

We report

Annual report 2021



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 distinguishes a multi-faceted investment process. Risk diversification is 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.

Contents

1. Letter to shareholders	4
2. Financial highlights	6
3. Report of the Board of Directors	9
3.1. Company profile and corporate organisation	9
3.2. Report of the past financial year	10
4. Remuneration report	13
4.1. Remuneration report 2021	13
4.2. Report of the statutory auditors	15
5. Consolidated financial statements of AP Alternative Portfolio Group	16
5.1. Balance sheet and income statement	16
5.2. Statement of changes in equity and cash flow statement	19
5.3. Notes to the consolidated financial statements	21
5.4. Report of the group auditors to the consolidated financial statements of AP Alternative Portfolio Group	36
6. Financial statements of AP Alternative Portfolio AG	40
6.1. Balance sheet and income statement	40
6.2. Notes to the financial statements	42
6.3. Proposal of the use of the net profit	43
6.4. Report of the statutory auditors to the financial statements of AP Alternative Portfolio AG	44
7. Contacts	47

1. Letter to shareholders

Dear Shareholders,

While the dominant theme of 2021 continued to be the ongoing COVID-19 crisis, the pandemic waned with the emergence of Omicron variant that emerged in December. But as soon as a light appeared at the end of the pandemic tunnel at the beginning of 2022, a new major geopolitical and economic storm was brewing over Ukraine in the immediate vicinity of the EU. European peace was shaken to its foundations with the start of the war on 24 February 2022. The consequences of the drastic Western sanctions against Russia for world trade and in particular, for European border states remain difficult to assess. In connection with the high inflation figures that were already manifesting themselves at the end of 2021, the global economy is threatened by a further intensifying inflationary spiral: a situation which calls all central banks to counteract with monetary policy, despite geopolitical uncertainties and the risk of recession. Rising commodity prices for everyday needs such as heating oil, gas and basic foodstuffs have been under pressure since the start of the Ukraine crisis and the sanctions against Russia, putting central banks in a dangerous dilemma between fighting inflation and encouraging economic growth.

Looking back at the 2021 financial year from an investor's perspective, we can almost only report records on the markets, which were fueled by the various Covid and stimulus measures taken by policymakers and central banks, most notably the US Federal Reserve and the European Central Bank, starting in the pandemic outbreak year of 2020. These measures not only stopped the Covid shock and stabilized the economy during the lockdown; they also catapulted the equity markets to unexpected heights in 2021. Many companies and sectors were even able to celebrate new share price records as a result, and companies in the technology and healthcare sectors, in particular, ended up being the economic beacons of hope that year. However,

it then became clear from November 2021 that the all-time-high on the equity markets had been reached, for the time being, and a broad correction has materialized since then.

In the 2021 financial year, AP Alternative Portfolio AG was also among the winners and, despite the exit strategy initiated in 2013, was able to achieve the highest annual return since its inception. Despite the ongoing exits, however, the correction on the equity markets will be felt in the portfolio with a time lag. AP Alternative Portfolio AG achieved a record net return of 34.4% based on NAV in the accounting period. 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. The latter increases through each exit and is available for future dividend payments to our shareholders or will be used for further share buy-backs.

The private equity portfolio recorded a gross yield of 51.8% in the reporting period (figures based on provisional financial statements of the underlying funds), significantly higher than in the same period of the previous year (14.5%) and also the highest return since the company was founded. The high return was driven not only by the high quality and diversification of the portfolio, but also by its focus on growing sectors. Not only were various Asian and US venture and growth capital funds such as Mayfield XIV, Nexus Venture III, NEA 14 and IPV Capital responsible for the largest increases in value, but also the broadly diversified UBS fund of funds UBS Private Equity Global II L.P. Driven by strong equity markets and an open IPO window, there were substantial value gains for several portfolio companies, particularly in the technology sector. For example, US venture capitalist Mayfield XIV saw strong value gains from the Nasdaq IPO of the portfolio company HashiCorp. HashiCorp is a cloud software provider of open-core solutions that delivers secure

infrastructure applications to developers, operators and security personnel. In addition, Mayfield XIV portfolio company Outreach, which is developing a sales engagement platform that can make sales predictions through artificial intelligence (AI), saw strong growth in value from its latest funding round.

Due to its exit strategy, AP Alternative Portfolio AG made no further capital commitments to newly launched private equity target funds since 2013 and therefore recorded only minor capital calls for fees.

After the short-lived state of shock regarding exits in the portfolio at the beginning of the Covid-19 pandemic, AP Alternative Portfolio AG can now look back on a year with substantial liquidity return flows amounting to USD 26.6 million. This represents not only an increase in absolute terms year-on-year (USD 22.4 million), but also a strong relative increase measured against the portfolio's value at the start of the year (from 29.5% to 41.3%). Over a quarter of the liquidity inflows can be attributed to the Asian venture capitalist IPV Capital. In addition, the growth capital fund Accel Growth Fund II, the buyout funds Francisco Partners III and Investindustrial V L.P. and the fund of funds UBS Private Equity Global II L.P. contributed significantly to return flows and together with IPV Capital provided about half of the total liquidity contributions in 2021.

After the deferred dividend payment in 2020, AP Alternative Portfolio AG paid a dividend of CHF 10 per equity in 2021. Since its listing in 2014, AP Alternative Portfolio AG thus already stands at a total of CHF 323 in dividend payments per equity as of the end of 2021. In addition, AP Alternative Portfolio AG canceled 81,843 equities in the reporting year, which were acquired at a price of CHF 187 each, at that time at a discount of 9.9%, which corresponded to 2% discount in % of NAV.



Left: Dr. Ulrich Niederer

Right: Prof. Dr. Rolf Watter

For 2021, the average discount of the equity price was 24.9% to the net asset value of AP Alternative Portfolio AG. This figure was considerably lower year-on-year (33.3%) due to the strong growth in the net asset values of the target funds.

