# ERSEL PRIVATE MARKETS FUND, FCP-RAIF

*A Luxembourg mutual fund - reserved alternative investment fund (Fonds Commun de Placement - fonds d'investissement alternatif réservé, or FCP-RAIF)*

35, Boulevard Joseph II
L-1840 Luxembourg
R.C.S. Luxembourg: K2022

## Annual report and audited financial statements for the year ended December 31, 2023

# Contents

# Organization of the Fund

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|---|---|
| **Management Company and Alternative Investment Fund Manager ("AIFM")** | Ersel Gestion Internationale S.A.<br>17, Rue Jean l'Aveugle<br>L-1148 Luxembourg<br>Grand Duchy of Luxembourg<br>(until 20/07/2023)<br><br>35, Boulevard Joseph II<br>L-1840 Luxembourg<br>Grand Duchy of Luxembourg<br>(since 21/07/2023) |
| **Depositary** | CACEIS Bank, Luxembourg Branch<br>5, Allée Scheffer<br>L-2520 Luxembourg<br>Grand Duchy of Luxembourg |
| **Central administrative, registrar and transfer agent** | CACEIS Bank, Luxembourg Branch<br>5, Allée Scheffer<br>L-2520 Luxembourg<br>Grand Duchy of Luxembourg |
| **Independent auditor** | Ernst & Young S.A.<br>35E, Avenue John F. Kennedy<br>L-1855 Luxembourg<br>Grand Duchy of Luxembourg |
| **Legal advisor** | NautaDutilh Avocats Luxembourg S.à r.l.<br>2, Rue Jean Bertholet<br>L-1233 Luxembourg<br>Grand Duchy of Luxembourg<br>(until 30/11/2023)<br><br>Carat & Partners Avocats à la Cour<br>16, Avenue Marie-Thérèse<br>L-2132 Luxembourg<br>Grand Duchy of Luxembourg<br>(since 01/12/2023) |

# Activity report of the Fund

- The fund had closed 2021 with inflows of EUR 44,605,000, corresponding to the inflows of the Ersel Private Equity Fund sub-fund, which was established in 2020 and had seen its inflows end in 2021.
- During 2022, a second sub-fund was launched, called Ersel Real Estate Fund ESG, a feeder fund of the Kervis Real Estate 2 fund, which in turn raised EUR 10,425,000, thus representing further inflows for the fund.
- As of 31/12/2023, therefore, the fund's total assets amounted to EUR 40,65 million.

**Ersel Private Equity Fund**

- The sub-fund's final inflows amounted to EUR 44,605,000, while recalls as of 31/12/2023 amounted to EUR 34,139,452, or 76.54% of the sub-fund's commitment.
- No capital calls were made during 2023.
- The NAV of the sub-fund as of 31/12/2023 is EUR 38,941,247, with an increase of 1.2% compared to 31/12/2022.
- The IRR since inception of the segment was 5.5%, while the TVPI was 1.14x, slightly higher than in 31/12/2022 1.13x.
- It should be noted that the fund started out as a fund of funds that initially invested in Fondaco SGR's Fondaco Global PE II, a multi-strategy fund of funds whose objective was to create a diversified portfolio of funds active in the private market and which raised around €100 million from institutional investors (including the Ersel Private Equity Fund's Ersel Private Markets Fund).
- The Board of Directors of the Management Company decided to continue to allocate the money raised to the Fondaco Global PE II fund in order to contribute to the diversification of the underlying fund.
- To date, the Fondaco Global PE II fund has completed the construction of its portfolio by investing in a total of 15 funds from 12 different GPs in addition to a direct investment.
- To date, therefore, the Fondaco Global PE Fund II portfolio is well diversified across strategies:
    - 31% in the Buyout Strategy
    - 36% in the Growth Equity strategy
    - 24% in the Venture Capital Strategy
    - 6% in the Credit Strategy
    - 2% in Co-Investments
  - The investment team, in considering Fondaco Global PE Fund II asset allocation, is confident that the fund will continue to have access to high quality managers in buyouts, growth equity and venture capital, while maintaining a disciplined approach to manager selection and portfolio construction.

