to be replaced by a new international monetary and financial system. This confirms our suspicions that the scene is being set for a significant adjustment of the monetary system, in line with the thesis of The Big Reset.

The above factors explain why a record number of central banks (22) added extra gold to their national reserves in 2019. As a consequence, gold rose by more than 18% in 2019; by the end of June to $ 1400, and shortly after it breached the $ 1500 and $ 1600 limits. We expect that gold could move toward its former peak of $ 1920 (2011), since gold already reached new all-time highs in other currencies.

Investment policy 2019

The Commodity Discovery Fund closed the year with a profit of almost 10%. 70% of our portfolio consists of precious metal-related investments in listed companies active in the exploration and exploitation of raw materials. About 20% of the companies are active in base metals. This mainly concerns the most significant discoveries in 'battery metals' copper and nickel, and a further 7% of the capital is invested in the uranium sector. The latter could benefit from the renewed focus on nuclear energy. From a CO2-perspective, uranium is increasingly favored by politicians. Even our own EU decided last year that the future European energy policy cannot do without nuclear energy.

In 2019, our investment strategy remained focused on the investment in, and development of a few dozen "World-Class-Discovery'-projects. Because of their size and quality, such projects are highly sought after by producers of raw materials and, therefore, logical acquisition targets. The record number of acquisitions (9) in our portfolio last year confirmed once again that we, as fund managers, were able to select the right companies from the more than one thousand listed exploration companies. Because of the quality of their discoveries, 60 of our positions have been acquired by a larger company in search of new raw material reserves, since the inception of our fund.

Unfortunately, the return on these transactions was minimal due to the extremely low valuations. For illustrative purposes, relative to the Dow Jones, the valuation of commodities reached a 100-year low in early 2020.

Since the discovery of gold-containing conglomerates in the Australian Pilbara region, we have invested more of our time, attention, and money in Australian companies that focus on new raw material discoveries. This has led to several successful investments, of which Greatland Gold and Stavely Minerals have published the best exploration results in 2019. With a promising gold discovery by DeGrey Mining at the end of last year, our extensive investments in companies active in the Pilbara region were (finally) successful. This is a classical gold system, without the characteristic gold nuggets. Great Bear Resources, which announced a very significant gold discovery in the Canadian Red Lake District (Ontario) in 2018, increased significantly again, and contributed significantly to the return of the fund.

Discovery Day
All the above-mentioned companies, except DeGrey, were supposed to give a presentation at our third Discovery Day in April 2020, where we wanted to present a Discovery Award for the first time. However, due to the Corona crisis, this event has been postponed until September 28, 2020. These meetings are part of our strategy to position our fund as a leading 'discovery institute'. Our second Discovery Day, held in April 2019, was attended by over 200 people. The eight presenting companies paid a speaker fee, so costs were not borne by participants and / or shareholders.

Fund performance
In 2019 the return of our fund (+9.73 %) was thus positively influenced by investments in exploration companies that made successful discoveries. As a result of the strong focus on these kind of companies, we were significantly underweight in precious metals producers, unlike in 2016. The latter were the first to react positively to the outbreak of the gold price in late June, as rising margins have a direct impact on the results. Smaller (exploration) companies usually show recovery in a subsequent phase. The strong recovery of our fund in December (+14.42 %) illustrates this.

Our main reference index, The Toronto Stock Venture (TSX-V), where about two-thirds of our investments are listed, increased only 3.65%, compared to the 50.67% increase of the HUI index in 2019.

Benchmark
Below is an overview of the results of the Commodity Discovery Fund, compared to our benchmarks. The still very high loss of the TSX-V, since the summer of 2008 when our fund was launched, is striking. Adjusted for the fixed costs over the past 12 years, the value of our fund has hardly declined since its launch, while the TSX-V is still almost 80% lower.

	CDF	**TSX-V**	**HUI**
Start June 2008	100.00	100.00	100.00
Year-end 2008	72.03	30.00	65.93
Year-end 2009	135.31	57.70	93.73
Year-end 2010	254.59	86.80	125.00
Year-end 2011	166.35	56.00	108.74
Year-end 2012	148.85	46.30	96.85
Year-end 2013	68.15	35.40	43.10
Year-end 2014	65.51	26.40	35.76
Year-end 2015	54.13	19.94	24.24
Year-end 2016	92.08	28.92	39.65
Year-end 2017	90.54	32.08	41.93
Year-end 2018	60.95	21.14	35.01
Year-end 2019	66.88	22.07	52.36

In 2013 gold reached its lowest point in euros since the beginning of the correction, and the bottoming out process now almost seems complete. At the beginning of January 2016, our Net Asset Value was under 50 EUR. From a technical perspective, a triple bottom (2009, 2016, 2020) can be identified. However, we note that both the CRB commodity index and the TSX-V have hit new lows during the Corona crash. We nevertheless anticipate an ongoing recovery, now that the gold price seems to be moving structurally upward. In many currencies, the gold price has reached all-time highs. It seems only a matter of time before this will also be the case in dollars.

Assets under management
The record low valuation of the commodities market in general, and of our fund in particular, were brought to the attention of investors during a number of presentations and webinars. Since the hiring of Gerben van der Zwan in 2018, our manager Investor Relations, we have been able to further increase our capital influx.

