

We report

Annual report 2022



In many cultures, fruits, flowers, roots and other plants symbolise life, wealth and fertility. Their inside, sometimes protected by a hard shell, is valuable. They supply us with nourishment and season our foods. We value them sometimes as a remedy. Some seem exotic. Others are familiar. The rarest fruits are the most valuable. Similarly, the AP Alternative Portfolio has a versatile character and displays increasing utility. It comprises a sophisticated selection of alternative investment opportunities. A particularly rigorous selection distinguished a multi-faceted investment process. Risk diversification was systematic and broad. Responsibility for it rests with a skilled UBS Investment Team of experienced specialists, a team that has remained stable for many years.

AP Alternative Portfolio. A proven selection of first-class investments with an attractive earnings potential.



This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. This report also appears in German. The German version is the binding version.

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1. Letter to shareholders

Dear Shareholders,

The 2022 fiscal year was characterized by numerous geopolitical changes that severely impacted global economics and, consequently, AP Alternative Portfolio AG. Especially noteworthy in this context are the fallout from China's restrictive COVID-19 policies on global supply chains as well as Russia's attack on Ukraine in violation of international law, which have fuelled rapid inflation and great uncertainty on the markets. The main central banks, most notably the FED, swiftly initiated a turnaround in interest rate policy to curb the high inflation figures and return to their targets in the medium term. After the ultra-loose interest rate policy of the COVID-19 years, this turnaround has since contributed to a normalization of company valuations and a general downward correction of valuations.

AP Alternative Portfolio AG had to post a negative result in 2022; however, the result is still satisfactory when compared to other technology indices despite the broader market corrections. Exits in the portfolio declined significantly as well. It is worth noting that AP Alternative Portfolio AG sold over 40% of the net asset value of its investments at extremely attractive market prices last year. Despite the challenges experienced in 2022 that will still be impacting the current fiscal year of 2023, we are confident that we will be able to successfully complete the exit strategy of AP Alternative Portfolio AG over the next few years.

After the record-setting year of 2021, portfolio valuations corrected in the 2022 financial year. After posting an annual dividend-adjusted return of 34.39%, the highest since the inception of AP Alternative Portfolio AG, the valuation of AP Alternative Portfolio AG corrected downward by -21.51% in the 2022 fiscal year. Strong increases in prices for goods and services as well as aggressive interest rate hikes not only impacted companies' profit margins but also had an

impact on other financials that affected company valuations. Consequently, most funds in which AP Alternative Portfolio AG has invested had to align their valuations with the new circumstances. In 2022, venture capital and technology valuations came under the most pressure and experienced the sharpest corrections. This trend was not restricted to certain regions but was seen both in the US and in other regions. However, there were also a few exceptional funds that reported a positive return in 2022. The strongest corrections were not felt until the third and fourth quarters due to delayed reporting in private equity.

As part of the exit strategy initiated in 2013, the 2022 reporting year saw a slowdown in liquidity return flows compared to previous years. Due to the final liquidation of the entire hedge fund portfolio at the end of the first quarter of 2019, AP Alternative Portfolio AG now consists exclusively of private equity investments and cash assets. Cash holdings increase with each sale in the portfolio and are available for future dividend payments to our shareholders or will be used for future share buy-backs.

The private equity portfolio of AP Alternative Portfolio AG reported a negative gross yield of -21.23% in the reporting period (based on provisional financial statements of underlying funds); this valuation correction does not come as a surprise when compared to the record-setting figures from the same period of the previous year. In the portfolio, venture capital funds experienced particularly strong value corrections due to lower valued financing rounds or comparative valuation figures. The total value multiple (= all capital payments plus the current market value divided by the capital drawn) in US dollars decreased slightly from 1.77x in 2021 to 1.72x in 2022. In 2022, Asian venture capital fund IPV Capital Fund II delivered the largest positive contribution to the portfolio's performance; however, the two US venture capital funds Mayfield XIV and NEA

14 and Asian venture capital fund Nexus India Capital Fund II were mainly responsible for a negative performance contribution.

Following the year of 2021 when the private equity portfolio of AP Alternative Portfolio AG sold more than 40% of the net asset value at the start of the year at attractive valuations (USD 26.6 million in absolute figures), this figure dropped to USD 8.4 million in 2022. The private equity portfolio received the largest distributions from US venture capital fund Battery Ventures IX and from global fund of funds UBS Global Private Equity II, which jointly accounted for one-fifth of the distributions. Battery Ventures IX achieved a return of roughly 40x the original capital investment with the sale of Forterro, a provider of software and services to small and medium-sized manufacturing companies, to Partners Group. Venture capital fund Accel XI and European buyout fund EQT V also distributed large amounts to AP.

Due to its exit strategy, AP Alternative Portfolio AG has not been making any further capital commitments to newly launched private equity funds since 2013 and recorded only minor capital calls in 2022. The portfolio therefore generated a cash flow surplus, as it did in previous years.

As a result of the lower liquidity return flows of the private equity portfolio, AP Alternative Portfolio AG paid a dividend of CHF 10 per share in the 2022 fiscal year. The dividend corresponded to 3.2% of the net asset value. Since its listing in 2014, AP Alternative Portfolio AG has paid out dividends totaling CHF 333 per share as of the end of 2022. In addition, another share buy-back in the form of a Dutch auction was completed in March at a fixed price of CHF 270. In this process, 26.43% of the shares were bought back at a discount of -9.6% and retired in September 2022.



Left: Dr. Ulrich Niederer

Right: Prof. Dr. Rolf Watter

For 2022, the average price discount was -16.8% of the NAV, which is a much lower value year-on-year (-27.6%).

On behalf of the Board of Directors, we would like to thank you for your ongoing support and remain confident, despite new challenges and economic uncertainties, that we will be able to keep AP Alternative Portfolio AG on a successful track with the previously demonstrated reliability and successfully conclude the exit strategy in the coming years.

Kind regards,

Dr. Ulrich Niederer

Chairman of the Board of Directors
AP Alternative Portfolio AG

Prof. Dr. Rolf Watter

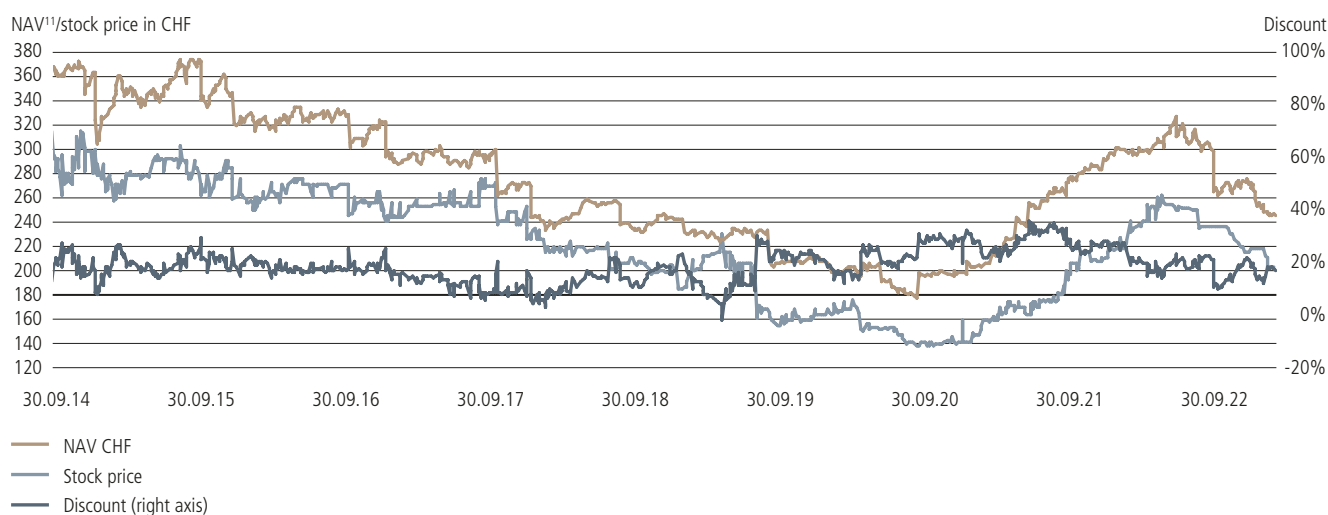
Vice-Chairman of the Board of Directors
AP Alternative Portfolio AG

2. Financial highlights

Financials as of December 31, 2022

	Based on audited statements as of December 31, 2022	Based on audited statements as of December 31, 2021
Net asset value (NAV) per share in USD	245.28¹	327.04²
Net asset value (NAV) per share in CHF	226.71 ³	298.15 ⁴
Dividends per share in CHF	10.00	10.00
Cash per share used for share buy backs in CHF	97.00 ⁵	56.01 ⁶
Closing stock price in CHF	202.50	224.00
Discount to NAV in %	-10.68%	-24.87%
Shareholders' equity in USD m	49.31	89.36
Number of issued shares	201,029	273,251
Number of own shares	–	–
Performance (NAV) of the financial year	-21.51% ⁷	34.39% ⁸
Performance (NAV) since inception (1.11.2000)	289.84% ⁹	396.70% ¹⁰

NAV and stock price since listing



¹ Provisional figures of December 31, 2022: 263.16

² Provisional figures of December 31, 2021: 323.36

³ CHF/USD FX-rate: 0.9243

⁴ CHF/USD FX-rate: 0.9117

⁵ CHF 19,499,940 / 201,029 shares

⁶ CHF 15,304,641 / 273,251 shares

⁷ The performance was adjusted for distributions (dividends) of USD 10.446.

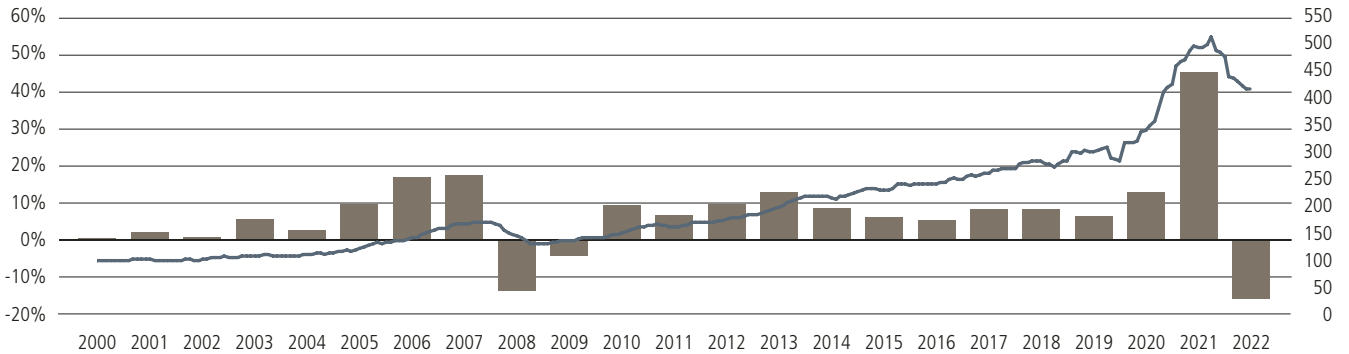
⁸ The performance was adjusted for distributions (dividends) of USD 10.818.