## Activity report of the Fund (continued)

### Ersel Real Estate Fund ESG

- The sub-fund was established during the year 2022 with a first closing on 27/10/2022 for EUR 500,000. No further calls were made during 2022.
- During 2023, the total capital calls were EUR 1,248,900, corresponding to 16,4% of total commitments.
- The sub-fund is a feeder of the Kervis Real Estate 2 fund, a residential development real estate fund with a focus on the city of Milan, which has raised a total of EUR 114.5 million as at 31/12/2022, mainly from foreign institutional investors and family offices.
- As of 31/12/2023, the NAV of the Ersel Real Estate Fund ESG sub-fund is EUR 1,709,262, with a TVPI of 0,98x. This value, increased if compared with 0,64x of the previous year, is still evidently influenced by the fact that the sub-fund, having just started, is still in the so-called J-Curve phase, where it incurs a series of fixed setup costs while the call has so far been made for a low amount without having produced any profit.
- As at 31/12/2023 the Kervis Real Estate 2 fund portfolio consisted of 4 real estate projects, with the management team having other projects under analysis.

# AIFM report

## GLOBAL OVERVIEW

2023 was a definitely different year from 2022: several asset classes performed decidedly well, in several cases recovering the previous year's losses. During the course of the year, the trend was not uniform: the equity markets, although in an upward trend, suffered between February and March from the events linked to the bankruptcy of some US regional banks, while from August to November the rise in interest rates in a so-called “higher for longer” context, was particularly severe, with central banks particularly hawkish.

**United States**

The year 2023 was characterised by a gradual decline in inflation as the restrictive monetary policy cycle came to an end, with the economy holding up better than expected.

In the first half of the year, the regional bank crisis initially casted doubt on the continuation of the tightening cycle, but the rather rapid easing of tensions allowed central banks to continue with their tightening policy. Despite the resilience of consumption, inflation slowed down. The disinflation process continued during the second half of the year, albeit held back by the resilience of prices on housing and services in a context of above- expected growth and employment. Third-quarter GDP reported growth of 4.9% quarter-on-quarter, confirming the resilience of the US economy with PMIs returning to neutral on manufacturing and expanding on services. In the last two months of the year, macro data started to outline a gradual deterioration of the economy, leading to a softening of the outlook on growth and consumer prices. The latest CPI published in 2023 reported a stabilisation of the headline figure at 3.1% and 4.0% on the core figure, which stood at 6.4% and 5.6% respectively in January 2023.

The Federal Reserve, while maintaining a restrictive stance, first reduced the size of the hikes from 50 to 25 bps and then slowed the pace of tightening with the pause of the June meeting. After the July hike, the policy rate was kept unchanged at a range of 5.25-5.5%. The Central Bank took an increasingly data-dependent approach to assessing the size of the impact of monetary policy and the tightening of lending standards caused by the regional bank failures on the economy. In the final phase of the year, the central bank's tone became more accommodative until the Federal Reserve 's Pivot was reached at the December FOMC with three cuts indicated for 2024.

**Europe**

The conflict between Russia and Ukraine continued without hinting that a solution could be reached. However, since the first half of the year inflation has fallen on the headline figure, benefiting from falling energy prices.

The fragilities that emerged in the US banking system in March led to a crisis of confidence in Credit Suisse, which was taken over by rival UBS, through a transaction sponsored by the Swiss National Bank, to stem the effects of the crisis. In the second half of the year, the disinflationary process continued, albeit with greater difficulty on the core figure despite the progressive deterioration of growth prospects also on the services side. Consumption was supported by a labour market that remained resilient, with the unemployment rate stable at close to historic lows.