The influx of capital last year amounted to EUR 8.7 million, 4 million more than in 2018. This is again significantly higher than the outflow of capital, EUR 2.2 million (2 million in 2018). The net inflow of EUR 6.5 million led to an increase of the number of units in issue to a record 633,069. A 20% increase compared to the closing balance of last year (526,226). The number of shareholders rose from 687 to a new record of 757. Due to the positive performance and the net influx, the assets under management increased from more than EUR 32.1 million to EUR 42.4, by year-end 2019. Since the first board change in the first half of 2016, assets under management have almost doubled.

Authorization
Since July 2014, the authorization of the manager, Commodity Discovery Management B.V., is subject to the stricter UCITS-type regulation (undertaking for collective investment in transferable securities). The advantage of the qualification of Commodity Discovery Fund as an UCITS is that the units of the Commodity Discovery Fund can be offered for sale relatively easily in other member states of the European Union and in countries which are a party to the Agreement on the European Economic Area. Characteristic for the UCITS is a greater emphasis in the regulations on risk management, among others through investment restrictions and a stricter test (by De Nederlandsche Bank - the Dutch central Bank) of the financial integrity of the direct and indirect shareholders of the manager, Commodity Discovery Management B.V.

Remuneration policy
The remuneration policy of the manager is still conservative. However, after the declining results following several years of stagnation, the remuneration has now been increased. The management members and employees are paid a fixed salary by the managing company. Since 2016, a variable component in the remuneration of employees and management is possible. The remuneration is in accordance with the Wet Beheerst Beloningsbeleid (Dutch Remuneration Policy Act). The variable part is only partially dependent on the realized inflow. It has been decided to grant a bonus for 2019 to two other employees (non-management). In 2019, management and employees received a fixed salary totalling EUR 477,100, an increase of 10.34% compared to the previous year, when it was EUR 432,385. The total workforce consists of 5 persons. Of the total salary figure, 52.4% relates to the 2 members of the Management Board (2FTE) and 47.6% to the employees (2.6 FTE).

Risk section
The Fund invests in industries characterized by major fluctuations, as a result of which the returns are highly uncertain. Over the course of a year, the net asset value of the Fund and of the units may fluctuate considerably. The Corona crash of Q1 2020 provided yet another confirmation.

The extent to which individual participants generate a profit or a loss, is therefore also dependent on the moment of subscription and redemption of units. The main risks associated with investing in the Fund and the corresponding risk management are as follows:

Risks of a general economic and political nature
Investments by the fund are subject to risks of market sentiment and of a general economic nature, such as fluctuations of economic activity, inflation and commodity prices. Additionally, the value of investments by the Fund may also be influenced by geopolitical developments. The fund can invest in companies located in countries where unstable political conditions may occur. Investments may be lost wholly or partially as a result of natural disasters or political unrest.

Concentration risk
The fund invests in a limited number of industries, resulting in limited diversification and therefore a limited risk diversification. There is a risk that investments will not develop as expected. There is no guarantee that the target return shall be achieved.

Liquidity risk
Participants should understand that prices on stock exchanges can fall by 70-90% during heavy corrections or crashes. Exchanges may temporarily close, which would make it impossible for the manager to sell its positions. Certain investments by the Fund, especially in so-called small caps, may under certain circumstances be less liquid, which may result in such investments being sold at a lower than expected value.

Currency risk
In 2019, the euro fell by almost 2.2% against the US dollar, and by more than 6.8% against the Canadian dollar. The manager partially hedged currency risks during the reporting period. In particular fluctuations in the Canadian dollar can impact the Net Asset Value (NAV) of the Fund, either positively or negatively. Our investments are mainly listed in Canada and Australia. For a complete overview of the risks of the Fund, please refer to the risk description in the prospectus.

Risk management
The investment policy of the Fund complies with the rules and restrictions laid down hereafter:

- investments shall mainly be made in exchange-listed instruments. Investments may be made occasionally in unlisted companies, which will only take place in accordance with UCITS regulations. This may concern, for example, a pre-IPO position.
- an interest in a particular company shall not exceed a maximum of 10% of the Net Asset Value, unless the manager considers it temporarily appropriate to derogate from this.

Early 2019, the position in SolGold rose above the 10% limit, due to a sudden rise in the price of the stock. The external supervisor, the accountant, and the AFM were informed, after which the position was reduced. In agreement with the AFM, it was decided to tighten the procedure for the adjustment of position limits.

Principles of fund governance
The Dutch government has included in Article 17, paragraph 5, Dutch Decree conduct-of-business supervision financial companies (Bgfo -Besluit gedragstoezicht financiële ondernemingen) the regulation that the fund manager, the (independent) investment firm or its custodians must ensure independent supervision of the implementation of the organization's policies, procedures and measures. Within the trade association Dufas, the industry has committed to self-regulation in this area, which has resulted in the Dufas Principles of Fund Governance. This gives substance to the statutory provisions for ethical conduct of business, as referred to in the Wet op het Financieel Toezicht [Dutch Financial Supervision Act], of which article 17 paragraph 5 Bgfo is a further development. The Principles of Fund Governance will guide the governance policy of the Commodity Discovery Fund. The Principles of Fund Governance can be found on our website. Article 3.2 of the Principles of Fund Governance contains a further explanation on the review by the supervisory entity. The activities described are carried out by the supervisory entity for the benefit of the shareholders.