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

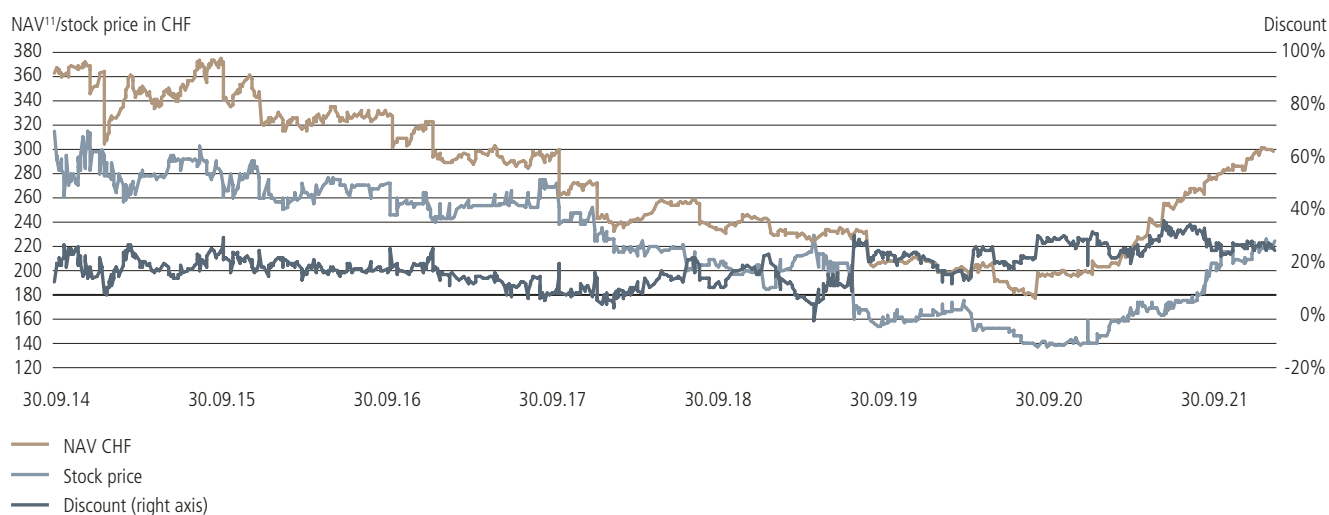
Vice-Chairman of the Board of Directors
AP Alternative Portfolio AG

2. Financial highlights

Financials as of December 31, 2021

	Audited statements as of December 31, 2021	Audited statements as of December 31, 2020
Net asset value (NAV) per share in USD	327.04¹	249.96²
Net asset value (NAV) per share in CHF	298.15 ³	221.35 ⁴
Dividends per share in CHF	10.00	–
Cash per share used for share buy backs in CHF	56.01 ⁵	31.09 ⁶
Closing stock price in CHF	224.00	147.60
Discount to NAV in %	-24.87%	-33.32%
Shareholders' equity in USD m	89.36	88.76
Number of issued shares	273,251	355,094
Number of own shares	–	–
Performance (NAV) of the financial year	34.39% ⁷	18.86% ⁸
Performance (NAV) since inception (1.11.2000)	396.70% ⁹	269.59% ¹⁰

NAV and stock price since listing



¹ Provisional figures of December 31, 2021: 323.36

² Provisional figures of December 31, 2020: 231.12

³ CHF/USD FX-rate: 0.9117

⁴ CHF/USD FX-rate: 0.8855

⁵ CHF 15,304,641 / 273,251 shares

⁶ CHF 11,040,000 / 355,094 shares

⁷ The performance was adjusted for distributions (dividends) of USD 10.818.

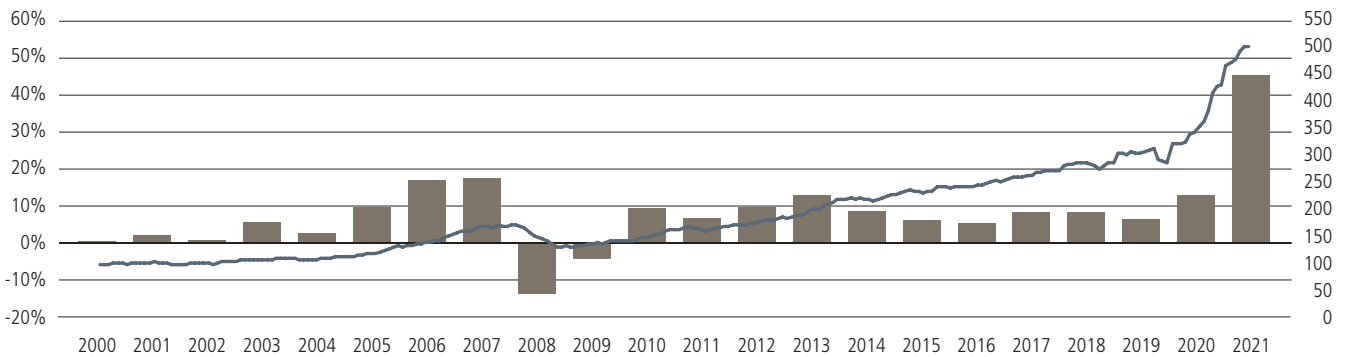
⁸ There were no dividends distributed in the financial year 2020.

⁹ 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).

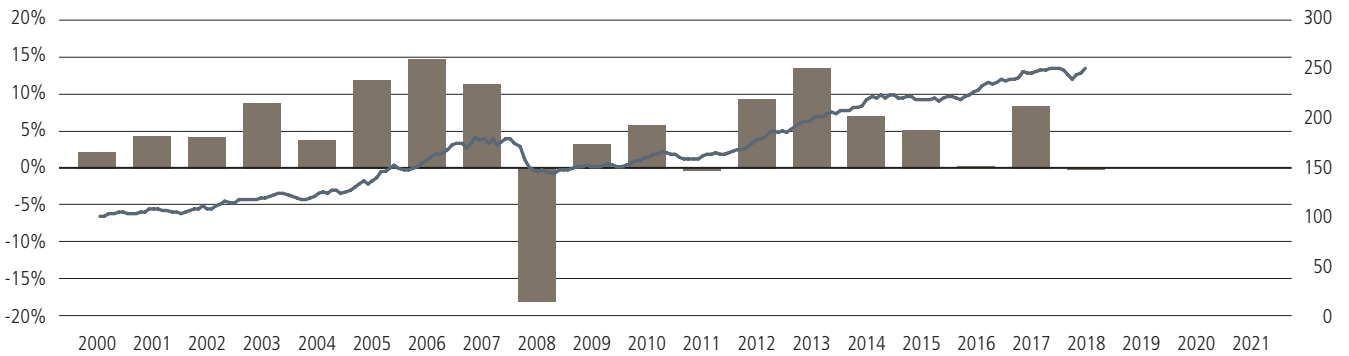
¹⁰ The performance was adjusted for distributions (dividends and nominal value repayment) of USD 41.414 (2019), USD 35.184 (2018), USD 61.880 (2017), USD 49.986 (2016), USD 56.122 (2015), USD 71.503 (2014), USD 5.315 (2013) and USD 2.533 (2012).

¹¹ Based on the unaudited statements as of December 2021.