## AIFM report (continued)

The European Central Bank maintained a restrictive stance by announcing the discontinuation of the APP reinvestment since July but reducing the size of the hikes from 50 bps to 25 bps since the May meeting. Ruling out the option o a pause, the Central Bank raised policy rates until the September meeting by raising the policy rate to 4% and indicating that this level, if maintained, would bring inflation back on target. In the final phase of the year, the European Central Bank maintained a less restrictive stance, acknowledging the progress on inflation and that, in the absence of shocks, the hikes should be ended; however, it stated that it is still premature to talk about cuts.

**Emerging Countries**
2023 ended on a comforting note for the emerging countries area, +4.10% growth, despite the fact that, for much of the year, the Federal Reserve continued to tighten financial conditions, effectively reducing the room for manoeuvre for intervention by local central banks. A number of issues, but above all the Chinese economy reopening, meant that the first part of the year in particular was well above expectations, with the emerging area (ex-China) growing well above 5%. Then geopolitics and interest rates created the conditions for a reduction in pace in the second half of the year. On a geopolitical level, in fact, if 2022 had proved to be a complicated year, last year was even more challenging, the Russian-Ukrainian conflict was compounded by the war between Hamas and Israel, with various repercussions on international trade passages and energy prices. Inflation continued to fall, although the trend was less clear in the second half of the year, as increases in food and energy affected overall inflation in the region and also made life somewhat more difficult for those local central banks that had purposely kept ahead of the Federal Reserve in order to have a good handle on these more complex phases.

**BOND MARKETS**
Despite the levels reached at the end of 2022, rates continued to rise for much of 2023, with volatility remaining high. The US ten-year T Bond ended the year at levels very close to those at the beginning, although it peaked at 5% in October; a similar trend was seen for rates in the euro area, with the German ten-year reaching a peak of 3% but ending the year at levels slightly below those at the end of 2022. Rates continued to rise even after the Federal Reserve 's last rate hike in July, with policy rates peaking at 5.5% in the USA and 4% in Europe. Indeed, the 'higher for longer' narrative pervaded the summer and part of the autumn, negatively impacting markets. The course was reversed when the soft landing began to take hold due to disinflation and a cooling US labour market, leading to good performance and the recovery of the losses incurred during the year.

In respects to bonds, the year was particularly good for high yield bonds due to good starting carry and narrowing spreads.

The performance of investment grade bonds, on the other hand, was determined by the fall in rates in the last two months of the year.

Banking spreads, on the other hand, deserve a separate mention. Given the events in the USA (regional banks) and Europe (Credit Suisse), spreads rose between February and March, negatively impacting both high yield and investment grade indices as well as subordinated bonds.

At the end of the year, a so-called soft landing of the economy is basically predicted, with investment grade spreads at 138 basis points and high yield at 400bps, the lows of 2023.

# AIFM report (continued)

**EQUITY MARKETS**

In 2023, the MSCI World Index advanced by 24.4% since the beginning of the year (total return index in USD). Driving the fortunes of the financial markets in 2023 were mainly expectations about the outlook for the monetary policies of the world's major central banks and estimates of their potential effects on economic growth and inflation trends.

Among the major global equity indices, the best performance was recorded by the Nasdaq 100, up more than 55.1 % (total return index in USD). The index benefited in particular from the boom of the seven largest capitalisation stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), which investors focused on due to expectations that they could be the main players in the development of artificial intelligence. The rise in the shares of these companies offset the weakness of the rest of the list, evidenced by the weak performance of the S&P500 equal-weighted index (+13.8%) towards the cap-weighted version (+26.3%).

In the United States, expectations on the development of artificial intelligence allowed Nvidia to register an advance of more than 230%. The company, in fact, gained a dominant position in chips used in the segment. Meta also performed very strongly (+194%), which is investing in artificial intelligence.