As described in the Principles of Fund Governance, the Commodity Discovery Fund has appointed the external auditors, Ernst & Young Accountants LLP, as the supervisory entity to assess compliance with the Principles of Fund Governance. In this framework, the supervisory entity has performed specifically agreed activities with regard to the Principles of Fund Governance and its application to the Commodity Discovery Fund. Based on the work performed, this oversight entity reported to the fund for the year 2019 on March 29, 2020. This supervisory entity will also report for the year 2020.

Events after the balance sheet date
Due to a trading error on Christmas Eve, we closed the year with a small naked short position on the DUST, which is contrary to the UCITS-regulation (Undertakings for Collective Investments in Transferable Securities). This error was discovered early January and reported to the external supervisor and the accountant, and was restored, after which the AFM was informed. In consultation with the AFM, the trading incident reporting procedures have been tightened up further. Due to the crash of the stock exchanges and the oil price, the markets are in turmoil. Fortunately, this has had a positive impact on the gold price, which is why the declines seem to remain relatively limited.

Outlook

In 2019 we saw a strong recovery of the precious metal markets, but base metals suffered from the economic weakening, mainly due to the trade conflicts initiated by President Trump. Still, the S&P Metals & Mining Index rose 11.8 % in 2018. Our suspicion, as expressed in last year's report, that President Trump would enter into a (first) deal with China has come true, but concerns about the Corona outbreak outweigh the enthusiasm for this deal. The economic consequences of the Corona crisis will be very negative. It is too early to assess the final impact on the main markets where the fund is invested, but as mentioned, it seems that gold will benefit, just as it did after the Lehman crisis. It is still far too early to estimate the possible damage for 2020. We did, however, see the NAV value fall by approximately 25% in Q1. Fortunately, the lower prices led to a higher inflow of capital.

At the request of a Dutch Family Office, we have mapped the supply and demand situation of the various metals up to 2030. The outcome of this report shows that we can expect rising production shortages in the coming years. Meanwhile, it is clear that for a dozen different metals worldwide, demand exceeds the total mining output. Especially for rhodium and palladium the situation is critical, because the physical stocks are almost exhausted. In the field of energy transition, we see that the industry is making a great effort to replace cobalt by nickel.

We have used the past few years to identify the most promising commodity projects worldwide and have invested in the best of them, at ever-lower valuations. In the longer term, it is precisely these projects that will benefit most from the increasing scarcity.

It would not come as a surprise if the mix of lower valuations, increasing production shortfalls, negative interest rates, rising debts, and the growing flight to gold would soon create a perfect storm in favor of our fund. The quadrupling of the palladium price in just a few years' time illustrates the unprecedented upward potential of the sector. The commodity index has fallen to the lowest level in sixty (!) years.

Nevertheless we will be closely watching the rising tensions in the financial system, as well as the associated risks. According to the US Secretary of the Treasury, trading halts are definitely an option in times of extreme turmoil on the stock exchanges. Such measures would temporarily limit the conversion into cash of our assets.

Terence van der Hout
Willem Middelkoop

Aerdenhout, April 8, 2020

Financial statements

Balance sheet as at 31 December

(before appropriation of the result)

(amounts x € 1)	Notes	2019	2018
Assets			
Investments long	1		
Equities		41,733,921	33,257,647
Warrants		1,149,608	621,656
Total investments long		**42,883,529**	**33,879,303**
Receivables	2		
Due from brokers		103,355	122,756
Other receivables		140,932	91,055
Total receivables		**244,287**	**213,811**
Other assets			
Cash and cash equivalents	3	2,323,193	5,417,781
Total other assets		**2,323,193**	**5,417,781**
Total assets		**45,451,009**	**39,510,895**
Liabilities			
Net asset value	4		
Units paid in surplus		83,401,674	76,771,560
General reserve		(44,691,847)	(29,861,651)
Result current year		3,658,240	(14,830,196)
Total net asset value		**42,368,067**	**32,079,713**
Investments short	1		
Equities		10,023	-
Options		1,034	4,883
Total Investments short		**11,057**	**4,883**
Other liabilities	5		
Bank overdrafts		2,299,500	5,810,994
Due to brokers		87,500	480,324
Subscriptions received in advance		304,050	872,600
Other liabilities		380,835	262,381
Total other liabilities		**3,071,885**	**7,426,299**
Total liabilities		**45,451,009**	**39,510,895**

Profit and loss statement

(for the period from January 1 through December 31)