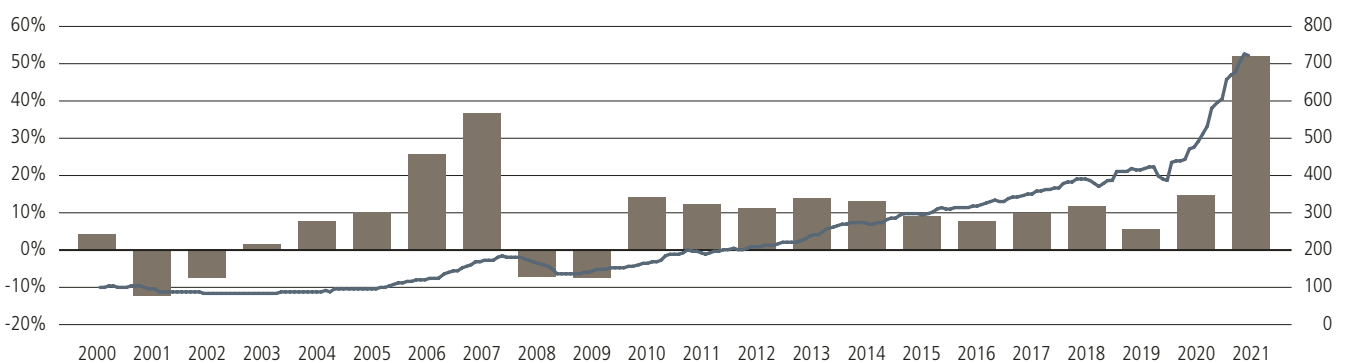
Performance (since inception)¹



AP Hedge Funds Performance^{2, 3}



AP Private Equity Performance²



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

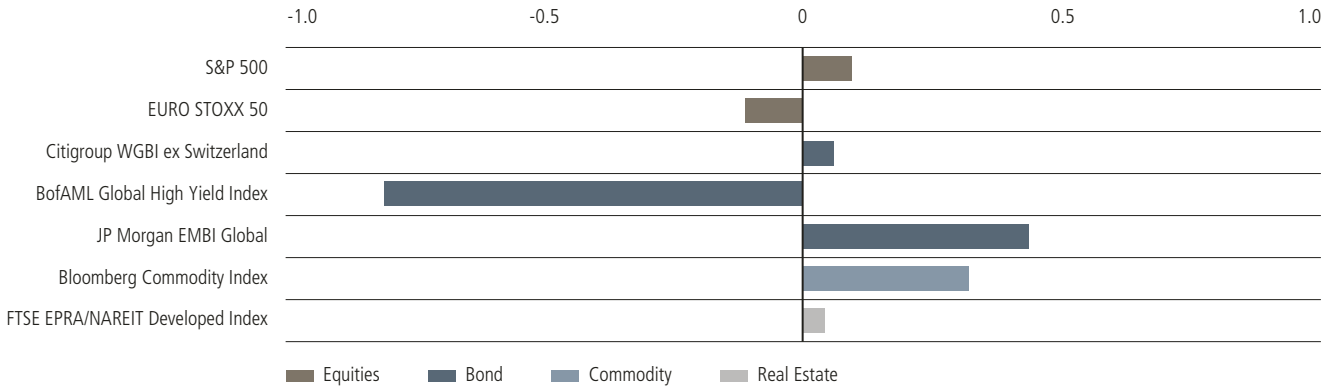
Past performance is no guarantee of future developments.

¹ Based on the unaudited statements as of December 2021. 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)

² Gross performance of portfolio funds based on the unaudited statements as of December 2021.

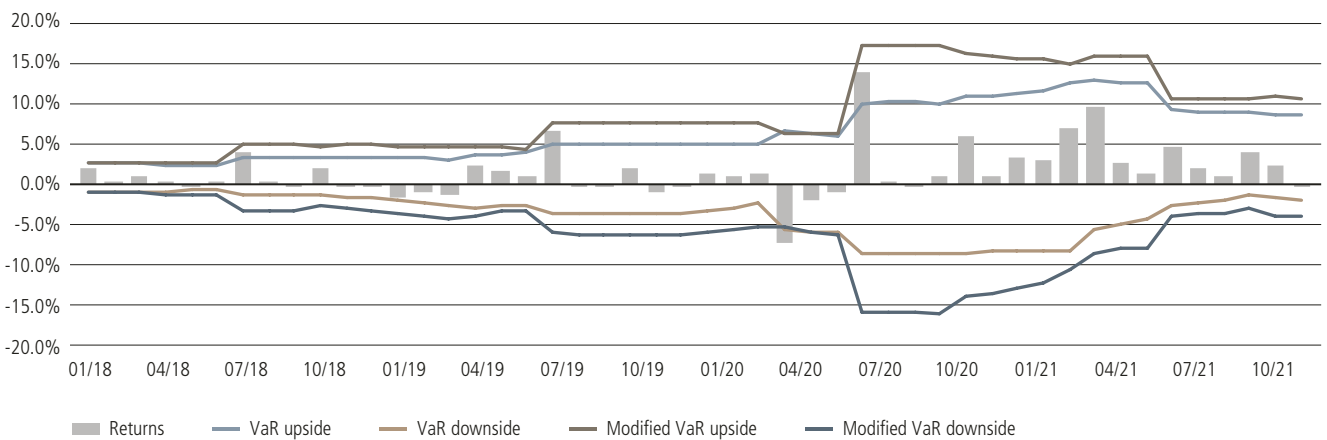
³ Hedge Fund positions were liquidated as of March 31, 2019.

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

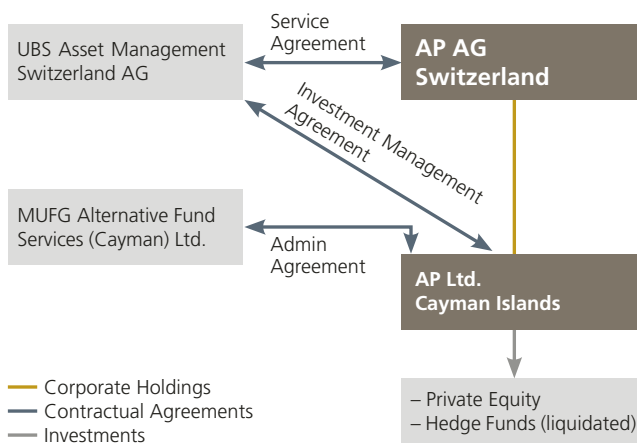
3.1. Company profile and corporate organisation

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 26 to 27.

3.2. Report of the past financial year

Private equity: market and performance of AP Alternative Portfolio AG¹

The private equity and venture capital markets finished strong in Q4, bringing to a close what has been a record year across many metrics. Dealmaking, exits, and fundraising were all strong heading into 2021, and valuations generally remained robust on the back of a year-end rally across most public markets. Time will tell if these activity levels can be sustained, as 2022 begins with indications of higher volatility ahead, led by public markets and macro headwinds including inflationary and geopolitical concerns.

There is no change to our investment thesis, which is positive on the long-term outlook for growth equity and buyouts, particularly in the smaller and middle market.

North America: Record deal and exit volume

North America buyout and growth deal volume totaled USD 150bn in Q4, ending the year at a record USD 500bn (no doubt some attributable to deferred 2020 activity). The largest deal in Q4 was the USD 29bn acquisition of Medline Industries by Blackstone, Hellman & Friedman, and GIC. Q4 was also a record quarter for exits at USD 79bn. Fundraising totaled USD 250bn for the year, in line with 2020 and 2019.

North American venture activity capped a record year with USD 97bn of deal volume, exceeding USD 300bn for 2021. Exits also posted a record high of USD 375bn for the year, far surpassing previous years. Venture funds raised USD 115bn in 2021.