⁹ The performance was adjusted for distributions (dividends and nominal value repayment) of USD 10.446 (2022), USD 10.818 (2021), USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

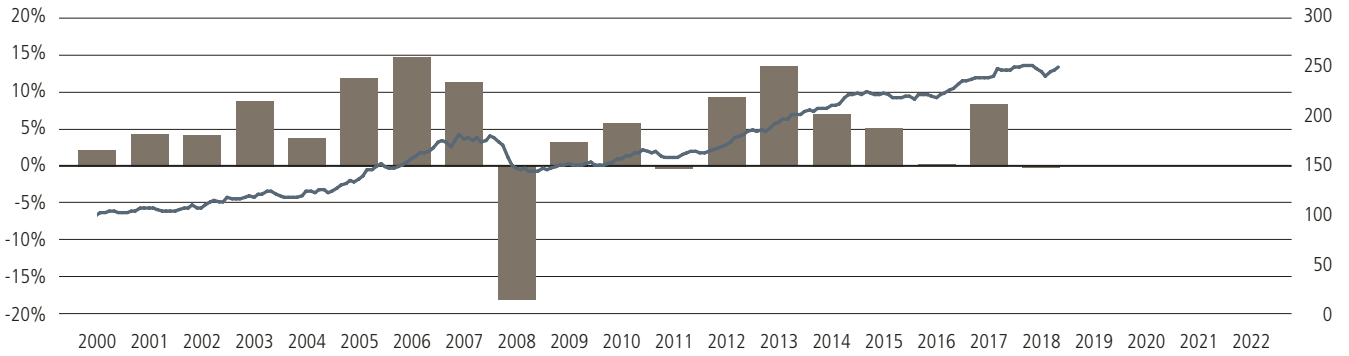
¹⁰ The performance was adjusted for distributions (dividends and nominal value repayment) of USD 10.818 (2021), USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

¹¹ Based on the unaudited statements as of December 2022.

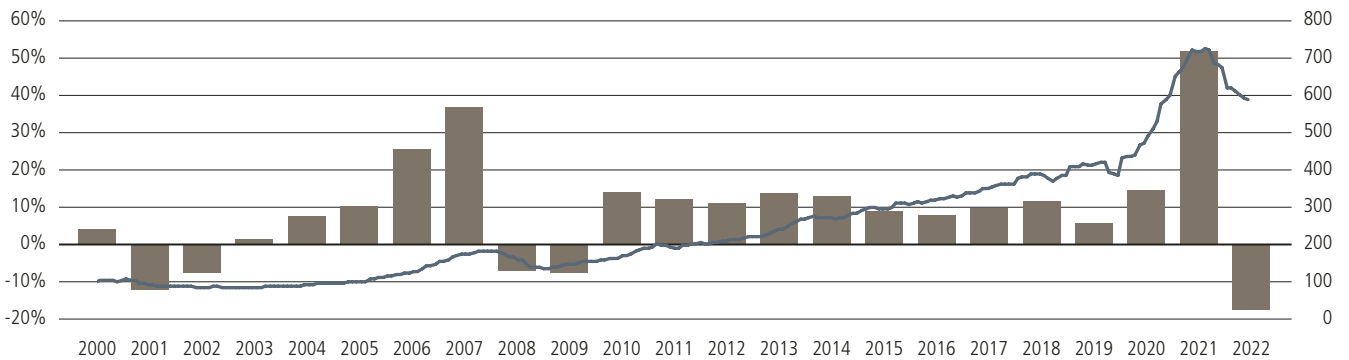
Performance (since inception)¹



AP Hedge Funds Performance^{2, 3}



AP Private Equity Performance²



■ Annual return % (left-hand scale)
 — Indexed performance (right-hand scale)

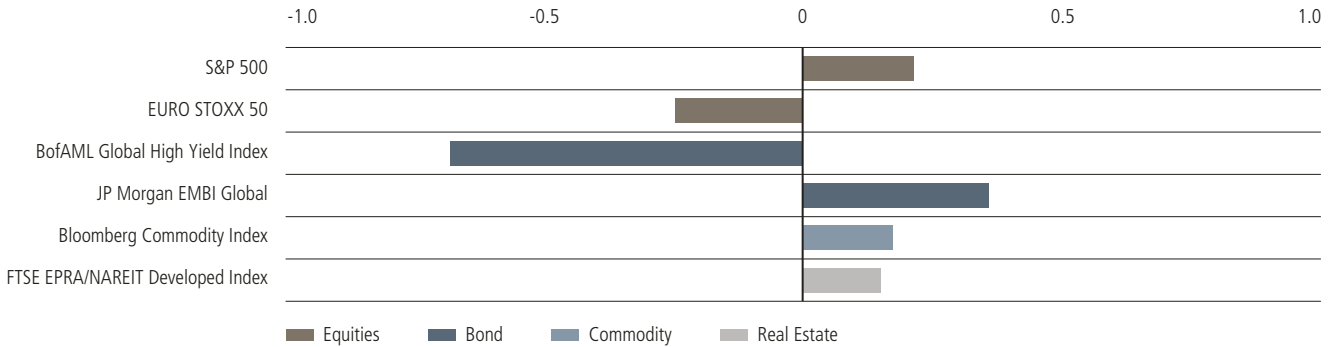
Past performance is no guarantee of future developments.

¹ Based on the unaudited statements as of December 2022. The performance was adjusted for distributions (dividends and nominal value repayment) of USD 10.446 (2022), USD 10.818 (2021), USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

² Gross performance of portfolio funds based on the unaudited statements as of December 2022.

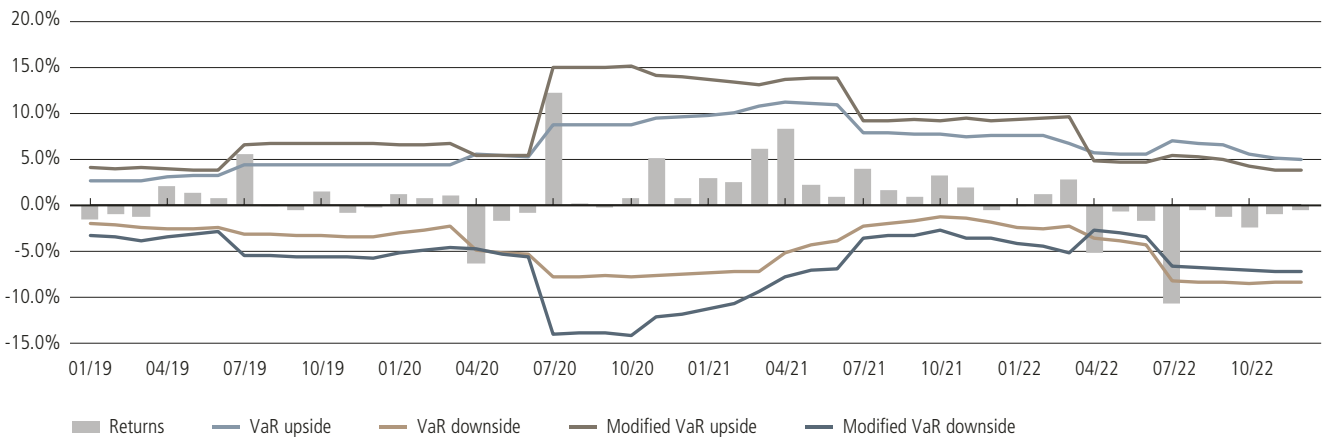
³ Hedge Fund positions were liquidated as of March 31, 2019.

Beta against market factors and VaR curves in a rolling time window, subject to special consideration of higher moments



The chart displays classical multiple betas (i.e. sensitivities) of the portfolio returns against some of the most common market factors obtained by a multiple regression. The regression was calculated over the last 4 years. These betas have to be understood as ex-post betas. They do not necessarily indicate a causal relationship and can increase due to three different effects: (i) correlation increases, (ii) fund volatility increases, or (iii) index volatility decreases.

Rolling VaR envelope under special consideration of higher moments



The chart shows the upper and lower VaR with a 95% confidence interval calculated with a rolling 12-month time frame. The bars represent the monthly pro forma returns of the portfolio at quarter end. In other words, under standard assumptions the possibility that the return lies within these VaR boundaries is 95%. A bar outside the VaR envelope signals the occurrence of a tail event.

The modified VaR accounts for the skewness and kurtosis of the returns distribution. For example, a strong positive skewness leads to a modified VaR upside that is higher than the VaR upside. A strong kurtosis results in a stronger modified upside and downside VaR than the ones under the assumption of no skewness.

Source: UBS Asset Management
Past performance is not indicative of future results.

3. Report of the Board of Directors

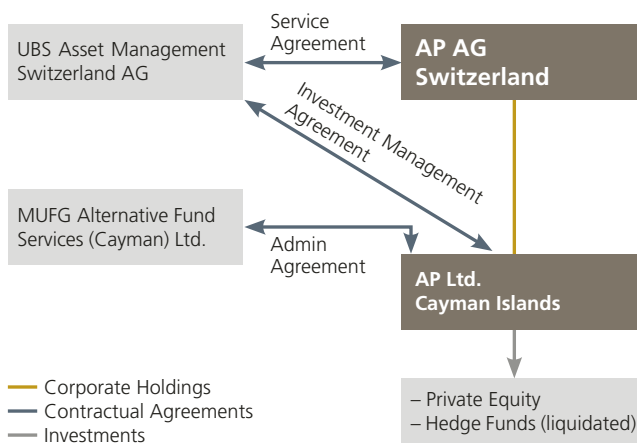
3.1. Company profile and corporate organisation

The investment company AP Alternative Portfolio AG (AP AG) is an associated company domiciled in Zurich, Switzerland. It was founded on October 12, 2000 as UBS Alternative Portfolio AG and renamed AP Alternative Portfolio AG on August 29, 2014. Its shares have been listed at the BX Swiss (former BX Berne eXchange) since September 30, 2014.

In line with the company's decision (General Meeting 2013) no longer to make any new investments in private equity and to return the liquid funds to the shareholders as quickly as possible, the investment policy, strategy and process described below applies only to the extent as it describes the investment philosophy of the already made capital commitments to private equity funds. Based on this resolution and the long-term goal to return free liquidity to the shareholders, all Hedge Fund positions were liquidated as of March 2019.

Corporate organisation

The company's current organisation is as follows:



Board of Directors

According to the company's Articles of Association, the Board of Directors shall consist of at least two and no more than seven members. The Board of Directors is responsible for managing the company's business in accordance with the Articles of Association. Since September 2014, the Board of Directors has also assumed executive responsibility. Its range of duties

includes the elaboration of the general business policy and the investment policy pursued by the subsidiaries. Members of the Board of Directors as of December 31, 2020:

- Dr. Ulrich Niederer: formerly Managing Director at UBS AG and Chairman of UBS Global Asset Management Switzerland
- Prof. Dr. Rolf Watter: lawyer at the firm Bär & Karrer AG

Executive Committee

Since the IPO as end of September 2014, the executive management has been the responsibility of the members of the Board of Directors pursuant to Art. 25 of the Articles of Association.

Investment Manager

UBS Asset Management Switzerland AG

Auditors

Ernst & Young AG, Zurich

Investment team

The investment team comprises experienced investment specialists who have built up extensive experience and expertise in the field of alternative investments within UBS Asset Management.

AP Alternative Portfolio AG

Registered Office

AP Alternative Portfolio AG
 c/o UBS Asset Management Switzerland AG
 P.O. Box
 CH-8098 Zurich, Switzerland

Alternative Portfolio Limited (Cayman Islands)

Registered Office

Alternative Portfolio Limited (Cayman Islands)
 P.O. Box 265GT
 George Town
 Grand Cayman
 Cayman Islands

Board of Directors Alternative Portfolio Limited

Cassandra Powell and William Walmsley

Administrator and Investment Advisor
 MUFG Alternative Fund Services (Cayman) Limited

Fee structure

Management fee

Debited quarterly; 0.80% p.a. of the net assets and a minimum of CHF 600,000.