(amounts x € 1)	Notes	2019	2018
Investment result			
Dividend income		86,531	31,362
Total investment result		**86,531**	**31,362**
Revaluation of investments	6		
Realized results		(3,070,480)	(6,765,924)
Unrealized results		8,837,650	(7,788,204)
Total revaluation of investments		**5,767,170**	**(14,554,128)**
Other results			
Subscription and redemption fees		52,749	24,122
Foreign currency results	7	(522,981)	1,195,371
Interest income on bank accounts		330	2,890
Other results		(4,426)	207
Total other results		**(474,328)**	**1,222,590**
Operating expenses			
Management fee	8.1	(703,566)	(717,029)
Performance fee	8.1	(120,210)	(3,491)
Interest expenses		(439,654)	(296,751)
Depository fees		(22,385)	(20,540)
Brokerage fees and commissions		(271,766)	(330,324)
Administration fees		(67,894)	(70,234)
Reporting fees		(5,021)	(6,728)
Audit fees	8.2	(38,444)	(31,063)
Supervision fees		-	(20,292)
Legal fees		(3,115)	(9,341)
Other expenses		(25,203)	(15,951)
Total operating expenses		**(1,697,258)**	**(1,521,744)**
Withholding tax		(23,875)	(8,276)
Result for the year		**3,658,240**	**(14,830,196)**

Statement of Cash flow statement

(for the period from January 1 through December 31)

(amounts x € 1)	Notes	2019	2018
Cash flow from operating activities			
Purchases of investments		(45,518,929)	(93,938,112)
Sales of investments		41,914,624	89,676,465
Interest received		330	2,890
Dividend received		44,392	27,731
Other results paid/received		(4,426)	207
Management fee paid		(699,364)	(782,883)
Interest paid		(413,454)	(291,803)
Other expenses paid		(497,599)	(550,063)
Net cash flow from operating activities		**(5,174,426)**	**(5,855,568)**
Cash flow from financing activities			
Proceeds from subscriptions to units		8,167,279	6,315,123
Payments for redemption of units		(2,105,715)	(3,320,238)
Subscription and redemption fees		52,749	24,122
Net cash flow from financing activities		**6,114,313**	**3,019,007**
Net cash flow		**939,887**	**(2,836,561)**
Cash and cash equivalents at the beginning of the year		(393,213)	1,247,977
Foreign currency translation of cash positions		(522,981)	1,195,371
Cash and cash equivalents at the end of the year	3	**23,693**	**(393,213)**

Notes to the financial statements

General information

Introduction
Commodity Discovery Fund ("the Fund") is an open-end investment fund and a fund for joint account (*"fonds voor gemene rekening"*) organized and established at Zandvoorterweg 77 in Aerdenhout, The Netherlands. The Fund was incorporated on July 1, 2008. The Fund's units are not traded on a public market. The Fund Manager is since March 29, 2012 licensed by the Dutch supervisory authority (*"Autoriteit Financiele Markten")* under article 2:65 (1)(a) of the Dutch Financial Supervisory Act and may therefore offer units in the Fund to professional and non-professional investors in The Netherlands.

As of July 21, 2014, the Fund Manager is licensed under article 2:69b of the Dutch Financial Supervisory Act which means the Fund qualifies as an Undertaking for Collective Investment in Transferable Securities ("UCITS").

The Fund is a contractual agreement, subject to its General Terms and Conditions, which is part of the contractual relationship that exists between the Fund and Commodity Discovery Management B.V. ("The Fund Manager"), the Legal Owner CD Fund Foundation ("the Depositary") and the individual participants.

The Fund's investment objective is to achieve capital appreciation by investing in a wide range of financial instruments and by using various investment methods as set out in the prospectus (dated September 3, 2018). The Fund can be characterized as a specialized investment fund in equities aimed at achieving absolute return. As a result, the Fund may deviate significantly from any benchmark. The Fund's primary investment objective is to achieve the highest possible return in euros with an acceptable level of risk.

The Benchmark for the total return of the Fund is 50% of the HUI-index and 50% of the TSXV Index (including dividend in euros). The Fund invests in listed companies active in the exploration and extraction of raw materials.

The investment activities of the Fund are managed by the Fund Manager. The administration of the Fund is outsourced to Circle Investment Support Services B.V.

Fiscal Status
The Terms and Conditions of the Fund state that a Participant can only transfer participating units in the Fund back to the Fund itself. As a result, the Fund is considered to be a closed-end fund for joint account under the Corporate Income Tax Act. This means that the Fund is fiscally transparent and that the Fund itself is not subject to corporate income tax. The Fund's assets and liabilities are allocated to the individual Participants in proportion to their participation in the Fund.

Dividend Tax
Dividends or equivalent proceeds from units, within the meaning of the Dutch Dividend Tax Act, paid by the Fund are exempted from dividend tax.

Accounting principles

General
The financial statements of the Fund are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. The accounting principles of the Fund are summarized below. Unless otherwise stated, the items in the balance sheet are valued at nominal value.

Reporting period
The reporting period covers the period from January 1, 2019 through December 31, 2019.

Foreign currency
Assets and liabilities denominated in foreign currency are converted using the closing rate at the balance sheet date. Foreign currency income and expenses are converted using the rate on transaction date. The financial statements are presented in euros, which is both the functional and presentation currency of the Fund.

Foreign currency translation results (both realized and unrealized) are recognized in the profit and loss statement under Foreign currency results.

Change in presentation
In 2019, the Fund has changed the presentation of the foreign currency results. As of 2019, realized and unrealized foreign currency results on investments are presented as part of revaluation of investments, where this was previously done under foreign currency results. This change in presentation does not affect the result or net asset value of the Fund. The comparative figures for 2018 have been adjusted accordingly.