Europe: Buyouts at record, VCs not far behind

European buyout and growth transacted a record EUR 380bn in 2021. The biggest deal in Q4 was the buyout of Wm Morrison supermarkets by Clayton, Dubilier & Rice and KKR. Exits were EUR 150bn in 2021, a level not seen since 2018; fundraising was similarly in line with prior years at EUR 85bn for 2021.

At EUR 42bn, Q4 venture deal activity contributed to a record-shattering year totaling 160bn for 2021. Large

¹ Source: UBS Asset Management, Real Estate & Private Markets (REPM); February 2022, PitchBook as of January 2022
 Please note that data is sometimes revised in subsequent quarters by Pitchbook, our data provider

deals in Q4 included raises by N26 and Flink. Exits totaled EUR 200bn for the year, exceeding 2019 and 2020 combined; the largest exits in Q4 were the acquisition of Wolt by Doordash and the buyout of Moonbug by Blackstone. European venture funds raised EUR 20bn in 2021, approximately in line with prior years.

Asia: A breakout year for VC

Buyout value totaled USD 165bn for the year, up from USD 94bn in 2020. Exits stood at a record USD 45bn, up from USD 18bn in 2020, while fundraising was down modestly at USD 29bn vs. USD 47bn in 2020.

Venture value reached a record USD 209bn in 2021, with every quarter setting a record compared to prior years. The largest deal in Q4 was a USD 2bn round in J&T Express at a USD 17bn valuation, led by Boyu and D1. Exits similarly printed a new record at USD 198bn, more than doubling 2020 totals, while fundraising totaled USD 42bn, down from USD 61bn in 2020.

Private equity portfolio of AP Alternative Portfolio AG¹

The private equity portfolio of AP Alternative Portfolio AG can look back on an outstanding 2021 financial year. The large amount of pandemic and monetary stimulus led to a historic surge in activity in the private equity industry. This was particularly the case for growth and venture capital funds, which together account for around three-quarters of the AP private equity portfolio by market value and contributed a large share of the very strong gross yield in US dollars over the full year 2021 of 51.8% (figures based on provisional financial statements of underlying funds). The result more than tripled compared to previous year's level of 14.5% and thus also represents the best result since the launch of AP Alternative Portfolio AG.

The total value multiple (= all capital payments plus the current market value divided by the capital drawn) increased by 0.08x (in US dollars) to 1.77x in 2021 compared to the level of 2020 (1.69x). As mentioned above, growth and venture capital funds, in particular, made an above-average contribution to the performance of the AP private equity portfolio in 2021. In addition to the UBS Private Equity Global II fund of funds, the biggest value drivers in 2021 were venture

capital funds, such as the US venture capital fund Mayfield XIV, which saw strong value gains from the Nasdaq IPO of portfolio company HashiCorp. HashiCorp is a cloud software provider of open-core solutions that delivers secure infrastructure applications to developers, operators and security personnel. In addition, Mayfield XIV portfolio company Outreach, which is developing a sales engagement platform that can make sales predictions through artificial intelligence (AI), saw strong growth in value from its latest funding round.

At NEA 14, the positive change in value was primarily driven by fintech company Plaid Inc., which successfully closed a series D financing round. At Asian venture capitalist IPV Capital, the company Maxscend, a Chinese chip manufacturer, was also primarily responsible for the positive change in value in the portfolio, as was the case last year.

AP Alternative Portfolio AG's private equity portfolio was able to further reduce portfolio risk in 2021 due to the existing quality of the portfolio companies and continued high exits.

Exits

After the short-lived state of shock regarding exits in the portfolio at the beginning of the Covid-19 pandemic, AP Alternative Portfolio AG can now look back on a year with substantial liquidity return flows amounting to USD 26.6 million. This represents not only an increase in absolute terms year-on-year (USD 22.4 million), but also a strong relative increase measured against the portfolio's value at the start of the year (from 29.5% to 41.3%). Over a quarter of the liquidity inflows can be attributed to the Asian venture capitalist IPV Capital. In addition, the growth capital fund Accel Growth Fund II, the buyout funds Francisco Partners III and Investindustrial V L.P. and the fund of funds UBS Private Equity Global II L.P. contributed significantly to return flows and together with IPV Capital provided about half of the total liquidity contributions in 2021.

Maxscend was mainly responsible for IPV Capital's distributions. IPV Capital sold additional shares, as it did last year, and was able to further reduce its position at the end of the year. As a result of this and previous exits, Maxscend generated an extraordinary gross profit for the fund, equivalent to a multiple of the total fund volume.

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

Furthermore, Francisco Partners III generated large distributions for AP Alternative Portfolio AG in 2021 through the sale of Landmark and Plex. The two companies generated gross results for the fund of over 27.0x and 10.0x each on the capital paid in. Landmark is a risk-based provider group that delivers high-quality care to chronically ill patients, while Plex is a leading cloud software platform.

With respect to Accel Growth Fund II, the majority of distributions in 2021 were due to several sales or partial exits from corporate investments in CrowdStrike Holdings, Inc.

Investment activity

Due to the exit strategy already adopted by the Board of Directors in 2013, the private equity portfolio of AP Alternative Portfolio AG has not carried out any new asset allocations to target funds since that date. In 2021, capital was called in chiefly for management fees, since the portfolio is in the exit phase. The highest absolute amounts were called in by Bayside Fund II, Oaktree European Principal Fund III and Nexus Ventures III. A total of around USD 52,000 was called in in 2021.

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.



4. Remuneration report

4.1. Remuneration report 2021

This remuneration report for the financial year 2021 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, 2021 the shareholders adopted the following resolution and approved the following compensation of the members of the Board of Directors from the annual general meeting 2021 to the annual general meeting 2022: a maximum amount of CHF 75,000 for the compensation of both members of the Board of Directors. This corresponds to a reduction of CHF 15,000 compared to the previous year. This amount also includes expenditure for the statutory social security charges. This amount will not be paid out until the 2022 financial year.

The resolution of the general meeting of June 29, 2020 provided for a maximum amount of CHF 90,000 (incl. the statutory social security charges) for compensation of the members of the Boards of Directors from the annual general meeting 2020 to the annual general meeting 2021, which was made in the form of a payment in cash in April 2021. This did not exceed the maximum amount. The payment amounted to CHF 84,044.80, 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

2021 financial year

In the financial year 2021 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

2020 financial year

In the financial year 2020, both members of the Board of Directors have received CHF 84,029 (including social security contributions). This allocation is based on the resolution of the Annual General Meeting in 2019, 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 2020 financial year:

Name/function	Fixed BoD compensation CHF	Social security contributions CHF	Total CHF
Dr. Ulrich Niederer, Chairman	40,000	1,479	41,479
Prof. Dr. Rolf Watter, Vice-Chairman	40,000	2,550	42,550
Total	80,000	4,029	84,029

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, 2021, 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, 2021, the company had not granted any benefits to related parties at non-market conditions. Apart from this, please refer to page 27.