Performance fee

Debited annually, only if absolute performance exceeds 5% p.a. (hurdle rate, outperformance), in addition to the management fee.

The performance participation amounts to

- 15% of the performance in excess of 5% p.a. (absolute performance between 5% and 10% p.a., max. 0.75% of NAV) plus
- 25% of the performance in excess of 10% p.a. (absolute performance between 10% and 15% p.a., maximum 1.25% of NAV).

From an absolute performance in excess of 15% p.a., the performance fee is limited to a flat fee of 2% p.a. of the NAV.

The hurdle rate is equal to 5% with respect to the calendar year. The hurdle rate is cumulative from year to year.

A High Water Mark applies, which means an amount equal to the larger of

- the high water mark on the immediately preceding performance fee determination date or
- the net asset value on the immediately preceding performance fee determination date less the amount of the performance fee determined as of such immediately preceding performance fee determination date.

The total fees paid or accrued in favour of UBS in the reporting year are detailed on page 27 to 29.

3.2. Report of the past financial year

Private equity: market and performance of AP Alternative Portfolio AG¹

Rising interest rates and inflation have caused fear of a recession. In addition, the war in Ukraine and post-Covid-19 effects continue to cause supply chain interruptions. All these factors have had a negative impact on the private equity market in 2022, with private equity activity overall falling short of 2021's record year.

Global buyout deal value, excluding add-ons, totalled USD 654bln for 2022, a 35% decline from 2021.

Growth equity and venture capital funds (comprising early-stage and late-stage venture capital funds) saw a large decline after two relatively strong first quarters of 2022, with the overall deal value for 2022 dropping by 28% compared to 2021 to USD 644bln in 2022. Importantly, however, 2022 was still the second-strongest year in terms of deal value in private equity history. Whilst new investment activity fell abruptly in the second half of 2022, exit volumes declined even sharper. With markets in decline, buyout-backed exit volumes dropped by 42% over 2021 to USD 565bln in 2022 – demonstrating weakness across regions globally. An even more accentuated picture painted growth equity exits, which plummeted to USD 312bln for 2022, a 64% decline compared to 2021.

Largely on the back of a strong first half-year, private market investment managers around the globe raised USD 1.3trn in private capital during 2022 (thereof USD 347bln for buyout deals). Whilst fundraising volumes were down 10% from 2021, 2022 remained the second-strongest year in private markets fundraising history. Moreover, venture capitalists invested USD 452.3bln across approximately 16,000 deals in 2022 – a USD 261bln (or 36.6%) falloff from the record USD 713bln invested in 2021.

¹ Sources: UBS Asset Management, Real Estate & Private Markets (REPM), numbers are based on quarterly available reports; February 2023, PitchBook as of February 2023/ Global Private Equity Report 2023, Bain Capital / 6 charts highlighting the European EU trends in 2022, Pitchbook / European PE are cautiously optimistic for 2023, BAIRD, written the 27th January 2023

Please note that data is sometimes revised in subsequent quarters by Pitchbook, our data provider

Europe

In Europe, deal count (+13.1%) and deal value (+1.4%) have overall slightly increased in 2022 over 2021. However, European venture capital failed to cross the EUR 100bln mark set in 2021, with EUR 92bln invested in 2022. The amount of assets under management in European private equity ended the year at an all-time high, reaching EUR 874bln, despite rising interest rates across the region.

European private equity fundraising activity halted in 2022. It had been the slowest fundraising year since 2014, with EUR 53bln raised across 92 funds. For instance, European buyout fundraising volume was 30% down from 2021. Additionally, exit activities in 2022 were at their lowest level in nine years. Total exit deal value reached EUR 199bln in 2022 and, therewith, nearly halved compared to the previous year, when it peaked at EUR 388bln. The low exit activity had impacted distributions back to investors – at a time when they were reviewing their allocation. This created a knock-on effect on fundraising as investors have been less inclined to invest in new funds given the lack of distributions.

Mega-deals dominated in 2021, whereas the year 2022 was particularly driven by smaller deals. In fact, there were only 36 deals completed in 2022 that were larger than EUR 1bln, around half the number of deals compared to the previous year. The largest deal in Europe in 2022 was Blackstone's EUR 21bln recapitalization of logistics company Mileway, which was completed in the second quarter. It was during this quarter when buyout and growth transactions reached a deal value of EUR 163bln, making it the most dynamic quarter in 2022.

North America

In North America, private equity activity was also marked by concerns around inflation and broader market uncertainty. However, the buyout and growth deal volume in the first half of 2022 recorded total deal volumes of between USD 113bln in Q1 and approximately USD 100bln in Q2, before hitting a quarterly record of USD 185bln in the fourth quarter. The take-private of Citrix by Vista in a more than USD 15bln deal in the third quarter was the largest deal completed in 2022. Surprisingly, in terms of buyout and growth deals, 2022 was a better year for exits than 2021. After

AP Alternative Portfolio with a sustainable investment strategy designed for the long haul. Reliability, patience and consistency make it as exceptional as the passion fruit.



a strong first quarter, where exits totalled USD 74bln, exit volumes reduced to USD 50bln by the end of Q3, mainly because of market turmoil caused by inflation and the war in Ukraine. However, exit volumes rose again to USD 60bln in the last quarter of 2022.

Venture capital suffered heavily in North America in 2022. Illustratively, and in the first quarter of the year compared to the first quarter of 2021, new venture deals and exits fell from USD 104bln to USD 82bln and from USD 76bln to USD 49bln, respectively. Whilst North American venture dealmaking largely maintained its Q1 pace, exits further dropped significantly to USD 20bln in Q3. The lukewarm new deal and exit activity over summer 2022 likely foreshadowed a poor year for venture capital overall. Eventually, new deal volume fell to USD 52bln in the last quarter of 2022, representing the fifth straight quarter of decline. In addition, exits reached an all-time low of USD 8bln in Q4 2022 amid the challenged IPO environment and reluctance to sell positions at depressed valuations.

Fundraising volumes in North America were lumpy across stages throughout 2022, ending below the 2021 volumes. Particularly, North American venture capital fundraising started the year incredibly well, collecting USD 65bln in Q1 2022, before slowing down quarter for quarter and raising as little as USD 10bln in Q4 2022.

Asia-Pacific

Dealmaking in the Asia-Pacific region dropped significantly in 2022, in particular due to market shutdowns because of Covid-19 restrictions.

The Asia-Pacific buyout deal volume totalled USD 36bln in Q1 and USD 43bln in Q2 2022. It held largely steady at USD 41bln by the end of September, before reaching USD 56bln in the last and strongest quarter of 2022. The largest deal in 2022 was the take-private of China's 51job by DCP Capital for USD 4.3bn. The buyout deal volume in Asia-Pacific in 2022 declined by 59% compared to 2021. Whilst the new buyout deal activity in 2022 was significantly below the 2021 level, exits showed some signs of resilience – except for Q2 2022 – and ranged between USD 23bln and USD 25bln for Q1, Q3 and Q4.

The situation for venture capital in the Asia-Pacific region in 2022 was similar to the situation in other world regions. New venture deal volumes continued

to decrease in 2022. For example, the new venture deal volume stood at USD 44bln at the end of Q1 2022, the lowest value since Q1 2021, but declined further in the coming quarters to a quarterly value of only USD 35bln in Q4. Similarly, venture capital exits recorded a quarterly value of USD 28bln in Q2, before falling to a quarterly volume of USD 13bln in Q4.

The macroeconomic situation in 2022 was not favourable for fundraising in the Asia-Pacific region. The second and third quarter of 2022 were successful from a buyout fundraising standpoint (e.g. USD 13bln raised in Q2), whilst the first and fourth quarter were not, with approximately USD 4bln raised in each quarter. For venture capital, the fundraising volume rose from USD 5bln to USD 8bln between January and June 2022, remained stable during Q3, and increased to USD 10bln by the end of Q4.

Private equity portfolio of AP Alternative Portfolio AG¹

The year 2022 started as auspiciously as the record-breaking year 2021 in terms of a high transaction volume for company acquisitions and disposals, and some oversubscribed fund closures were reported at the start of the year. However, following Russia's invasion of Ukraine in violation of international law, resulting in market uncertainty, the economic winds shifted amid high inflation figures, recession fears and interest rate hikes, making 2022 a difficult year for the entire equity and bond market and for AP Alternative Portfolio AG. The market situation has changed primarily as a result of macroeconomic events, including the change in interest rate policy engineered by major central banks such as the FED and ECB to combat runaway inflation. The new market dynamics have also had a negative impact on valuations in general and the valuation of AP Alternative Portfolio AG in particular. In particular, there were reports of major corrections of the valuations of the venture capital funds with technology and software companies in the portfolio. However, this normalization of company valuations following the portfolio's record-breaking return in 2021 did not come as a surprise. On a positive note, AP Alternative Portfolio AG was able to sell over 40% of the net asset value at very attractive valuations in the aforementioned record-breaking year of 2021.

¹ Source: UBS Asset Management, Real Estate & Private Markets

The private equity portfolio remains in exit mode and returned a negative return of –21.23% in 2022.

Thus, the total value multiple (= all capital payments plus the current market value divided by the capital drawn) in US dollars decreased by 0.05x from its 2021 level of 1.77x to 1.72x in 2022 in USD. In 2022, Asian venture capital fund IPV Capital Fund II was one of few to deliver a positive contribution to the portfolio's performance, but the two US venture capital funds Mayfield XIV and NEA 14 and the Asian venture capital fund Nexus India Capital Fund II were responsible for the biggest negative valuation corrections in the portfolio.

Exits

In the 2022 fiscal year, distributions not only declined relative to the net asset value but also in absolute terms, to a significantly lower level of USD 8.4 million. Capital calls of merely USD 0.4 million meant that the private equity portfolio once again had a cash flow surplus in 2022. The largest distributions that AP Alternative Portfolio AG received included distributions from US venture capital fund Battery Ventures IX and from global fund of funds UBS Global Private Equity II, which jointly accounted for one-fifth of the distributions. Venture capital fund Accel XI and European buyout fund EQT V also reported larger distributions.

Battery Ventures IX contributed significantly to annual liquidity with the sale of Forterro, a provider of software and services to small and medium-sized manufacturing companies, to Partners Group. The transaction resulted in a multiplication of nearly 40x on the original capital investment. Two sales were primarily responsible for the liquidity return flows of Accel XI. In February, portfolio company SentinelOne, a US-Israel cybersecurity software provider, returned liquidity to the portfolio by selling the last share. The total return on SentinelOne was over 100 times the capital invested. Also in February, Alteryx (AYX) acquired portfolio company Trifacta, a data analytics software provider, for an enterprise value of USD 400 million, which resulted in additional liquidity returning to the fund.

Investment activity

Due to the exit strategy adopted by the Board of Directors in 2013, AP's private equity portfolio has not made any new asset allocations to target funds since that date. In 2022, capital was called in chiefly for management fees since the portfolio is in the exit phase. The largest absolute amounts were primarily called in by global buyout funds including Bain Capital X, Sun Capital V and Advent International GPE VII.

4. Remuneration report

4.1. Remuneration report 2022

This remuneration report for the financial year 2022 discloses the remuneration system and the remuneration of the members of the Board of Directors and the Executive Committee of AP Alternative Portfolio AG. The content and scope of the disclosures is in line with the regulations of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), which entered into force on January 1, 2014.