Cash flow statement
The cash flow statement is prepared using the direct method. The cash flow statement shows the Fund's cash flows from operating activities and financing activities for the period. The cash and cash equivalents relate to balances at banks. The presented cash flow from operating activities shows the result of the Fund adjusted for non-cash flow income and expenses. Bank overdrafts and short-term borrowings are part of portfolio management and included in the cash and cash equivalents in the cash flow statement.

Estimates and judgments
When applying the accounting principles, the Fund Manager uses estimate and judgments that may be essential to the amounts included in the financial statements. When deemed necessary, the nature of these estimates and judgments, including the accompanying assumptions, is included in the notes to the financial statements.

Investments

General
The Fund's investments qualify as financial instruments. Financial instruments also include contractually embedded derivative financial instruments (derivatives).

Classification
All investments (including short positions) of the Fund are held for trading purposes.

Recognition of financial instruments
Purchases and sales of financial assets and liabilities that are settled in accordance with standard market conventions, are accounted for on the transaction date of the relevant purchase or sale. Other financial assets and liabilities are included in the balance sheet at the time they are acquired. Financial instruments are initially recognized on the balance sheet at fair value. The fair value of the financial instruments on initial recognition is generally equal to the cost of the financial instruments. The valuation of financial instruments after initial recognition depends on the classification of the relevant instrument. After the initial recognition, the financial instruments are valued in the manner described below.

A financial instrument is no longer included in the balance sheet if a transaction results in a situation where all or substantially all rights to economic benefits and all or substantially all risks associated with the financial instrument are transferred to a third party.

Cash and cash equivalents and deposits are valued at nominal value.

Equities
Equities are valued at fair value. The fair value is the amount at which the asset can be traded or settled passively between knowledgeable, independent and willing parties in a transaction. The fair value of a financial instrument is based on the quotation price if there is an active market, whereby the financial assets and financial liabilities are both recognized at the closing price. When the fair value of cannot be reliably measured, the fair value is determined based on the fair value of its components or a similar financial instrument, or using valuation models and valuation techniques.

Warrants are often offered for the company-specific financing (private placements) in which the Fund regularly participates. The valuation of these warrants is based on a valuation method that is market practice and can be classified as being conservative.

Presentation and valuation of derivatives

General
Derivatives include financial instruments of which the value depends on one or more underlying assets, reference prices or indices. Derivatives that are traded on an exchange or derivatives with a listed underlying asset are valued at fair value.

Offsetting
Asset and liabilities from financial derivatives contracts offset per derivative contract. The positive fair value of the derivatives is presented on the asset side of the balance sheet under financial investments long. The negative market value of derivatives is presented on the liabilities side of the balance sheet as financial investments short. Offsetting of derivatives in the balance sheet can only take place if the conditions for offsetting are met. Revaluation of derivatives is recognized in the profit and loss statement.

Presentation and valuation of futures and FX forward contracts
Derivative financial instruments, such as futures (on equities, indices and/or reference prices) and FX forward contracts, are measured at fair value on the balance sheet date and calculated based on market prices and exchange rates at the end of the reporting period. The revaluation of futures are cash based and recognized on a daily basis in the variation margin account held with the broker. Due to the daily cash settlement of the revaluation through the variation margin, the value of the outstanding futures contracts on the balance sheet is nil.

Rights and obligations under futures FX forward contracts are not included in the balance sheet, but disclosed separately under 'Off-balance sheet rights and obligations'.

Processing of transaction costs (costs for purchases and sales of investments)
Transaction costs for the purchase of investments and derivatives are directly included in the profit and loss statement. The total amount of separately quantifiable transaction costs for the year is disclosed in the profit and loss statement under revaluation of investments.

Subscription and redemption fee
The Fund issues Units at the applicable Net Asset Value per Unit plus a subscription fee of 0.5%, which is a benefit for the Fund. The Fund charges a redemption fee of 0.5% on the Net Asset Value per Unit upon redemption, which are also a benefit for the Fund.

Other assets and liabilities
Other assets and liabilities are valued at nominal value; receivables, where necessary, less a provision for doubtful debts.

Other assets and liabilities
Other assets and liabilities are initially recognized at fair value. After initial recognition, they are valued at amortized cost. Both the fair value and (amortized) cost are equal to the nominal value unless stated otherwise. When necessary, a provision for doubtful debts is deducted from the other assets, calculated at the exchange rate on the balance sheet date.

Investment results

Dividend
This includes gross cash dividends and the nominal value of stock dividends.

Other income
This includes the subscription and redemption fees charged by the Fund.

Determination of the result
The result is determined as the difference between income, such as dividends, interest, revaluation of investments and expenses, such as management and performance fees. Income and expenses are allocated to the period to which they relate. Foreign currency results are converted into euros at the exchange rates prevailing on the transaction date. The costs as included in the profit and loss statement include VAT where applicable. The realized and unrealized revaluation of investments during the reporting period are determined by deducting the cost price from either the sales price or the balance sheet value at the end of the reporting period. The realized and unrealized revaluation of investments are included in the profit and loss statements.