Remuneration of former members of governing bodies

In the reporting year 2021, no compensation was paid to former members of governing bodies.

4.2. Report of the statutory auditors



Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 30 May 2022

Report of the statutory auditor on the remuneration report

We have audited the remuneration report (pages 13 and 14) of AP Alternative Portfolio AG for the year ended 31 December 2021.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans, and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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



Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of AP Alternative Portfolio AG complies with Swiss law and articles 14–16 of the Ordinance.

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	31.12.2021	31.12.2020
Assets			
Current assets			
– Cash, cash equivalents		22,636,813	17,833,045
– Accumulated revenues and advance payments	C1, C2	34,419	36,042
– Other receivables	C2	246,232	4,507
Total current assets		22,917,463	17,873,594
Long term assets			
– Private Equity and Hedge Funds at fair value through profit or loss	C1, C3, D	68,694,163	72,225,210
Total long-term assets		68,694,163	72,225,210
Total assets		91,611,625	90,098,805
Liabilities and shareholders' equity			
Current liabilities			
– Accrued expenses	C14	297,706	209,160
– Accrued management and performance fee	C7	1,950,465	1,130,327
Total current liabilities		2,248,172	1,339,487
Shareholders' equity			
– Share capital	C4	373,467	115,549
– Capital reserves		39,197,916	48,634,331
– Own Shares	C12	–	–
– Retained earnings		85,569,773	74,696,453
– Translation differences	C5	-35,777,702	-34,687,015
Total shareholders' equity		89,363,454	88,759,317
Total liabilities and shareholders' equity		91,611,625	90,098,805
Net asset value per share		327.04	249.96

Consolidated income statement of AP Group in USD

Operating income	Notes	2021	2020
– Realised gain from financial investments	E	18,173,094	16,503,043
– Unrealised loss from financial investments	E	4,813,417	-1,071,770
– Interest income	C6	–	26,238
Total operating income		22,986,511	15,457,511
Operating expenses			
– Management fees	C7	675,259	646,251
– Performance fee	C7	807,446	959,707
– Audit expenses	C9	51,619	32,901
– Legal & consulting fees	C9	134,498	133,035
– Service fees	C7	226,822	235,639
– Personnel expenses	C8	83,683	73,497
– Other expenses	C7 and C10	304,587	246,117
– Exchange rate differences		-50,032	468,034
Total operating expenses		2,233,883	2,795,182
Profit for the period before taxes		20,752,628	12,662,330
Taxes		–	–
Profit for the period	C1	20,752,628	12,662,330
Earnings per share	C11	62.45	31.89

Consolidated statement of comprehensive income, in USD

	2021	2020
Profit for the period	20,752,628	12,662,330
Other comprehensive income in equity		
Translation differences	-1,090,687	280,597
Total other comprehensive income	-1,090,687	280,597
Total comprehensive income for the year	19,661,941	12,942,927
Attributable to:		
Equity holders of the parent	19,661,941	12,942,927
	19,661,941	12,942,927

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, 2020	141,600	–	54,948,412	67,168,654	-34,967,612	87,291,054
Profit for the period				12,662,330		12,662,330
Other comprehensive income					280,597	280,597
Total comprehensive income for the financial year	–	–	–	12,662,330	280,597	12,942,927
Capital decrease	-26,050		26,050			–
Capital decrease costs			-16,878			-16,878
Purchase of own shares	-11,457,785					-11,457,785
Cancellation of own shares	11,457,785		-11,457,785			–
Allocation to reserves			5,134,531	-5,134,531		–
Balance as of December 31, 2020	115,549	–	48,634,331	74,696,453	-34,687,015	88,759,317
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

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

Cash flow from operating activities	2021	2020
Interest received	–	26,238
Operating expenses	-2,854,839	-2,949,867
Total cash flow from operating activities	-2,854,839	-2,923,629
Cash flow from investing activities		
Purchase of investments	-153,245	-854,263
Sale proceeds and distributions received from investments	26,789,688	22,014,824
Total cash flow from investing activities	26,636,442	21,160,560
Cash flow from financing activities		
Purchase of own shares	-16,200,038	-11,457,785
Distribution from reserves from capital contribution	–	–
Dividends distributed	-2,835,916	–
Capital reduction costs	-21,850	-16,878
Total cash flow from financing activities	-19,057,804	-11,474,663
Currency differences on liquid funds	79,968	690,135
Change in cash and cash equivalents	4,723,799	6,762,268
Cash and cash equivalents at the beginning of the period	17,833,045	10,380,642
Cash and cash equivalents at the end of the period	22,636,813	17,833,045

5.3. Notes to the consolidated financial statements

The present annual report was adopted on May 24, 2022 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, 2022.

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, 2021

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the entities consolidated financial statements.

- Phase 2 of the IBOR reform (Amendment in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concession beyond 30 June 2021 (Amendment to IFRS 16)

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, 2021 and not early adopted

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

- IASB publishes several minor standard amendments to IFRS 3, IAS 16 and IAS 37 as well as annual improvements to IFRS 2018-2020
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of liabilities as short-term or long-term

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.

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: 2021 Q4 account statement	94.7%	Reported NAV
Private Equity Funds: 2021 Q3 account statement	5.3%	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 10 per share. For the previous year, dividends of CHF 10 per share were paid and a par value increase of CHF 1 per share.

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.

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



Financial investments: Fair value hierarchy**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

As at December 31, 2020

Amount in USD	Level I	Level II	Level III	Total
Investments at fair value through profit or loss – designated	–	–	72,225,210	72,225,210
Total asset measured at fair value	–	–	72,225,210	72,225,210

Reconciliation of fair value measurements of Level III financial instruments

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

Amount in USD	1.1.2020–31.12.2020
January 1, 2020	78,008,504
Total purchases	854,263
Total distributions and sale proceeds	22,014,824
Reclassification	–
Total realised gains	16,503,043
Total change in unrealised losses	-1,125,777
December 31, 2020	72,225,210

The funds are periodically audited on the basis of the liquidity criteria explained on page 24 and were updated accordingly. In the reporting period that ended on December 31, 2021, there were no reclassifications from Level III to Level II.

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 2021 consolidated financial statements. The outbreak of the coronavirus (COVID-19) pandemic and the Russia-Ukraine conflict have a significant impact on the global macroeconomic outlook as it has caused major disruptions globally. The Board of Directors is tracking COVID-19 developments, geopolitical actions and responses and is actively monitoring 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 34,419 (2020: USD 36,042).

Other receivables in the amount of USD 246,232 (2020: USD 4,507) include outstanding distributions from Apax VII (USD 117,540), Apax Europe VI (USD

118,962), GAM Pamona II (USD 5,538) and outstanding value-added tax balances with the Swiss Federal Tax Authority (USD 4,192).

3) Financial investments

The investment table, which forms part of these notes, is disclosed on pages 32 to 35 and relates to IFRS 7. The market value of the relevant investments is 68,694,163 (2020: USD 72,225,210). At the closing date, open commitments amounted to USD 11,155,313 (2020: USD 13,211,603).