Introductory remarks on the organizational structure of AP Alternative Portfolio AG

September 30, 2014 was the first trading day on which the registered shares of AP Alternative Portfolio AG were listed at the BX Swiss (former BX Berne eXchange). As a listed stock corporation, AP Alternative Portfolio AG is subject to the supervision and regulation of the BX Swiss and, among other things, the regulations of the ERCO.

According to Art. 25 of the Articles of Association of AP Alternative Portfolio AG ("Articles of Association"), the Board of Directors may, subject to the limitations of Art. 24 of the Articles of Association (Authority of the Board of Directors), delegate the asset management in accordance with organizational regulations in full or in part to one or several of its members or third parties, which may be legal entities. The company and its subsidiary Alternative Portfolio Limited, Cayman Islands, have engaged UBS Asset Management Switzerland AG within the Real Estate and Private Equity Markets department for the asset management.

Since the IPO, the company no longer has an executive board but only has a Board of Directors with executive responsibilities. The Board of Directors believes that this management structure is appropriate since its main role is to ensure that available funds are returned to shareholders.

Responsibilities and authority concerning the remuneration

According to the applicable Articles of Association, the Board of Directors shall submit the prospective maximum total amount of the remuneration to be paid to the members of the Board of Directors by the next annual General Meeting on the basis of the proposal of the Remuneration Committee (Art. 29 (1)).

On June 29, 2022 the shareholders adopted the following resolution and approved the following compensation of the members of the Board of Directors from the annual general meeting 2022 to the annual general meeting 2023: a maximum amount of CHF 75,000 for the compensation of both members of the Board of Directors. This amount also includes expenditure for the statutory social security charges. This amount will not be paid out until the 2023 financial year.

The resolution of the general meeting of June 29, 2021 provided for a maximum amount of CHF 75,000 (incl. the statutory social security charges) for compensation of the members of the Boards of Directors from the annual general meeting 2021 to the annual general meeting 2022, which was made in the form of a payment in cash in April 2022. This corresponded to a reduction of CHF 15,000 compared to the previous year. The maximum amount was not exceeded. The payment amounted to CHF 73,404.80, including the statutory social security charges.

The Remuneration Committee consists of at least two members of the Board of Directors (Art. 27 (1) of the Articles of Association). The members of the Remuneration Committee are elected by the General Meeting (Art. 18 letter b) of the Articles of Association). Ulrich Niederer and Rolf Watter performed these tasks in the reported financial year. Further information on the election of the Remuneration Committee will be communicated to the shareholders in the invitation to the General Meeting.

In addition to proposing the remuneration of the members of the Board of Directors (Art. 28 no. 2), the Remuneration Committee has the following general duties and responsibilities: Proposed terms of the remuneration policy that it regularly audits, resolution concerning the concrete terms of any mandate contracts and cancellation conditions with the members of the Board of Directors, review of the compensation with the asset manager according to Art. 25 of the Articles of Association and preparation of the draft remuneration report for the full Board of Directors (Art. 28 of the Articles of Association).

Remuneration of the members of the Board of Directors

According to the applicable Articles of Association (Art. 29 no. 5) and the above resolutions adopted by the annual general meeting, the members of the Board of Directors only receive fixed remuneration.

Remuneration of the individual members of the Board of Directors in the reporting year

2022 financial year

In the financial year 2022 the Board of Directors have received CHF 73,405 (including social security contributions). This allocation is based on the resolution of the Annual General Meeting in 2021, which approved an equivalent value of up to CHF 75,000 and which was thus complied with.

As a result, the individual members of the Board of Directors received the following remuneration in the 2022 financial year:

Name/function	Fixed BoD compensation CHF	Social security contributions CHF	Total CHF
Dr. Ulrich Niederer, Chairman	35,000	1,165	36,165
Prof. Dr. Rolf Watter, Vice-Chairman	35,000	2,240	37,240
Total	70,000	3,405	73,405

2021 financial year

In the financial year 2021, both members of the Board of Directors have received CHF 84,045 (including social security contributions). This allocation is based on the resolution of the Annual General Meeting in 2020, which approved an equivalent value of up to CHF 90,000 and which was thus complied with.

As a result, the individual members of the Board of Directors received the following remuneration in the 2021 financial year:

Name/function	Fixed BoD compensation CHF	Social security contributions CHF	Total CHF
Dr. Ulrich Niederer, Chairman	40,000	1,485	41,485
Prof. Dr. Rolf Watter, Vice-Chairman	40,000	2,560	42,560
Total	80,000	4,045	84,045

Remuneration of the members of the Executive Committee

Since August 29, 2014, the company no longer has any Executive Committee.

Benefits, contractual conditions when leaving AP Alternative Portfolio AG

No member of the Board of Directors has any contract with AP Alternative Portfolio AG under which he would be granted severance pay when leaving the company.

Related party loans

As of December 31, 2022, there were no outstanding loans that AP Alternative Portfolio AG had granted to current or former members of the Board of Directors, the Executive Committee or related parties.

Other remuneration of related parties at non-market conditions

As of December 31, 2022, the company had not granted any benefits to related parties at non-market conditions. Apart from this, please refer to page 29.

Remuneration of former members of governing bodies

In the reporting year 2022, no compensation was paid to former members of governing bodies.

4.2. Report of the statutory auditors



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www.ey.com/ch

To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 26 May 2023

Report of the statutory auditor on the audit of the remuneration report



Opinion

We have audited the remuneration report of AP Alternative Portfolio AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) on pages 14 to 15 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report complies with Swiss law and Art. 14-16 VegüV.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and

for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegÜV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- ▶ Obtain 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Eveline Hunziker
Licensed audit expert
(Auditor in charge)

Thomas Kaufmann
Licensed audit expert

5. Consolidated financial statements of AP Alternative Portfolio Group

5.1. Balance sheet and income statement

Consolidated balance sheet of AP Group in USD

Assets	Notes	31.12.2022	31.12.2021
Current assets			
– Cash, cash equivalents		4,256,763	22,636,813
– Accumulated revenues and advance payments	C1, C2	156,762	34,419
– Other receivables	C2	8,679	246,232
Total current assets		4,422,203	22,917,463
Long term assets			
– Private Equity and Hedge Funds at fair value through profit or loss	C1, C3, D	45,264,123	68,694,163
Total long-term assets		45,264,123	68,694,163
Total assets		49,686,326	91,611,625
Liabilities and shareholders' equity			
Current liabilities			
– Accrued expenses	C14	213,740	297,706
– Accrued management fee	C7	163,460	181,276
– Accrued performance fee	C7	–	1,769,188
Total current liabilities		377,200	2,248,171
Shareholders' equity			
– Share capital	C4	271,018	373,467
– Capital reserves		24,181,667	39,197,916
– Own Shares	C12	–	–
– Retained earnings		60,764,543	85,569,773
– Translation differences	C5	-35,908,102	-35,777,702
Total shareholders' equity		49,309,126	89,363,453
Total liabilities and shareholders' equity		49,686,326	91,611,625
Net asset value per share		245.28	327.04

Consolidated income statement of AP Group in USD

Operating income	Notes	2022	2021
– Realised gain from financial investments	E	3,723,188	18,173,094
– Unrealised loss from financial investments	E	-19,156,252	4,813,417
– Interest income	C6	–	–
– Other income		1,212	–
Total operating income		-15,431,852	22,986,511
Operating expenses			
– Management fees	C7	632,111	675,259
– Performance fee		–	807,446
– Audit expenses	C9	67,825	51,619
– Legal & consulting fees	C9	126,787	134,498
– Service fees	C7	150,825	226,822
– Personnel expenses	C8	113,367	83,683
– Other expenses	C7 and C10	371,248	304,587
– Exchange rate differences		3,326	-50,032
Total operating expenses		1,465,490	2,233,883
Loss/Profit for the period before taxes		-16,897,342	20,752,628
Taxes		–	–
Loss/Profit for the period	C1	-16,897,342	20,752,628
Loss/Earnings per share	C11	-66.59	62.45

Consolidated statement of comprehensive income, in USD

	2022	2021
Loss/Profit for the period	-16,897,342	20,752,628
Other comprehensive income in equity		
Translation differences	-130,400	-1,090,687
Total other comprehensive income	-130,400	-1,090,687
Total comprehensive income for the year	-17,027,742	19,661,941
Attributable to:		
Equity holders of the parent	-17,027,742	19,661,941
	-17,027,742	19,661,941

AP Alternative Portfolio, with an experienced investment team that has remained stable for years. As indispensable for investment decisions as cardamom in Indian cuisine.



5.2. Statement of changes in equity and cash flow statement

Consolidated statement of changes in equity, in USD

	Share capital	Own shares	Additional paid-in capital (capital reserves)	Retained earnings	Retained earnings	Total
Balance at January 1, 2021	115,549	–	48,634,331	74,696,453	-34,687,015	88,759,317
Profit for the period				20,752,628		20,752,628
Other comprehensive income					-1,090,687	-1,090,687
Total comprehensive income for the financial year	–	–	–	20,752,628	-1,090,687	19,661,941
Cost for capital increase/decrease			-21,850			-21,850
Capital decrease	-35,106		35,106			–
Capital increases	293,024		-293,024			–
Purchase of own shares		-16,200,038				-16,200,038
Cancellation of own shares		16,200,038	-16,200,038			–
Allocation to reserves			9,879,308	-9,879,308		–
Dividends distributed			-2,835,916			-2,835,916
Balance as of December 31, 2021	373,467	–	39,197,916	85,569,773	-35,777,702	89,363,454
Balance at January 1, 2022	373,467	–	39,197,916	85,569,773	-35,777,702	89,363,454
Loss/Profit for the period				-16,897,342		-16,897,342
Other comprehensive income					-130,400	-130,400
Total comprehensive income for the financial year	–	–	–	-16,897,342	-130,400	-17,027,742
Cost for capital increase/decrease						–
Capital decrease	-102,449		102,449			–
Capital increases						–
Purchase of own shares		-21,106,115				-21,106,115
Cancellation of own shares		21,106,115	-21,106,115			–
Allocation to reserves			7,907,887	-7,907,887		–
Dividends distributed			-1,920,470			-1,920,470
Balance as of December 31, 2022	271,018	–	24,181,667	60,764,544	-35,908,102	49,309,126

Consolidated statement of cash flows for January 1 – December 31, in USD

Cash flow from operating activities	2022	2021
Interest received	–	–
Operating expenses	-3,960,410	-2,854,839
Total cash flow from operating activities	-3,960,410	-2,854,839
Cash flow from investing activities		
Purchase of investments	-367,625	-153,245
Sale proceeds and distributions received from investments	8,282,472	26,789,688
Total cash flow from investing activities	7,914,847	26,636,443
Cash flow from financing activities		
Purchase of own shares	-21,106,115	-16,200,038
Distribution from reserves from capital contribution	–	–
Dividends distributed	-1,920,470	-2,835,916
Capital reduction costs	-15,730	-21,850
Total cash flow from financing activities	-23,042,315	-19,057,804
Currency differences on liquid funds	707,828	79,968
Change in cash and cash equivalents	-19,087,878	4,723,800
Cash and cash equivalents at the beginning of the period	22,636,813	17,833,045
Cash and cash equivalents at the end of the period	4,256,763	22,636,813

5.3. Notes to the consolidated financial statements

The present annual report was adopted on May 23, 2023 by the Audit Committee on behalf of the Board of Directors of AP Alternative Portfolio AG. The annual report will be presented for approval to the General Meeting on June 29, 2023.