Taxation
Due to the limited transferability of units, the Fund is, on behalf of its participants, considered fiscally transparent for the benefit of its participants. The Fund is therefore exempt from corporate income tax.

Ongoing charges figure (OCF)
The ongoing charges figure contains all costs that have been charged to the Fund during the year, excluding transaction costs, interest costs and performance fees. The ongoing charges figure is calculated by dividing all the costs of the period by the average net asset value. The average net asset value is calculated by adding all the month-end net asset values and divide them by the number of months.

Turnover ratio (TOR)
The turnover ratio provides an indication of the turnover of the investments relative to the average net asset value of the Fund and gives a indicative measure of the transaction costs incurred as a result of portfolio management and the resulting investment transactions. The turnover is determined by reducing the sum of the purchases and sales of the investments by the sum of the subscriptions and redemption of units in the Fund. The turnover ratio is determined by expressing the turnover as a percentage of the average net asset value, which is calculated in the same way as the OCF.

Risk management

Market risk (market price risk)
There are risk related to investing in units of the Fund. Participants should be aware that the market value of the investments of the Fund can fluctuate. In the past, equity markets have generated favorable returns. However, this offers no indication or guarantee for future results. Fluctuations in market prices may also cause the Fund's net asset value to fluctuate, which could mean that participants will not retrieve their full investment upon redemption of their units in the Fund.

Concentration risk
Concentration risk in the investment portfolio is relatively limited. Two individual investments exceed 5% of the total investment portfolio (2018: four investments), with a total of 10,80% (2018: 26,37%). The value of all other individual investments is less than 5% of the total investment portfolio.

Geographical distribution
(amounts x € 1)

	2019		2018	
	Amount	**% of NAV**	**Amount**	**% of NAV**
Country				
Canada	27,291,635	64.42	22,416,929	69.88
United States	6,314,475	14.90	902,156	2.81
Great Britain	4,706,171	11.11	5,610,153	17.49
Australia	4,183,379	9.87	4,796,075	14.95
Other	376,812	0.90	149,107	0.46
Total	**42,872,472**	**101.20**	**33,874,420**	**105.59**

The geographical distribution is based on the exchange where the investments are traded.

Distribution of portfolio by sector
The entire portfolio is allocated to the sector "Exploration and extraction".

Leverage
The derivatives used by the Fund may be highly volatile and may expose the Fund to the risk of loss. The “initial margin” that must be held to obtain a position in such instruments allows a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract can lead to a profit or loss that is relatively high in relation to the amount actually stated as “margin” and can lead to losses that exceed the margin that is held. In addition, the Fund has the option of using a banking facility, which may further increase the Fund's leverage. At December 31, 2019, an amount of € 2,299,500 (31 December 2018: € 5,810,994) has been used, but only for currency hedging and not as a leverage instrument.

The following table provides an overview of the contract and market values of the derivatives positions at December 31 (amounts x € 1):

	2019		2018	
	Contract value	**Market value**	**Contract value**	**Market value**
Assets				
Warrants	1,149,607	1,149,607	621,656	621,656
Total assets	**1,149,607**	**1,149,607**	**621,656**	**621,656**
Liabilities				
Written Options	9,898	1,034	76,729	4,883
Total liabilities	**9,898**	**1,034**	**76,729**	**4,883**

Currency risk

At the balance sheet date, the Fund did not fully hedge the currency positions, Investments other than in Euro may cause fluctuations in the Fund's net asset value, both positive and negative, The Fund's currency risk is as follows:

(amounts x € 1)	2019		2018	
	Amount	**% of NAV**	**Amount**	**% of NAV**
Currency				
Australian dollar	5,435,194	12.83	4,978,706	15.5
United States dollar	6,131,937	14.47	1,364,920	4.3
Canadian dollar	27,181,981	64.16	22,249,905	69.4
British pound	2,517,027	5.94	4,768,161	14.9
Swedish krona	-	-	48	0.0
Total	**41,266,139**	**97.40**	**33,361,740**	**104.1**

Liquidity risk of investments

The Fund may invest in equities with limited liquidity. As a result, securities or other investments may have to be sold below their expected value due to a lack of liquidity in those securities or investments.

"Funding risk" is the risk that the Fund will not be able to obtain the financial resources necessary to meet the obligations under its financial instruments. Liquidity risk can arise, among other things, because a financial asset cannot be sold in the short term at an amount equal or close to its fair value.

The Fund's units are redeemable on a monthly basis. The Fund generally invests in free tradable listed securities. As a result, the Fund is not exposed to significant liquidity risk.

Risk of changes in (tax) legislation

This is the risk that the fiscal position of the Fund will change in a negative direction or that other legislation will be introduced that has a negative impact on the Fund and its Participants.