4) Share Capital

As of December 31, 2021 the equity of AP AG amounted to CHF 382,551.40 (2020: CHF 142,037.60) or USD 373,467 (2020: USD 155,549), subdivided into 273,251 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, 2021 approved the capital reduction of CHF 31,737.20 through the cancellation of a total of 81,843 bought-back shares with a par value of CHF 0.40, which became effective upon entry in the commercial register in September 2021. In addition, a capital increase by increasing the nominal value from CHF 0.40 to new CHF 1.40 nominally, took place and also became

The AP Alternative Portfolio with **systematic** global portfolio management. Well-seasoned from the roots upwards and strengthened just like ginger.



effective in September 2021. Furthermore, the General Assembly approved a dividend distribution of CHF 10 per share. The distribution was made with value of July 7, 2021. Withholding tax from the capital increase was deducted, so the net distribution was CHF 6.15 (total withholding tax at CHF 3.85).

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 0.91167 per USD (2020: 0.88553) and the average rate was CHF 0.91536 per USD (2020: 0.93463).

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 (2020: 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 (2020: same).

In the 2021 financial year, the direct fees paid or payable to UBS totaled USD 1,550,712 (2020: USD 1,675,972). They were split into USD 675,259 for management fees (2020: USD 646,251), USD 807,446 performance fees (2020: 959,707) and USD 13,163 for the service fee (2020: USD 13,551). Processing of the share buy-back and the nominal value reduction was entrusted to the mid-market advisory team of UBS, which specializes in these types of transactions. It charged USD 54,844 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 2021 financial year, USD 25,821 (2020: USD 12,414) 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 nominal 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 and the Executive Committee of AP Alternative Portfolio AG are presented in the audited remuneration report starting on page 13.

9) Audit, legal and consulting fees

Audit costs amounted to USD 51,619 (2020: USD 32,901; no capital increase in prior year). External costs for the Board secretary, accounting (includes UBS Advisory Team costs as per section 7) and general legal advice amounted to USD 134,498 (2020: USD 133,035).

10) Other operating expenses

For 2021, the capital tax rate amounted to 0.034% of AP AG's equity (2020: unchanged). In 2021, no expenses were accrued (2020: same). No income taxes were due during the financial year.

11) Earnings per share (EPS)

The average number of shares outstanding (including own shares) was 332,286 (2020: 397,119). The earnings per share came to plus USD 62.45 (2020: USD 31.89). 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 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 in March and April at a price of CHF 187 in order to be cancelled. AP AG is not holding own shares as of the balance-sheet date.

In the 2020 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 11,040,00 (book value: USD 11,457,785). 60,000 shares were bought back at a price of CHF 184 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, 2021, there were no open foreign currency forward contracts (2020: same).

14) Accrued expenses

As of the balance-sheet date, accruals and deferrals stood at USD 297,706 (2020: USD 209,160). The most important items include audit costs of USD 49,360 (2020: USD 50,817) and remuneration for members of the Board of Directors (including social security costs) in the amount of USD 41,133 (2020: USD 50,817). In addition, performance fee in the amount of USD 807,446 (2020: USD 959,707) were accrued.

15) Securities Lending

There was no securities lending during the reporting period.

16) Retrocessions

UBS AG has confirmed to the Board of Directors that, as agreed, 50% of the retrocessions paid to UBS AG until the invested funds had been refunded to AP AG by December 31, 2004. As agreed, 100% of the retrocessions received had been refunded after January 1, 2005. No retrocessions were collected in 2021 (2020: 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 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 compa-

nies' 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 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)



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.

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, 2021	Less than 1 month	1–3 months	No stated maturity	Total
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
As of December 31, 2020				
Total open commitments	13,721	23,037	13,174,845	13,211,603
Payables Management and Performance Fees	–	–	1,555,539	1,555,539
Other short term liabilities	209,160	–	–	209,160
Total Payables	222,881	23,037	14,730,384	14,976,301
Cash and cash equivalents	–	–	17,833,045	17,833,045
Distributed capital from private equity funds	1,070,592	5,533,643	–	6,604,235
Total Capital Distributions	1,070,592	5,533,643	17,833,045	24,437,281

Exposure to credit risk in US

As of December 31, 2021	Fully performing	Total	Rating (S&P)
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	
As of December 31, 2020			
Cash at UBS	17,833,045	17,833,045	A+
Receivables from investments sold	–	–	
Accrued income and prepaid expenses	36,042	36,042	
Other receivables	4,507	4,507	
Total exposure to credit risk	17,873,594	17,873,594	

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

Name of fund		Commitments	Balance as per 31.12.2020
Brinson Non-U.S. Partnership 2001	EUR	866,391	19,114
Brinson Primary Partnership 2001	USD	2,638,478	216,150
Brinson Non-U.S. Partnership 2002	EUR	2,462,530	33,542
Brinson Primary Partnership 2002	USD	2,249,762	71,192
Brinson Secondary Non-U.S. Partnership 2002	EUR	562,397	0
Brinson Secondary Partnership 2002	USD	942,928	69,321
Brinson Non-U.S. Partnership 2003	EUR	1,674,774	44,129
Brinson Primary Partnership 2003	USD	2,817,658	213,203
Brinson Secondary Non-U.S. Partnership 2003	EUR	249,100	4,187
Brinson Secondary Partnership 2003	USD	255,310	31,350
Brinson Non-U.S. Partnership 2004	EUR	3,489,512	407,670
Brinson Primary Partnership 2004	USD	3,019,684	342,172
Brinson Secondary Non-U.S. Partnership 2004	EUR	617,902	85,677
Abingworth Bioventures V	GBP	1,354,450	40,376
Accel Growth Fund II	USD	1,500,000	2,358,231
Accel XI	USD	1,000,000	776,336
Activa Capital Fund II	EUR	3,980,200	376,388
Adams Street Global Opportunities Secondary Fund	USD	5,000,000	311,793
Adams Street 2006 Direct Fund	USD	500,000	175,244
Adams Street Non-U.S. Partnership 2006	USD	1,500,000	314,000
Adams Street US Partnership 2006	USD	3,000,000	806,341
Adams Street US Partnership 2002	USD	5,000,000	419,203
Adams Street V	USD	5,000,000	150,615
Advent International GPE V	EUR	4,548,800	198,090
Advent International GPE VI	USD	3,000,000	383,388
Advent International GPE VII	USD	1,900,000	1,343,786
Schroder Adveq Asia I	USD	4,000,000	1,010,656
Schroder Adveq Technology III	USD	11,000,000	0
Schroder Adveq Technology V	USD	1,000,000	441,412
Affinity Asia Pacific Fund III	USD	3,000,000	191,429
Apax Europe VI	EUR	4,548,800	747,883
Apax Europe VII	EUR	4,548,800	21,528
Apax VIII	USD	2,000,000	1,081,656
Atlas Venture VII	USD	1,000,000	71,461
Bain Capital IX	USD	2,500,000	130,017
Bain Capital X	USD	7,000,000	1,070,584
Battery Ventures IX	USD	1,500,000	1,640,469
BC European Capital IX	EUR	1,705,800	2,310,292
Charterhouse Capital Partners VII	EUR	2,274,400	0
Charterhouse Capital Partners VIII	EUR	4,548,800	0
ChryCapital V	USD	1,900,000	0
EQT IV	EUR	1,617,098	0
EQT V	EUR	4,548,800	127,358
EQT VI	EUR	1,705,800	605,437
Equistone European Fund IV	EUR	1,819,520	682,741
Francisco Partners III	USD	2,000,000	1,838,203
GAM Pomona II	USD	9,000,000	273,506
Gores Capital Partners II	USD	5,000,000	147,751
Gores Capital Partners III	USD	2,000,000	151,289
Bayside Fund II	USD	2,200,000	446,898
HarbourVest International IV	USD	10,000,000	0
Harvest Partners VI	USD	1,000,000	364,038
Hony Capital Fund 2008	USD	2,000,000	345,739
Hony Capital Fund V	USD	1,000,000	692,839
IPV Capital (Infotech Pacific Ventures)	USD	1,000,000	6,344,700
Global Timber Investors 6	USD	5,000,000	0
Institutional Venture Partners XIV	USD	1,000,000	969,867
Investindustrial III	EUR	3,411,600	2,218
Investindustrial IV	EUR	4,548,800	0
Investindustrial V	EUR	1,705,800	1,369,805
IPV Capital II (Infotech Pacific Ventures II)	USD	1,000,000	1,086,475
Madison Dearborn Capital Partners V	USD	5,000,000	168,857
Madison Dearborn Capital Partners VI	USD	2,000,000	1,106,060
Mayfield XIV	USD	1,000,000	2,712,007
MHR Institutional Associates III	USD	5,000,000	1,834,170
Montagu III	EUR	2,274,400	0