The present financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

A) General information

1) Organisation

The investment company **AP Alternative Portfolio AG (AP AG)** is domiciled in Zurich, Switzerland. It was founded on October 12, 2000 as UBS Alternative Portfolio AG according to the provisions of the Swiss Code of Obligations (CO) and renamed AP Alternative Portfolio AG on August 29, 2014. Its shares have been listed at the BX Swiss (former BX Berne eXchange) since September 30, 2014. The purpose of AP AG is the direct or indirect acquisition, management and disposal of domestic and foreign companies, funds and other legal entities which specialise in alternative investments.

AP AG may establish or acquire domestic and foreign subsidiaries, and undertake all business activities and conclude all contracts which may be suitable to achieve or promote the purpose of AP AG. AP AG's investment objective is to achieve long-term capital appreciation for its shareholders by investing in alternative asset classes, namely private equity and hedge funds. AP AG may also make direct investments in operating companies for this purpose.

At the 2013 annual general meeting, the company's shareholders decided to discontinue new private equity investments, but only to fulfil commitments already made. To always have sufficient liquidity for the fulfilment of commitments, they also decided to keep the required liquidity in cash or to invest it in hedge fund shares. Based on this resolution, the long-term goal is to return free liquidity to the shareholders. As of March 2019 all Hedge Fund positions were liquidated.

AP AG currently holds a fully owned subsidiary, **Alternative Portfolio Limited (AP Ltd.)**. The activities of AP Ltd. are limited to acquiring, managing, disposing

of and reinvesting in private equity, hedge funds and other alternative investments.

UBS Asset Management Switzerland AG serves as an investment manager for AP Ltd., constantly advising the company as provided for by the investment guidelines and analysing possible investments within the parameters of the target structure. MUFG Alternative Fund Services (Cayman) Limited serves as the administrator of AP Ltd.

AP Alternative Portfolio (the Group) does not have any employees, and personnel expenses are limited to the remuneration of the Board of Directors. Substantial portions of AP AG's assets are invested in USD or other foreign currencies. AP AG's financial statements in CHF are therefore exposed to the effects of changes in exchange rates. For the same reason, the consolidated financial statements of the Group are prepared in USD.

AP AG's accounting period is the calendar year.

2) Scope of consolidation

AP Ltd. is a tax privileged public limited company and was incorporated as a wholly owned subsidiary of AP AG on September 8, 2000 in the Cayman Islands. The Group conducts its investment activity via AP Ltd. The Group currently comprises AP AG and AP Ltd.

3) Tax status

AP AG is subject to Swiss income tax at the federal level and capital gains tax at the cantonal and municipal levels. If from a tax point of view possible, the participation deduction will be applied for both in the case of direct federal tax and cantonal taxes, which will lead to a lower taxation of profits if approved by the tax authority.

The Group conducts its activities through its subsidiary in the Cayman Islands. These activities are not subject to any income, withholding or capital gains taxes. Generally, the Group endeavours to conduct its affairs so as to optimise taxation in any jurisdiction. The Group may invest in securities whose income is subject to non-refundable foreign withholding taxes.

4) Rounding differences

Subtotals and totals may contain rounding differences.

B) Significant accounting principles

1) Basis of presentation of the financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the listing rules of the BX Swiss (former BX Berne eXchange) and comprise AP AG and AP Ltd. presented as a single economic entity. The effects of intra-group transactions and balances were eliminated in preparing the consolidated financial statements.

The consolidated financial statements are prepared on the historical cost basis except for investments at fair value through profit/loss, which are measured and presented at their fair value.

2) Significant assumptions and estimates

In preparing the annual financial statements estimates and assumptions have to be made. These may have an influence on the reported values in the assets and liabilities, on the statement of contingent receivables and liabilities as at the balance sheet date and on the reported values for income and expenses during the year under review. These estimates and associated assumptions are based on historical experience and

various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revised if necessary. The corrections are recognised in the period in which the estimate is corrected insofar as the corrections only relate to this period. If the correction relates to both the current and future periods, it will be recognised in the period of the correction and in the future periods.

3) Changes in accounting policies and disclosures

3.1) New and amended standards and interpretations effective on or after January 1, 2022

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the entities consolidated financial statements.

- IASB publishes a number of minor standard amendments to IFRS 17, IAS 8, IAS 1, IAS 12 as well as annual improvements to IFRS 2018-2020
- Amendments to IAS 1 "Presentation of Financial Statements" – classification of debts with ancillary conditions; Long-term debt with covenants

The AP Alternative Portfolio with **its first-class performance track record in private equity and hedge fund investments**. Sweet and juicy once ripe, the lychee has established its great value in our culinary arts.



3.2) Standards not yet effective for the financial year January 1, 2022 and not early adopted

The following amended standards and interpretations are not yet in place and will not early implemented by the Group:

- IASB IFRS 17 – Insurance contracts – New introduction as of 1 January 2023

The Group assessed the impact of the above mentioned new standards, interpretations, and amendments and concluded that there are no substantial effects and changes in the accounting policies of AP Alternative Portfolio AG as already implemented or due to the adoption of those.

4) Cash and cash equivalents

Cash and cash equivalents consist of short-term bank deposits and money market instruments. All investments with an original term of 90 days or less are regarded as cash and cash equivalents.

5) Receivables from investments sold and other receivables

This position reflects the value of investments sold at balance sheet closing but not credited to the Group's bank accounts.

6) Advance payments for financial investments

This position contains the countervalue of new investments paid in advance as at the balance sheet closing date.

7) Foreign currency translation

Foreign currency transactions are translated at the applicable daily rate. The accounts of AP Ltd. and the Group are kept in USD. The accounts of AP AG are kept in CHF, with the balance sheet translated into USD at year-end rates and the income statement translated into USD at a representative average exchange rate for the financial year; this does not apply to share capital, capital reserves and the retained earnings, which are recorded at a historical rate. The cumulative net translation difference is recognised in shareholders' equity.

8) Presentation currency

The Group's activities are largely focused on investments in USD and thereof the Groups results are presented in USD. Due to AP AG's domicile in Switzerland, financial statements are presented in the local currency

(Swiss Franc) within section 6. Financial statements of AP Alternative Portfolio AG. The functional currency of the relevant companies is determined using the criteria of IAS 21.

9) Investments in private equity

Securities transactions are recorded on a trade date basis. Investments in other investment companies not publicly traded are valued at the underlying net asset value (NAV) as notified by the managers or administrators of these investment companies, unless the directors are aware of good reasons why such a valuation would not represent fair value. All fair valuations may differ from values that could be achieved if liquid markets existed, and the differences could be material. Changes in fair value are taken into account in the income statement. The assets are managed and the respective performance is evaluated on a fair value basis and thus reflected in the consolidated income statement. Investments in offshore investment companies are valued at estimated fair value. Fair value is based on the NAV of the shares in each invested company.

Changes in the net asset value of shares in private equity are recognised as unrealised gains or losses through profit or loss. The unrealised losses for the period are based on the net asset values as estimated by the private equity administrators. The investments in private equity are not publicly traded; AP Alternative Portfolio valuations are therefore based on the NAV estimates. Dividends from investments in private equity companies are accounted for at the time upon declaration in the consolidated income statement within realised gains from financial investments.

10) Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level I: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level II: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level III: techniques using inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial investments: Fair value hierarchy**As at December 31, 2022**

Amount in USD	Level I	Level II	Level III	Total
Investments at fair value through profit or loss – designated	–	–	45,264,123	45,264,123
Total asset measured at fair value	–	–	45,264,123	45,264,123

As at December 31, 2021

Amount in USD	Level I	Level II	Level III	Total
Investments at fair value through profit or loss – designated	–	–	68,694,163	68,694,163
Total asset measured at fair value	–	–	68,694,163	68,694,163

Reconciliation of fair value measurements of Level III financial instruments

Amount in USD	1.1.2022–31.12.2022
January 1, 2022	68,694,163
Total purchases	367,625
Total distributions and sale proceeds	8,282,472
Reclassification	–
Total realised gains/(losses)	3 731,114
Total change in unrealised gains/(losses)	-19,246,306
December 31, 2022	45,264,123

Amount in USD	1.1.2021–31.12.2021
January 1, 2021	72,225,210
Total purchases	153,245
Total distributions and sale proceeds	26,789,688
Reclassification	–
Total realised gains/(losses)	18,173,094
Total change in unrealised gains/(losses)	4,932,302
December 31, 2021	68,694,163

The funds are periodically audited on the basis of the liquidity criteria explained on page 25 and were updated accordingly. In the reporting period that ended on December 31, 2022, there were no reclassifications from Level III to Level II.

11) Valuation process for Level III valuations

In determining the fair value of Level III investments, the Group relies on the valuation as reported in the latest available financial statements and/or capital account statements provided by the fund manager, unless the investment manager or the board of directors are aware of reasons that such a valuation may not be the best approximation of fair value. In such cases the Group reserves the right to assign a fair value to such investment which differs from the one reported.

Sources of fair value per reporting date	% of total fair value	Valuation technique
Private Equity Funds: 2022 Q4 account statement	95.6%	Reported NAV
Private Equity Funds: 2022 Q3 account statement	4.4%	Adjusted NAV

The Group is exposed to a variety of market risk factors which may change significantly over time. As a result, measurement of such exposure at any given point in time may be difficult given the complexity and limited transparency of the underlying investments. Therefore, a sensitivity analysis is deemed of limited explanatory value or may be misleading.

12) Distribution of profit

AP AG intends to distribute a dividend of CHF 5 per share. For the previous year, dividends of CHF 10 per share were paid.

13) Segment reporting

IFRS 8 Operating Segments introduces the “management approach” to segment reporting. IFRS 8, which became mandatory for the Group’s 2009 financial statements, requires segment information to be presented and disclosed based on the internal reports that are regularly reviewed by the Group’s “chief operating decision maker”, i.e. the Board of Directors, in order to access each segment’s performance and to allocate resources to them. The Group has performed the necessary analysis to identify the operating segments of the Group and came to the conclusion that the Group is organised and operates as one segment. The Group engages in only one activity from which it earns revenues and incurs expenses, which is selecting and investing in a broadly diversified portfolio of mainly hedge funds and private equity funds. The portfolio is geographically broadly diversified. The Group does not provide any services to customers. Consequently, no segmental reporting is provided in the consolidated financial statements.

C) Comments on the consolidated financial statements

1) Events after the balance sheet date

There were no material events after the balance sheet date which would require additional disclosure or adjustments to the 2022 consolidated financial statements. The Russia-Ukraine conflict has a strong impact

AP Alternative Portfolio, **constant even in difficult times**. As highly esteemed as saffron, which throughout history has never lost its value.



on the global economic outlook, as the crisis is accompanied by global disruptions. The Board of Directors follows the geopolitical measures and reactions and actively monitors the situation of the Company's investment portfolio.

2) *Receivables from investments sold, accrued income and prepaid expenses and other receivables*

As of the balance-sheet date there were no receivables from investments sold.

In the prior year, there were no receivables from investments sold.

As of the balance-sheet date, accrued income and prepayments stood at USD 156,762 (2021: USD 34,419).

Other receivables in the amount of USD 8,679 (2021: USD 246,232) include outstanding value-added tax balances with the Swiss Federal Tax Authority (USD 2,014) and credits for the adjusted administrative fee (USD 6,664).