Notes to the balance sheet

1. Investments

Movement schedule of investments
(amounts x € 1)

	2019	2018
Equities (Long)		
Opening balance	33,257,647	42,424,513
Purchases	43,206,652	86,935,532
Sales	(39,955,285)	(82,639,278)
Realised result	(2,704,229)	(6,741,593)
Unrealised result	7,929,136	(6,721,527)
Closing balance	**41,733,921**	**33,257,647**
Options (Long)		
Opening balance	-	82,211
Purchases	601,729	1,841,399
Sales	(595,430)	(1,944,623)
Realised result	(6,299)	(5,208)
Unrealised result	-	26,221
Closing balance	**-**	**-**
Warrants		
Opening balance	621,656	1,660,498
Purchases	811,909	655,173
Sales	(794,035)	(683,102)
Realised result	(395,872)	39,038
Unrealised result	905,950	(1,049,951)
Closing balance	**1,149,608**	**621,656**
Equities (Short)		
Opening balance	-	19,770
Purchases	(103,756)	(288,805)
Sales	130,482	249,868
Realised result	(15,295)	17,082
Unrealised result	(1,408)	2,085
Closing balance	**10,023**	**-**
Options (Short)		
Opening balance	4,883	132,119
Purchases	(402,059)	(4,437,606)
Sales	419,991	4,241,299
Realised result	(20,625)	28,209
Unrealised result	(1,156)	40,862
Closing balance	**1,034**	**4,883**

(amounts x € 1)	2019	2018
Futures (Short)		
Opening balance	-	-
Sales and expirations	-	12,870
Realised result	-	(12,870)
Unrealised result	-	-
Closing balance	**-**	**-**

2. Receivables

The receivables at the balance sheet date consist of the following items:

(amounts x € 1)	2019	2018
Due from brokers	**103,355**	**122,756**
Other receivables		
Prepaid license fees	-	3,742
Dividend receivable	20,736	2,472
Prepaid administration costs	2,874	1,833
Other receivables and prepayments	117,322	83,008
Total	**140,932**	**91,055**

The prepaid license fees are amortized over a period of 5 years

3. Cash and cash equivalents

This concerns the positive balance on the current account held by the Fund at the bank. There are no restrictions on the use of cash and cash equivalents.

4. Net asset value

The movements in the Net asset value over the financial year are as follows (amounts x € 1):

	2019	2018
Units paid in surplus		
Opening balance	76,771,560	74,480,275
Subscriptions	8,735,829	6,315,123
Redemptions	(2,225,925)	(4,027,329)
Performance fees	120,210	3,491
Closing balance	**83,401,674**	**76,771,560**
General reserve		
Undistributed income prior year		
Opening balance	(29,861,651)	(28,839,508)
Transfer of previous year result	(14,830,196)	(1,022,143)
Closing balance	**(44,691,847)**	**(29,861,651)**
Result current year		
Opening balance	(14,830,196)	(1,022,143)
Transfer to general reserve	14,830,196	1,022,143
Result current year	3,658,240	(14,830,196)
Closing balance	**3,658,240**	**(14,830,196)**
Total net asset value at December 31	**42,368,067**	**32,079,713**
Movements schedule of units		
Number of units at January 1	526,226	492,784
Subscriptions	143,196	84,548
Redemptions	(36,353)	(51,106)
Number of units at December 31	**633,069**	**526,226**

Overview of net asset value per shareclass

	2019	2018	2017
Class CDF new asset class			
Net asset value (in €)	3,132,933	1,413,664	-
Number of outstanding units	46,394	23,088	-
Net Asset Value per unit (in €)	67.53	61.23	-
Performance (in %)	10.29	-	-
Class CDF all investors			
Net asset value (in €)	39,235,134	30,666,049	44,618,624
Number of outstanding units	586,675	503,138	492,784
Net Asset Value per unit (in €)	66.88	60.95	90.54
Performance (in %)	9.73	(32.68)	(1.67)
Total for the Fund			
Net asset value (in €)	42,368,067	32,079,713	44,618,624
Number of outstanding units	633,069	526,226	492,784
Net Asset Value per unit (in €)	66.92	60.95	90.54
Performance (in %)	9.65	(32.68)	(1.67)

5. Other liabilities

The short term liabilities as at the 31 December consist of the following items:

(amounts x € 1)	**2019**	**2018**
Bank overdrafts[3]	2,299,500	5,810,994
Due to brokers[4]	87,500	480,324
Subscriptions received in advance[5]	304,050	872,600
	2,691,050	**7,163,918**
Other liabilities		
Interest payable	37,783	11,583
Management and performance fees payable	288,545	164,133
Audit fee payable	36,024	33,604
Depository fee payable	-	18,646
Supervision fee payable	12,364	28,065
Reporting fee payable	5,021	4,913
Other liabilities	1,098	1,437
Total other liabilities	**380,835**	**262,381**
Total other liabilities	**3,071,885**	**7,426,299**

[3] The bank overdrafts relate to the negative position of some bank accounts in foreign currency.

[4] The amount for due to brokers relate to purchases and sales that were settled in January 2020.

[5] Subscriptions received in advance are amounts received in December 2019 from participants for subscription to units in the Fund as per January 1, 2020.