Purchases 2021	Withdrawals 2021	Realised gains and losses in 2021	Unrealised gains and losses in 2021	Balance as per 31.12.2021
0	0	0	-2,784	16,330
0	0	0	-13,382	202,768
0	0	0	-6,134	27,409
0	0	0	-5,026	66,166
0	0	0	0	0
0	0	0	-12,835	56,486
0	0	0	-8,930	35,199
0	0	0	-58,745	154,458
0	0	0	-1,352	2,835
0	0	0	-6,002	25,348
0	0	0	24,655	432,325
0	0	0	-64,528	277,644
0	0	0	-85,677	0
0	8,343	3,944	8,091	44,067
0	1,165,288	1,084,346	-261,131	2,016,157
0	394,448	317,378	411,684	1,110,950
0	0	0	250,311	626,670
0	233,234	0	153,068	231,627
0	35,469	25,104	-36,330	128,549
0	146,302	24,220	-41,541	150,377
0	558,330	130,144	-21,803	356,352
0	236,029	0	-82,426	100,748
0	0	0	21,032	171,647
0	0	0	-7,452	190,638
0	85,625	65,333	-17,289	345,807
0	501,687	222,445	-179,396	885,148
0	432,120	311,288	-197,832	691,992
0	0	0	0	0
0	359,553	-43,786	57	38,130
0	0	0	-80,760	110,669
0	119,702	0	293,537	921,718
0	0	0	36,725	58,253
0	224,915	172,545	-225,511	803,775
0	0	0	3,923	75,384
0	205,674	61,756	13,901	0
0	26,063	3,282	113,875	1,161,678
0	229,367	193,864	484,520	2,089,486
17,277	255,520	139,963	-393,796	1,818,217
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	4,123	131,481
17,587	707,779	601,396	-511,632	5,009
0	208,393	100,575	-56,245	518,677
0	2,115,631	1,572,294	-480,559	814,307
0	316,458	47,912	-4,960	0
3,644	69,352	1,698	71,103	154,844
5,867	66,895	17,205	30,824	138,290
33,000	97,834	25,846	-25,402	382,509
0	0	0	0	0
0	0	0	23,056	387,094
0	20,961	0	-139,756	185,021
3,738	56,008	0	-92,725	547,843
0	7,083,677	7,050,442	-6,118,112	193,353
0	0	0	0	0
0	172,768	126,494	226,927	1,150,521
0	1,932	1,932	-2,148	71
0	0	0	0	0
11,103	974,902	800,367	-491,381	714,991
0	72,348	68,706	66,049	1,148,882
0	15,900	8,089	78,274	239,320
0	892,706	662,001	-535,499	339,856
0	0	0	3,978,007	6,690,014
0	921,864	368,291	37,976	1,318,573
0	0	0	0	0

Name of fund		Commitments	Balance as per 31.12.2020
Navis Asia Fund V	USD	5,000,000	1,074,839
NEA 12	USD	1,000,000	123,522
NEA 14	USD	2,500,000	3,589,307
NewMargin Growth Fund	USD	2,500,000	0
Nexus India Capital Fund II	USD	3,000,000	3,777,084
Nexus Ventures III	USD	1,000,000	2,244,968
Nordic Capital VII	EUR	5,686,000	46,057
Oaktree European Principal Fund III	EUR	1,705,800	1,305,996
Permira Europe IV	EUR	2,274,400	0
Providence Equity Partners VI	USD	3,000,000	1,008,695
Rutland Fund II	GBP	1,354,450	0
SBCVC Fund III	USD	3,500,000	745,243
SBCVC Fund IV	USD	2,000,000	2,880,551
Silver Lake Partners II	USD	500,000	429
Silver Lake Partners III	USD	5,000,000	1,511,126
Summit Partners Growth Equity Fund VIII	USD	2,000,000	1,182,897
Summit Partners Private Equity Fund VII	USD	1,000,000	224,373
Sun Capital V	USD	3,200,000	825,172
TA Atlantic and Pacific V	USD	1,000,000	0
TA Atlantic and Pacific VI	USD	7,000,000	944,988
USVP X	USD	500,000	614,395
UBS Private Equity Global II L.P.	USD	10,000,000	6,291,854
VantagePoint Venture Partners 2006	USD	3,000,000	919,820
VenCap 10 EUR	EUR	2,274,400	916,970
VenCap 10 USD	USD	6,880,000	1,826,151
Vestar Capital Partners V	USD	4,000,000	157,922
Warburg Pincus Private Equity IX	USD	1,000,000	33,004
Warburg Pincus Private Equity VIII	USD	5,000,000	0
Warburg Pincus Private Equity X	USD	7,000,000	801,003
Subtotal Private Equity		282,363,344	72,225,210
Open commitments*		11,155,313	
Derivative contracts & translation differences			
Total Financial Investments			72,225,210

* Variations due to exchange rate differences.