3) *Financial investments*

The investment table, which forms part of these notes, is disclosed on pages 34 to 37 and relates to IFRS 7.

The market value of the relevant investments is USD 45,264,123 (2021: USD 68,694,163). At the closing date, open commitments amounted to USD 10,396,891 (2021: USD 11,155,313).

4) *Share Capital*

As of December 31, 2022 the equity of AP AG amounted to CHF 281,440.60 (2021: CHF 382,551.40) or USD 271,018 (2021: USD 373,467), subdivided into 201,029 registered shares with a par value of CHF 1.40. All equities were fully paid up. All shares equate to one vote and represent an equal entitlement to dividends.

The ordinary General Assembly of June 29, 2022 approved the capital reduction of CHF 101,110.80 through the cancellation of a total of 72,222 bought-back shares with a par value of CHF 1.40, which became effective upon entry in the commercial register in September 2022. Furthermore, the General Assembly approved a dividend distribution of CHF 10 per share. The distribution was made with value of July 6, 2022.

5) *Translation differences*

Translation differences are due to the fact that capital increases and decreases are recorded at historical exchange rates, while the exchange rate used to translate the financial statements into USD is based on year-end rates (balance sheet) or a representative average rate (income statement). The year-end rate was CHF 0.92429 per USD (2021: 0.91167) and the average rate was CHF 0.95356 per USD (2021: 0.91536).

6) *Interest income*

Interest income is earned on cash balances, from debt securities and various other instruments. All interest income has been accrued as of the balance sheet date and is reflected in the income statement.

7) *Related party transactions*

The Group has delegated investment management and accounting services to UBS AG, respectively UBS Asset Management Switzerland AG. The management fee owed for these services is 0.80% of the net asset value, but no less than CHF 600,000, per year (2021: same), is invoiced quarterly and payable in arrears. For consolidation and other services for the Group, UBS Switzerland AG receives an annual service fee of CHF 12,000 (2021: same).

In the 2022 financial year, the direct fees paid or payable to UBS totaled USD 699,190 (2021: USD 1,550,712). They were split into USD 632,111 for management fees (2021: USD 675,259), USD 0 performance fees (2021: 807,446) and USD 12,983 for the service fee (2021: USD 13,163). Processing of the share buy-back was entrusted to the mid-market advisory team of UBS, which specializes in these types of transactions. It charged USD 54,096 for its services.

The Group's private equity portfolio contains an investment in the UBS Private Equity Global II fund, which is managed by UBS Asset Management Switzerland AG. No management fees incurs in the invested fund share class.

In the 2022 financial year, USD 21,198 (2021: USD 25,821) was billed for services provided by the Swiss law firm of Bär & Karrer AG – in which Rolf Watter served as a member of the Board of Directors until September 2009 and is currently a partner – in connection with the share buy-back program and the capital decrease.

8) *Remuneration of the Board of Directors/personnel expenses*

The remuneration system and the remuneration of the members of the Board of Directors of AP Alternative Portfolio AG are presented in the audited remuneration report starting on page 14.

9) *Audit, legal and consulting fees*

Audit costs amounted to USD 67,825 (2021: USD 51,619). External costs for the Board secretary, accounting (includes UBS Advisory Team costs as per section 7) and general legal advice amounted to USD 126,787 (2021: USD 134,498).

10) *Other operating expenses*

For 2022, the capital tax rate amounted to 0.0172% of AP AG's equity (2021: 0.034%). Due to the abolition of the holding privilege, AP Alternative Portfolio AG is subject to ordinary taxation. Profit taxes do not accrue or apply to a small extent in the reporting period as a result of the use of the participation deduction. In 2022, no expenses were accrued (2021: same).

11) *Earnings per share (EPS)*

The average number of shares outstanding (including own shares) was 253,770 (2021: 332,286). The loss per share came to USD 66.59 (2021: Gain of USD 62.45 per share). The calculation of earnings per share is based on the average number of outstanding shares weighted over the year.

12) *Transactions with own shares*

In the 2022 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 19,499,940 (book value: USD 21,106,115). 72,222 shares were bought back in March at a price of CHF 270 in order to be cancelled. AP AG is not holding own shares as of the balance-sheet date.

In the 2021 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 15,304,641 (book value: USD 16,200,038). 81,843 shares were bought back at a price of CHF 187 in order to be cancelled. AP AG was not holding own shares as of balance-sheet date.

13) *Open foreign currency forward contracts*

The Board of Directors of AP Alternative Portfolio AG has stated in a written resolution not to trade in derivatives. Accordingly, the company waived the documentation requirements pursuant to Art. 113 para. 1 FMIA

(Financial Market Infrastructure Ordinance). Hedge accounting is not conducted. As at December 31, 2022, there were no open foreign currency forward contracts (2021: same).

14) *Accrued expenses*

As of the balance-sheet date, accruals and deferrals stood at USD 213,740 (2021: USD 297,706). The most important items include audit costs of USD 51,066 (2021: USD 49,360) and remuneration for members of the Board of Directors (including social security costs) in the amount of USD 76,275 (2021: USD 41,133).

15) *Securities Lending*

There was no securities lending during the reporting period.

16) *Retrocessions*

No retrocessions were collected in 2022 (2021: unchanged).

D) Risk management

1) *Corporate Governance*

The Board of Directors bears the entire responsibility for AP AG according to law and the Articles of Association and determines the investment policy for the portfolio management. Since the IPO at the end of September 2014, the executive management has been the responsibility of the members of the Board of Directors pursuant to Art. 25 of the Articles of Association. The Board of Directors delegates certain tasks of the company that do not belong to the core management to UBS Asset Management (including contact with investors/shareholders, preparation of annual reports and other reports, performance of share buy-backs, etc.) and to other service providers (accounting, calculation of the performance, share register, etc.). The Board of Directors ensures due monitoring and regular reporting.

The Board of Directors has also appointed an Audit Committee, which monitors the activities of management and is responsible for liaising with the Group auditors. The Audit Committee consists of Dr. Ulrich Niederer and Prof. Dr. Rolf Watter, both of whom are members of the Board of Directors.

The investment controller monitors the actions taken by the Investment Manager and checks that they are carried out in line with the company's investment guidelines. The investment controller is appointed by and reports directly to the Board of Directors. The

Board of Directors has appointed Risk Control at UBS Asset Management as the Group's investment controller.

2) *Management of equity*

In the context of the management of the equity under consideration of the going-concern principle, AP AG endeavours to ensure coverage of the ongoing financial needs, to maximize the shareholder value on a long-term basis and to return capital to the shareholders in accordance with the resolutions of the General Meeting and the Board of Directors. AP AG manages the capital structure by ensuring an adequate cash flow.

3) *Selection and monitoring of fund managers*

UBS Asset Management Switzerland AG as the Investment Manager of AP Ltd. is responsible for the selection and monitoring of investments, however no new investments were made. UBS Asset Management AG may also engage other internal and external experts or grant external mandates.

As part of manager selection, in-depth due diligence analysis was performed for each proposed investment. Relevant selection criteria include the fund's management team, fee and incentive structure, investment strategy, investment process and track record (performance of the investments).

After the initial investment, these criteria are monitored closely to ensure ongoing compliance with the investment guidelines and effective risk control of the fund managers.

4) *Market and currency risk and diversification guidelines*

AP AG invests with internal or external managers in alternative assets via single fund and fund-of-fund structures. Investing the assets with various managers means that the capital undergoes more than one selection process. AP AG invests in alternative investments, i.e. asset classes exhibiting a low correlation to global bond and equity markets under normal market conditions.

Private equity is an investment in non-public and non-quoted equity in middle-market companies or in early-stage companies with above-average growth and return potential. We distinguish between different categories in private equity according to the companies' financing structure and corporate development phases. Investments in private equity are generally illiquid and may not be transferred without the consent of other parties. Usually there is no liquid secondary market for such investments.

By investing in private equity, AP AG intends to participate in the future growth of successful companies and

AP Alternative Portfolio is **unique** in many respects. Rather like the jambu or wax apple: red on the outside but with the taste of a green apple – and with its faint scent of roses making it so very special.



sectors, but also to exploit market inefficiencies. The company seeks to achieve a higher average return than the established equity markets.

Private equity investments are broken down into the following categories (stages):

- **Seed** (financing provided for product development, marketing, production and sales)
- **Start-up** (financing provided for product development, marketing, production and sales)
- **Expansion** (financing growth and expansion prior to break-even point for public offering or reorganisation and reorientation)
- **Replacement capital** (secondary market transactions and balance sheet restructuring)
- **Buyout** (financing management buyouts, external management buy-ins and purchase of shares for reprivatisation)
- **Quoted** (listed shares)

The private equity investments are valued by applying the following principles:

- 1) at cost: the investments are in line with the capital paid in to the companies (draw-downs) less distributions or write-downs;
- 2) at the maximum of the latest net asset value (NAV) as provided by the fund, less safety margins if necessary;
- 3) by applying safety margins in the case of public companies which are still in their lock-up phase, unreasonably high valuations, foreseeable tax burdens or similar cases;
- 4) by explicitly reducing a valuation provided by a fund. Valuation changes such as these are not taken into account within safety margins.

The Group uses its hedge fund portfolio to pursue the objective of benefiting from investment opportunities on the global capital markets. The capital is therefore divided between different managers who pursue a wide range of alternative investment strategies (AIS). The hedge fund portfolio was liquidated as of March 2019 to serve the company's liquidity needs and to comply with the long-term goal to return capital to the shareholders.

5) *Liquidity risk*

The company is subject to liquidity risks, in particular arising from contractual commitments towards private equity companies. These open commitments and requirements on cash flow are closely monitored. In this

context, future inflows and outflows are estimated using a proprietary cash flow model. Until March 2019, excess liquidity was invested in hedge funds with various liquidity profiles. During times in which private equity funds draw down more capital than they distribute, hedge funds are redeemed to generate the required liquidity. In addition, AP AG could maintain overdraft facilities that can be used to meet short-term liquidity requirements.

Active cash management is required to replicate the specific cash flow patterns characteristic of alternative investments. The responsibility lies with the Board of Directors in consultation with the Investment Manager. To ensure that cash management is effective and simple, liquid assets are invested in cash accounts at UBS or, if applicable, in broadly diversified money market funds with a rating of A- (S&P)/A3 (Moody's). Cash management may also involve short-term borrowing.

The company has the right to borrow. However, this right excludes any commitments in connection with currency transactions or loans on the basis of repurchase agreements. Borrowings must not exceed the total amount (less cash and short-term money market instruments) of 25% of the net assets of the AP AG portfolio. The credit limit of the Investment Manager may be exceeded on account of changes in value or redemptions by the Investment Manager. In such cases, no further borrowings may be made until external funds have fallen back below the limit again. The company will take appropriate steps to restore compliance with the limit as soon as possible, at the latest within six months following identification of the overshoot.

6) *Credit risk*

AP Alternative Portfolio is subject to credit risk since its counterparties for transactions involving cash and cash equivalents as well as private equity and hedge fund investments may in some circumstances fail to meet their repayment obligations. The Group minimises its credit risk by only entering into contractual transactions with first-class banks and other financial institutions.

Details on receivables from investments sold and other receivables are shown under notes 5.3. section C2) of this report.