Notes to the profit and loss statement

6. Revaluation of investments

(amounts x € 1)	2019	2018
Realised gains on equities	6,963,653	3,992,314
Realised gains on options	291,221	2,129,740
Realised gains on warrants	3,647	58,762
Realised losses on equities	(9,652,587)	(10,750,989)
Realised losses on options	(276,895)	(2,163,157)
Realised losses on futures	-	(12,870)
Realised losses on warrants	(399,519)	(19,724)
Unrealised gains on equities	16,120,975	9,610,427
Unrealised gains on options	1,482	57,228
Unrealised gains on warrants	1,331,361	816,160
Unrealised losses on equities	(8,190,431)	(16,334,039)
Unrealised losses on options	(326)	(71,869)
Unrealised losses on warrants	(425,411)	(1,866,111)
Total revaluation of investments	**5,767,170**	**(14,554,128)**

7. Foreign currency results

During 2019, the Fund held liquidity positions in foreign currencies, resulting in a realized currency loss of € 522,981 (2018: a currency gain of € 1,195,371).

8. Operating expenses

8.1 Management and performance fees

(amounts x € 1)	2019	2018
Management fee	703,566	717,029
Performance fee	120,210	3,491
Total management and performance fee	**823,776**	**720,520**

The Fund appointed Commodity Discovery Management B.V. as the Fund Manager. The Fund Manager is entitled to a management fee of 2% of the net asset value of the Fund per year (0.5% per quarter) before deduction of the management fee and the performance fee. The net asset value is divided into share class CDF new asset class and CDF all investors.

Contrary to the foregoing, each time an existing or new Participant subscribes with a Subscription amount of € 1,000,000 or more, with regard to the units relating to that subscription, this participant is charged a management fee of 1.5% per annum of the net asset value of the Fund, before deduction of management fee and performance fee.

The asset management fee is accrued monthly and is paid quarterly in arrears.

All costs have been charged in accordance with the prospectus and are in line with current market practices. The actual costs have been calculated in accordance with the system described in the prospectus. As a result, the actual costs do not significantly deviate from the prospectus.

Performance fee
The Fund Manager is entitled to a performance fee of 20% of the increase in the net asset value per unit (including net unrealized profit) above the minimum outperformance (the hurdle rate) of 0,5% per month. The 'high watermark' principle applies to the performance fee. The performance fee is accrued and paid quarterly in arrears.

The Fund uses an equalization approach whereby unit holders only pay a performance fee to the Fund Manager for the increase in the value of the unit.

In 2019, the Fund Manager was awarded a performance fee of € 120,210 (2018: € 3,491).

8.2 Other expenses

Audit fees
The audit fees charged to the Fund can be specified as follows (amounts x € 1):

	2019	2018
Audit of the financial statements	38,444	31,063
Total	**38,444**	**31,063**

8.3 Ongoing charges figure (OCF)

The ongoing charges figure for the period January 1, 2019 through December 31, 2019 was 2.42% (2018: 2.46%). For an explanation of the OCF and the calculation method, refer to the accounting principles.

8.4 Turnover ratio (TOR)

The turnover ratio of the investments over the reporting period is 213 (2018: 479). For an explanation of the turnover ratio and the calculation method, refer to the accounting principles.

9. Other information

Related parties
Parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial or operational decisions.

All services provided by the Fund Manager are therefore classified as related party transactions. The Fund paid asset management and performance fees to the Fund Manager during the reporting period.

Outsourcing
The Fund has entered into the following agreements with related parties:
- Commodity Discovery Management B.V.: the Fund Manager
- Legal Owner CD Fund Foundation: The Legal Owner
- KAS Trust & Depositary Services B.V.: The Depositary

The management fee for the period from January 1, 2019 through December 31, 2019 amounts to € 703,566 (2018: € 717,029), of which € 191,027 (2018: € 164,133) was recognized as a liability at December 31, 2019.

The subscription and redemption fee for the period from January 1, 2019 through December 31, 2019 amounts to € 52,749 (2018: € 24,122).

Terence van der Hout and Willem Middelkoop are the Managing Directors of the Fund. At December 31, 2019, the Fund Manager held 2,485 (2018: 2,485) units in the Fund.

Personnel
The Fund did not employ personnel during the reporting period.

Proposed appropriation of the result
The result for the year ended December 31, 2019 will be added to the net asset value of the Fund in accordance with article 4.12 of the prospectus.

Events after balance sheet date
The rapid emergence of the Coronavirus since January 2020 and the global effects impact of its effects on economic trade and activity, poses a risk to the fund with an unknown impact. It is clear, however, that this increases the volatility.

Aerdenhout, April 8, 2020

Commodity Discovery Management B.V.
Terence van der Hout
Willem Middelkoop

Other Information

Independent Auditor's report
The independent auditor's report has been attached at the end of this report.

Building a better working world

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Commodity Discovery Fund, based in Aerdenhout.

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

The financial statements comprise:

- The balance sheet as at 31 December 2019
- The profit and loss statement for 2019
- The notes, comprising a summary of the 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 Commodity Discovery Fund 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.

Emphasis on Corona related developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report thereon are snapshots. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Commodity Discovery Fund is disclosed in:

- The Manager's report paragraph outlook; and
- The disclosure related to the subsequent events as part of note 9 "Other information".

We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on 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:

- The report of the manager;
- Other information;
- Other information, containing general information and key figures.

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 Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for 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 have detected all material errors and fraud.

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 judgment 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.
- 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.

Amsterdam, 8 April 2020

Ernst & Young Accountants LLP

signed by R.J. Bleijs