Purchases 2021	Withdrawals 2021	Realised gains and losses in 2021	Unrealised gains and losses in 2021	Balance as per 31.12.2021
0	27,750	0	-231,452	815,637
0	9,702	7,237	9,385	130,442
0	110,270	83,679	2,326,995	5,889,711
0	0	0	0	0
0	0	0	1,325,603	5,102,687
20,000	89,784	56,111	3,215,508	5,446,803
0	39,787	-120,045	113,775	0
20,296	97,765	0	-105,458	1,123,069
0	0	0	0	0
868	923,471	619,940	-504,080	201,952
0	0	0	0	0
7,000	86,116	64,810	43,511	774,447
0	0	0	630,966	3,511,517
0	129	129	-429	0
0	207,827	124,656	-30,999	1,396,955
0	467,881	413,583	346,956	1,475,555
0	142,919	74,684	38,546	194,683
11,380	385,461	385,461	-224,192	612,360
0	0	0	0	0
0	808,500	603,698	292,457	1,032,642
0	449,094	396,237	-345,803	215,735
0	2,376,209	603,240	1,435,814	5,954,698
0	27,963	0	152,341	1,044,198
0	285,775	0	658,095	1,289,290
0	470,557	0	300,840	1,656,434
1,485	1,485	1,485	-3,198	156,209
0	17,148	17,148	-21,748	11,256
0	0	0	0	0
0	751,018	675,969	-553,764	172,190
153,245	26,789,688	18,173,094	4,932,302	68,694,163
			-118,885	
153,245	26,789,688	18,173,094	4,813,417	68,694,163

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



Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 30 May 2022

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of AP Alternative Portfolio AG and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the 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 16 to 35) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and 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 (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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 2021, investments in private equity funds amount to USD 68.7 million or 75.0% 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 22 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 in the annual report

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

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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 this fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal controls 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of 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	31.12.2021	31.12.2020
Current assets		
– Cash and cash equivalents	575,012	118,251
– Accrued income and prepaid expenses from investments	30,517	31,916
– Other receivables	3,821	3,991
Total current assets	609,350	154,158
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	–
Total non-current assets	68,470,409	78,599,780
Total assets	69,079,759	78,753,938
Liabilities and shareholders' equity		
Current liabilities		
– Accrued expenses/short-term liabilities	240,135	154,900
– Accrued management and performance fees	–	–
Total current liabilities	240,135	154,900
Shareholders' equity		
– Share capital	382,551	142,038
– Legal retained earnings	6,870,107	6,870,107
– Voluntary retained earnings		
– Cumulated profit carried forward from prior years	53,309,229	62,448,337
– Net profit for the period	8,277,737	9,138,557
– Own shares	–	–
Total shareholders' equity	68,839,624	78,599,039
Total liabilities and shareholders' equity	69,079,759	78,753,938

Income statement in CHF

Operating income	1.1.–31.12.2021	1.1.–31.12.2020
– Dividend income	18,837,800	11,712,870
Total operating income	18,837,800	11,712,870
Operating expenses		
– Audit expenses	47,250	30,750
– Legal and consulting fees	123,114	124,339
– Service fees	12,000	12,000
– Personnel expenses	76,600	68,693
– Cost of capital increase/establishment costs	22,733	15,775
– Other expenses	95,853	83,250
– Performance fee	–	–
– Value Adjustment from Financial Investments	10,129,372	1,822,199
– Exchange rate differences	-45,798	437,440
Total operating expenses	10,461,124	2,594,445
Profit for the period before taxes	8,376,676	9,118,425
Taxes	-98,939	20,132
Profit for the period	8,277,737	9,138,557

6.2. Notes to the financial statements

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 88,958,465 as of December 31, 2021 (2020: total equity of USD 88,760,155). 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 2020 and 2021 as a result of the profit distributions.

Disclosure of hidden reserves

In the reporting period no hidden reserves were released (2020: CHF 4,027,811).

Transactions with own shares

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 in March and April at a price of CHF 184 in order to be cancelled. AP AG is not holding treasury shares as of the balance-sheet date.

In the 2020 reporting period, AP AG completed a Dutch Auction share buy-back for CHF 11,040,000 (book value: USD 11,457,785). 60,000 shares were bought back at a price of CHF 184 in order to be cancelled. AP AG was not holding treasury shares as of December 31, 2020.

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 13.

Shareholders

Significant shareholders

As of December 31, 2021, 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	77,575	28.39%
Previs Vorsorge – Pensionskasse, Wabern	37,332	13.66%
Pensionskasse der Stadt Biel, Biel	29,490	10.79%
GAM Investment Management (Switzerland), Zürich	21,282	7.79%
Gottfried + Julia Bangerter-Rhyner Stiftung, Bern	15,086	4.25%
Personalvorsorgestiftung Coca-Cola HBC, Brüttsellen	9,140	3.34%
GEMINI Sammelstiftung, Schwyz	8,673	3.17%

Shareholdings of the Board of Director

As of December 31, 2021, the shareholdings of the Board of Directors were as follows:

Name/function	Number of shares	Voting right
Ulrich Niederer, President	4,200	1.54%
Prof. Dr. Rolf Watter, Vice President	2,574	0.93%

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 77.2% (2020: 80.5%) of the net asset value of the subsidiary, AP Ltd.

Risk analysis

As of December 31, 2021, 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. In relevant areas, specific measures have been put in place to complement the management and operational processes.

6.3. Proposal of the use of the net profit

as of December 31, 2021, in CHF

	31.12.2021	31.12.2020
Retained earnings	53,309,229	62,448,337
Net profit for the Period	8,277,737	9,138,557
At the disposal of the general meeting	61,586,966	71,586,894

Use of net profit

The Board of Directors proposes to the general meeting on 29 June 2022 a distribution of CHF 10.00 per share.

Net profit at the disposal of the general meeting	61,586,966	71,586,894
Proposed dividend	-2,010,290	-2,732,510
Allocation to statutory retained earnings*	–	–
Retained earnings after allocation carried forward	59,576,676	68,854,384

*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



Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
AP Alternative Portfolio AG, Zurich

Zurich, 30 May 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of AP Alternative Portfolio AG, which comprise the balance sheet, income statement and notes (pages 42 to 43), for the year ended 31 December 2021.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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 responsibility* 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 As of 31 December 2021, the participation in Alternative Portfolio Ltd. amounts to CHF 68.5 million or 99.1 percent of the balance sheet total of AP Alternative Portfolio AG. 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 68.7 million or 75.5 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. 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. The accounting principles applied are explained in note 6.2. on page 42 of the financial statements of AP Alternative Portfolio AG.

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 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. Our audit did not give rise to any objections regarding the valuation of the shareholding in Alternative Portfolio Ltd.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further 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

AP Alternative Portfolio AG

c/o UBS Asset Management
P.O. Box
CH-8098 Zurich
Switzerland

Telephone: +41-44-235 45 46

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.

The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable, but are not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the report. Past performance of investments (whether simulated or actual) is not necessarily a guide to future performance. All such information and opinions are subject to change without notice. This document may not be reproduced, redistributed or republished for any purpose without written permission of AP Alternative Portfolio AG.