Liquidity exposure in USD

As of December 31, 2022	Less than 1 month	1–3 months	No stated maturity	Total
Total open commitments	264	6,053	10,390,574	10,396,891
Payables Management and Performance Fees	–	–	163,460	163,460
Other short term liabilities	213,740	–	–	213,740
Total Payables	214,004	6,053	10,554,033	10,774,091
Cash and cash equivalents	–	–	4,256,763	4,256,763
Distributed capital from private equity funds	345,100	1,169,594	–	1,514,694
Total Capital Distributions	345,100	1,169,594	4,256,763	5,771,457
As of December 31, 2021				
Total open commitments	–	110,012	11,045,300	11,155,313
Payables Management and Performance Fees	–	–	1,950,465	1,950,465
Other short term liabilities	297,706	–	–	297,706
Total Payables	297,706	110,012	12,995,766	13,403,484
Cash and cash equivalents	–	–	22,636,813	22,636,813
Distributed capital from private equity funds	582,670	2,447,556	–	3,030,226
Total Capital Distributions	582,670	2,447,556	22,636,813	25,667,039

Exposure to credit risk in US

As of December 31, 2022	Fully performing	Total	Rating (S&P)
Cash at UBS	4,256,763	4,256,763	A+
Receivables from investments sold	–	–	
Accrued income and prepaid expenses	156,762	156,762	
Other receivables	8,679	8,679	
Total exposure to credit risk	4,422,203	4,422,203	

As of December 31, 2021

Cash at UBS	22,636,813	22,636,813	A+
Receivables from investments sold	–	–	
Accrued income and prepaid expenses	34,419	34,419	
Other receivables	246,232	246,232	
Total exposure to credit risk	22,917,463	22,917,463	

E) Investment table (all figures in USD, aggregated)

Name of fund		Commitments	Balance as per 31.12.2021
2001 Brinson Primary NON-US	EUR	813,098	16,330
2001 Brinson Primary US	USD	2,638,478	202,768
2002 Brinson Primary NON-US	EUR	2,311,058	27,409
2002 Brinson Primary US	USD	2,249,762	66,166
2002 Brinson Secondary NON-US	EUR	527,803	0
2002 Brinson Secondary US	USD	942,928	56,486
2003 Brinson Primary NON-US	EUR	1,571,757	35,199
2003 Brinson Primary US	USD	2,817,658	154,458
2003 Brinson Secondary NON-US	EUR	233,778	2,835
2003 Brinson Secondary US	USD	255,310	25,348
2004 Brinson Primary NON-US	EUR	3,274,869	432,325
2004 Brinson Primary US	USD	3,019,684	277,644
2004 Brinson Secondary NON-US	EUR	579,895	0
Abingworth Bioventures V	GBP	1,202,900	44,067
Accel Growth Fund II	USD	1,500,000	2,016,157
Accel Growth Fund XI	USD	1,000,000	1,110,950
Activa Capital II	EUR	3,735,375	626,700
Adams Street Global Opportunities Secondary Fund	USD	5,000,000	231,627
Adams Street Partners Offshore Company Ltd 06 DF	USD	500,000	128,549
Adams Street Partners Offshore Company Ltd 06 NON-US	USD	1,500,000	150,377
Adams Street Partners Offshore Company Ltd 06 US	USD	3,000,000	356,352
Adams Street US Partnership 2002	USD	5,000,000	100,748
Adams Street V	USD	5,000,000	171,647
Advent International GPE V-B	EUR	4,269,000	190,638
Advent International GPE VI-A	USD	3,000,000	345,807
Advent International GPE VII-E	USD	1,900,000	885,148
Adveq Asia I	USD	4,000,000	691,992
Adveq Technology III	USD	11,000,000	0
Adveq Technology V	USD	1,000,000	38,130
Affinity Asia Pacific Fund III	USD	3,000,000	110,669
Apax Europe VI	EUR	4,269,000	921,718
Apax Europe VII	EUR	4,269,000	58,253
Apax VIII	USD	2,000,000	803,775
Atlas Venture VII	USD	1,000,000	75,384
Bain Capital Fund IX	USD	2,500,000	0
Bain Capital Fund X	USD	7,000,000	1,161,678
Battery Ventures IX	USD	1,500,000	2,089,486
BC European Capital IX	EUR	1,600,875	1,818,217
Charterhouse Capital Partners VII	EUR	2,134,500	0
Charterhouse Capital Partners VIII	EUR	4,269,000	0
Chryscapital V	USD	1,900,000	0
EQT IV	EUR	1,517,630	0
EQT V (No. 1)	EUR	4,269,000	131,481
EQT VI (No. 2)	EUR	1,600,875	5,009
Equistone European Fund IV	EUR	1,707,600	518,677
Francisco Partners III	USD	2,000,000	814,307
GAM Pomona Private Equity II	USD	9,000,000	0
Gores Capital Partners II	USD	5,000,000	154,844
Gores Capital Partners III	USD	2,000,000	138,290
H.I.G. Bayside Debt & LBO Fund II	USD	2,200,000	382,509
HarbourVest Intern.Private Equity Partners IV	USD	10,000,000	0
Harvest Partners VI	USD	1,000,000	387,094
Hony Capital Fund 2008	USD	2,000,000	185,021
Hony Capital Fund V	USD	1,000,000	547,843
Infotech Pacific Venture	USD	1,000,000	193,353
Institutional Global Timber Investors 6	USD	5,000,000	0
Institutional Venture Partners XIV	USD	1,000,000	1,150,521
Investindustrial III	EUR	3,201,750	71
Investindustrial IV	EUR	4,269,000	0
Investindustrial V	EUR	1,600,875	714,991
IPV Capital II	USD	1,000,000	1,148,882
Madison Dearborn Capital Partners V	USD	5,000,000	239,320
Madison Dearborn Capital Partners VI-C	USD	2,000,000	339,856
Mayfield XIV	USD	1,000,000	6,690,014
MHR Institutional Associates III	USD	5,000,000	1,318,573
Montagu III	EUR	2,134,500	0

Purchases 2022	Withdrawals 2022	Realised gains and losses in 2022	Unrealised gains and losses in 2022	Balance as per 31.12.2022
6,627	12,356	0	-10,601	0
0	157,548	0	-4,262	40,958
0	0	0	-2,751	24,658
0	20,623	0	-1,171	44,372
0	0	0	0	0
0	0	0	-5,998	50,488
0	18,452	0	-16,747	0
0	79,615	0	-6,549	68,294
0	0	0	-2,835	0
0	15,884	0	-9,464	0
0	345,493	0	125,676	212,508
0	194,286	0	6,682	90,040
0	64,171	0	64,171	0
0	0	0	-20,165	23,902
0	0	0	-708,424	1,307,733
0	138,318	137,100	-137,591	972,141
0	0	0	-74,051	552,649
0	144,197	0	-33,026	54,404
0	5,665	661	-55,131	68,414
0	54,091	0	-22,920	73,366
0	94,430	0	-58,731	203,191
0	28,404	0	-17,019	55,325
0	0	0	-161,167	10,480
0	74,864	0	8,575	124,350
0	0	0	-41,017	304,790
38,000	371,084	342,722	-508,415	386,371
0	153,467	72,573	-266,841	344,258
0	0	0	0	0
0	17,667	13,966	-20,284	14,145
0	0	0	75,092	185,761
0	408,618	360,219	-602,446	270,872
0	0	0	-20,485	37,768
0	95,789	52,831	-297,252	463,564
0	0	0	1,062	76,446
0	0	0	0	0
167,192	97,192	59,120	-424,671	866,127
0	962,177	0	-91,665	1,035,644
8,198	235,917	119,927	-903,631	806,793
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	89,511	10,393	-13,023	39,340
0	0	0	-2,779	2,231
9,269	40,182	6,694	-143,332	351,125
0	0	0	-121,418	692,889
0	-5,538	-5,538	0	0
0	16,811	553	-19,592	118,994
11,599	74,946	7,853	-20,762	62,034
0	90,756	59,818	-36,322	315,249
0	0	0	0	0
1,140	53,107	1,503	-40,970	295,660
0	0	0	-5,203	179,818
0	12,511	0	-29,534	505,799
0	0	0	-10,032	183,321
0	0	0	0	0
0	94,764	57,058	-512,186	600,629
0	30	0	-41	0
0	0	0	0	0
0	6,415	6,398	-31,734	683,240
0	82,510	80,514	-45,289	1,101,597
2,583	141,019	81,005	-26,867	155,022
0	80,777	14,229	-27,336	245,972
0	627,126	616,793	-4,212,545	2,467,137
0	21,430	19,846	-548,896	768,093
0	0	0	0	0

Name of fund		Commitments	Balance as per 31.12.2021
Navis Asia Fund V	USD	5,000,000	815,637
New Enterprise Associates 12	USD	1,000,000	130,442
New Enterprise Associates 14	USD	2,500,000	5,889,711
NewMargin Growth Fund	USD	2,500,000	0
Nexus India Capital II	USD	3,000,000	5,102,687
Nexus Ventures Management III	USD	1,000,000	5,446,803
Nordic Capital Partners Beta VII	EUR	5,336,250	0
Oaktree European Principal Fund III	EUR	1,600,875	1,123,069
Permira Europe IV	EUR	2,134,500	0
Providence Equity Partners VI	USD	3,000,000	201,952
Rutland Fund II	GBP	1,202,900	0
SBCVC Fund III	USD	3,500,000	774,447
SBCVC Fund IV	USD	2,000,000	3,511,517
Silver Lake Partners II	USD	500,000	0
Silver Lake Partners III	USD	5,000,000	1,396,955
Summit Partners Growth Equity Fund VIII	USD	2,000,000	1,475,555
Summit Partners PE Fund VII	USD	1,000,000	194,683
Sun Capital Partners V	USD	3,200,000	612,360
TA Atlantic and Pacific V	USD	1,000,000	0
TA Atlantic and Pacific VI	USD	7,000,000	1,032,642
U.S. Venture Partners X	USD	500,000	215,735
UBS Private Equity Global II Ltd	USD	10,000,000	5,954,698
Vantagepoint Venture Partners 2006	USD	3,000,000	1,044,198
VenCap 10 Euro	EUR	2,134,500	1,289,290
VenCap10 US	USD	6,880,000	1,656,434
Vestar V	USD	4,000,000	156,209
Warburg Pincus Private Equity IX	USD	1,000,000	11,256
Warburg Pincus Private Equity VIII	USD	5,000,000	0
Warburg Pincus Private Equity X	USD	7,000,000	172,190
Subtotal Private Equity		277,775,983	68,694,163
Open commitments*		10,396,891	
Derivative contracts & translation differences			
Total Financial Investments			68,694,163

* Variations due to exchange rate differences.

Purchases 2022	Withdrawals 2022	Realised gains and losses in 2022	Unrealised gains and losses in 2022	Balance as per 31.12.2022
0	25,122	-4,395	19,430	805,550
0	27,545	19,338	-43,933	78,302
0	0	0	-2,102,268	3,787,443
0	0	0	0	0
0	0	0	-943,375	4,159,312
0	0	0	-1,358,889	4,087,914
0	0	0	0	0
23,526	371,788	96,560	-143,449	727,919
0	0	0	0	0
0	164,463	96,627	-56,250	77,866
0	0	0	0	0
0	0	0	-138,971	635,476
0	0	0	-177,186	3,334,331
0	0	0	0	0
263	10,278	10,278	-187,053	1,210,165
0	72,951	26,302	-359,568	1,069,338
0	42,558	21,634	-65,439	108,320
99,229	249,700	134,117	-217,617	378,389
0	0	0	0	0
0	515,000	225,656	-375,554	367,744
0	15,538	7,725	-73,690	134,232
0	859,431	859,431	-1,971,811	3,982,887
0	163,604	82,326	-316,810	646,110
0	179,720	0	-289,862	819,709
0	199,318	0	-307,531	1,149,584
0	129,515	0	-17,791	8,903
0	12,488	12,488	-10,860	396
0	0	0	0	0
0	26,789	26,789	-15,917	156,273
367,625	8,282,472	3,731,114	-19,246,306	45,264,123
			90,054	
367,625	8,282,472	3,731,114	-19,156,252	45,264,123

5.4. Report of the group auditors to the consolidated financial statements of AP Alternative Portfolio Group



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To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 26 May 2023

Report of the statutory auditor

Report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of AP and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the (consolidated) financial statements (pages 19 to 39) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of investments in private equity funds

Risk As of 31 December 2022, investments in private equity funds amount to USD 45.2 million or 92.2% of the Group’s balance sheet total. The Group values investments in private equity funds at fair value and the change in value is recognized in the consolidated income statement. Investments in private equity funds are not publicly traded. The valuation of the investments is based on the net asset value of the entity. The valuations are based on estimates which are materially discretionary and may therefore vary depending on the assessment. Due to the importance and scope of discretion of the above-mentioned balance sheet position, its valuation constituted a key audit matter. The accounting principles applied are explained in note 5.3. B) on page 24 ff. to the consolidated financial statements of AP Alternative Portfolio Group.

Our audit response We tested the valuation of the private equity funds by obtaining third-party confirmations from the respective administrators. In addition, we inspected the latest available financial statements and audit reports for the private equity funds in terms of their valuation. We also inquired with management regarding significant developments in investment valuations and/or higher valuation risks. Our audit did not give rise to any objections regarding the valuation of investments in private equity funds.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



3



Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Eveline Hunziker
Licensed audit expert
(Auditor in charge)

Thomas Kaufmann
Licensed audit expert

6. Financial statements of AP Alternative Portfolio AG

6.1. Balance sheet and income statement

Balance sheet in CHF

Assets	31.12.2022	31.12.2021
Current assets		
– Cash and cash equivalents	524,104	575,012
– Accrued income and prepaid expenses from investments	25,583	30,517
– Other receivables	1,862	3,821
Total current assets	551,549	609,350
Non-current assets		
– Participation in Alternative Portfolio Ltd.	274,624,506	274,624,506
– Cumulative value adjustments (depreciations CHF/USD 2001–2004)	-47,095,406	-47,095,406
– Value adjustment 2015 (Return of Capital)	-32,570,618	-32,570,618
– Value adjustment 2016 (Return of Capital)	-27,234,854	-27,234,854
– Value adjustment 2017 (Return of Capital)	-36,441,428	-36,441,428
– Value adjustment 2018 (Return of Capital)	-21,855,211	-21,855,211
– Value adjustment 2019 (Return of Capital)	-29,005,010	-29,005,010
– Value adjustment 2020 (Return of Capital)	-1,822,199	-1,822,199
– Value adjustment 2021 (Return of Capital)	-10,129,372	-10,129,372
– Value adjustment 2022 (Return of Capital)	-23,254,105	–
Total non-current assets	45,216,303	68,470,408
Total assets	45,767,852	69,079,758
Liabilities and shareholders' equity		
Current liabilities		
– Accrued expenses/short-term liabilities	191,920	240,135
Total current liabilities	191,920	240,135
Shareholders' equity		
– Share capital	281,441	382,551
– Legal retained earnings	6,870,107	6,870,107
– Voluntary retained earnings		
– Cumulated profit carried forward from prior years	40,177,847	53,309,229
– Net loss/profit for the period	-1,753,462	8,277,737
Total shareholders' equity	45,575,932	68,839,624
Total liabilities and shareholders' equity	45,767,852	69,079,758

Income statement in CHF

	1.1.–31.12.2022	1.1.–31.12.2021
Operating income		
– Dividend income	22,048,605	18,837,800
Total operating income	22,048,605	18,837,800
Operating expenses		
– Audit expenses	64,675	47,250
– Legal and consulting fees	120,900	123,114
– Service fees	9,000	12,000
– Personnel expenses	108,103	76,600
– Cost of capital increase/establishment costs	15,000	22,733
– Other expenses	98,915	95,853
– Value Adjustment from Financial Investments	23,254,105	10,129,372
– Exchange rate differences	3,172	-45,798
Total operating expenses	23,673,869	10,461,123
Loss/Profit for the period before taxes	-1,625,264	8,376,676
Taxes	-128,198	-98,939
Loss/Profit for the period	-1,753,462	8,277,737

6.2. Notes to the financial statements

General principles

These annual financial statements were prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). A description is provided of the key valuation principles that have been applied but are not required by law.

Decision not to prepare a cash flow statement and additional information in the notes

Since AP Alternative Portfolio Group prepares consolidated annual financial statements in accordance with a recognized financial reporting standard (IFRS), it has omitted the notes on interest-bearing liabilities and audit fees and the presentation of a cash flow statement in accordance with legal requirements.

Significant investments in other companies

The company currently owns 100% of the shares of Alternative Portfolio Limited with paid-up share capital of USD 1,455 and total equity of USD 48,920,039 as of December 31, 2022 (2021: total equity of USD 88,958,465). The activities of Alternative Portfolio Limited are limited to buying, managing, selling and reinvesting in private equity, hedge funds and other alternative investments.

Value adjustments

The value adjustments posted until 2004 reflect the differences between the historical book values expressed in CHF and the historical USD book values of the investment in Alternative Portfolio Limited converted at the balance sheet rate. Additional value adjustments were made in 2021 and 2022 as a result of the profit distributions.

Transactions with own shares

In the 2022 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 19,499,940 (book value: USD 21,106,115). 72,222 shares were bought back in March 2022 at a price of CHF 270 in order to be cancelled. AP AG is not holding treasury shares as of the balance-sheet date.

In the 2021 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 15,304,641 (book value: USD 16,200,038). 81,843 shares were bought back at a price of CHF 187 in order to be cancelled. AP AG was not holding treasury shares as of December 31, 2021.

Remuneration of the Board of Directors and the Executive Committee

The remuneration system and the remuneration of the members of the Board of Directors and the Executive Committee of AP Alternative Portfolio AG are presented in the audited remuneration report starting on page 14.

Shareholders

Significant shareholders

As of December 31, 2022, the following major shareholders (with voting rights exceeding 3%) were known to the company:

Name	Number of shares	Voting right
Pensionskasse der Julius Bär Gruppe, Zug	57,575	28.64%
Pensionskasse der Stadt Biel, Biel	29,490	14.67%
Gottfried + Julia Bangerter-Rhyner Stiftung, Bern	15,086	7.50%
GAM Investment Management (Switzerland), Zürich	11,282	5.61%
Personalvorsorgestiftung Coca-Cola HBC, Brüttsellen	9,140	4.55%
GEMINI Sammelstiftung, Schwyz	8,512	4.23%
Pensionskasse Frutiger, Thun	8,000	3.98%

Shareholdings of the Board of Director

As of December 31, 2022, the shareholdings of the Board of Directors were as follows:

Name/function	Number of shares	Voting right
Ulrich Niederer, President	4,200	2.09%
Prof. Dr. Rolf Watter, Vice President	2,311	1.15%

Uncertainty regarding valuations

The valuations of private equity investments may differ significantly from the values that would be used if liquid markets existed, and the differences could be material. Such investments are valued at estimated fair value in the subsidiary, AP Ltd. Fair value is based on the net asset value (NAV) of the shares in such companies. These companies mark-to-market or mark-to-fair-value the underlying assets and liabilities. Such private equity investments account for around 92.5% (2021: 77.2%) of the net asset value of the subsidiary, AP Ltd.

Risk analysis

As of December 31, 2022, the Board of Directors of AP AG performed a risk analysis in which the material risks for the company were assessed. The risks were evaluated in respect of probability and loss potential.

6.3. Proposal of the use of the net profit

as of December 31, 2022, in CHF

	31.12.2022	31.12.2021
Retained earnings	40,177,847	53,309,229
Net loss/profit for the period	-1,753,462	8,277,737
At the disposal of the general meeting	38,424,385	61,586,966

Use of net profit

The Board of Directors proposes to the general meeting on 29 June 2023 a distribution of CHF 5.00 per share.

Net profit at the disposal of the general meeting	38,424,385	61,586,966
Proposed dividend	-1,005,145	-1,005,145
Allocation to statutory retained earnings*	–	–
Retained earnings after allocation carried forward	37,419,240	60 581 821

*Given the allocation of the statutory retained earnings reached 50% of the share capital, it was decided to abstain from a further allocation.

AP Alternative Portfolio, with its notably good combination of alternative investments, is less exposed to the fluctuations of financial markets. The kiwano's protective orange shell and soft green flesh look and taste unmistakable.



6.4. Report of the statutory auditors to the financial statements of AP Alternative Portfolio AG



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To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 26 May 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of AP Alternative Portfolio AG (the Company), which comprise the balance sheet as at 31 December 2022, income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 43 to 46) comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.



Valuation of investment in Alternative Portfolio Ltd.

Risk	<p>As of 31 December 2022, the participation in Alternative Portfolio Ltd. amounts to CHF 45.2 million or 98.8 percent of the balance sheet total of AP Alternative Portfolio AG.</p> <p>Alternative Portfolio Ltd. holds investments in private equity funds at fair value. Investments in private equity funds are not publicly traded. The fair value of the investments is based on the net asset value of the investments. These valuations are based on estimates which are materially discretionary and may vary depending on the assessment. Such investments in private equity funds account for USD 45.2 million or 92.2 percent of the balance sheet total of the subsidiary Alternative Portfolio Ltd. The valuation of investments in private equity funds in return influences the value of the shareholding in Alternative Portfolio Ltd.</p> <p>Due to the importance and discretion of the private equity funds in the balance sheet of Alternative Portfolio Ltd., their valuation was considered a key audit matter.</p> <p>The accounting principles applied are explained in note 6.2. on page 45 of the financial statements of AP Alternative Portfolio AG.</p>
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Our audit response	<p>We tested the valuation of the private equity funds by obtaining third-party confirmations from the respective administrators. In addition, we inspected the latest available financial statements and audit reports of private equity funds in terms of their valuation. We then compared the equity of Alternative Portfolio Ltd. with the book value of this company. We also inquired management regarding significant developments in investment valuations and/or higher valuation risks.</p> <p>Our audit did not give rise to any objections regarding the valuation of the shareholding in Alternative Portfolio Ltd.</p>
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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Eveline Hunziker
Licensed audit expert
(Auditor in charge)

Thomas Kaufmann
Licensed audit expert

7. Contacts

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AP Alternative Portfolio AG undertakes to inform its shareholders and prospective investors with utmost transparency and as early as possible. To receive the monthly reports, send an e-mail to sh-alternative-portfolio-ag@ubs.com to register yourself. Current publications are available on the website alternative-portfolio.com.

Investment information

Listing: BX Swiss
Securities number: 1147156
ISIN: CH0011471569
Ticker: APN

Before investing, please read the legal disclaimer.

This document describes AP Alternative Portfolio AG and its activities. It was written without reference to any specific investment objective, financial situation or requirement on the part of a particular individual or group. Under no circumstances does it constitute an offering prospectus within the context of Art. 652a of the Swiss Code of Obligations. This brochure cannot serve as a basis for a decision to purchase shares of AP Alternative Portfolio AG.

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