The Eurostoxx 600 index also closed 2023 with a positive performance (+16.6%) despite fears about the Eurozone's economic growth prospects and a less expansive short-term monetary policy stance by the European Central Bank. Among the European stock exchanges, the Italian stock exchange particularly stood out, advancing more than 34%. The strong presence of banking stocks, which benefited from the rate hike, is behind the FTSEMIB's outperformance. Leading the performance of the index of Italian largest capitalisation companies are, in fact, Unicredit and BpER, whose results were boosted by the leap in interest margin. Stellantis also performed very positively, as a result of a positive sales performance particularly in the USA. The worst performance, however, was recorded by Diasorin, which had to cope with the sharp contraction in its Covid testing business. CNH Industrial suffered from the drop in investments in the sector following the fall in agricultural commodity prices. Finally, Finecobank paid for the fall in deposits following the rise in government yields, which boosted investment in these instruments.

At the European level, however, companies in the semiconductor sector stood out, with Be Semiconductor and ASM. These companies joined the positive trend of their US competitors in the expectation that the development of artificial intelligence would give a boost to the entire sector. A big surprise was Novo Nordisk, which performed brilliantly on the stock market due to preliminary results on the efficacy of the anti-diabetes drug Wegovy and the possibility that it could also be used to combat obesity, increasing its market potential The Danish pharmaceutical group's stock became the largest in Europe by market capitalisation. The worst performance was recorded by Worldline, whose profit warning sent a warning signal over the entire digital payments sector.

The emerging countries (excluding China) only slightly underperformed the developed countries. The results, however, become decidedly more negative if one includes China, which fell more than 10%, weighed down, in particular, by international tensions and the prolonged property crisis.

# AIFM report (continued)

## PRIVATE MARKETS

If 2022 was a tale of two halves, with robust fundraising and deal activity in the first six months followed by a slowdown in the second half, then 2023 might be considered a tale of one whole. Macroeconomic headwinds persisted throughout the year, with rising financing costs, and an uncertain growth outlook taking a toll on private markets. Full-year fundraising continued to decline from 2021's lofty peak, weighed down by the "denominator effect" that persisted in part due to a less active deal market. Managers largely held onto assets to avoid selling in a lower-multiple environment, fueling an activity-dampening cycle in which distribution-starved limited partners (LPs) reined in new commitments.

Performance in most private asset classes remained below historical averages for a second consecutive year. Decade-long tailwinds from low and falling interest rates and consistently expanding multiples seem to be things of the past. As private market managers look to boost performance in this new era of investing, a deeper focus on revenue growth and margin expansion will be needed now more than ever.

Fundraising fell 22 percent across private market asset classes globally to just over $1 trillion, as of year-end reported data—the lowest total since 2017. Fundraising in North America declined in line with global totals, while in Europe, fundraising proved most resilient, falling just 3 percent. In Asia, fundraising fell precipitously and now sits 72 percent below the region's 2018 peak.

Despite difficult fundraising conditions, headwinds did not affect all strategies or managers equally. Private equity (PE) buyout strategies posted their best fundraising year ever, and larger managers and vehicles also fared well, continuing the prior year's trend toward greater fundraising concentration.

Private markets assets under management totalled $13.1 trillion as of June 30, 2023, and have grown nearly 20 percent per annum since 2018. Dry powder reserves—the amount of capital committed but not yet deployed—increased to $3.7 trillion, marking the ninth consecutive year of growth. Dry powder inventory—the amount of capital available to GPs expressed as a multiple of annual deployment—increased for the second consecutive year in PE, as new commitments continued to outpace deal activity. Inventory sat at 1.6 years in 2023, up markedly from the 0.9 years recorded at the end of 2021 but still within the historical range. NAV grew as well, largely driven by the reluctance of managers to exit positions and crystallize returns in a depressed multiple environment.

Buyout and venture capital, the two largest PE sub-asset classes, charted wildly different courses over the past 18 months. Buyout notched its highest fundraising year ever in 2023, and its performance improved, with funds posting a (still paltry) 5 percent net internal rate of return through September 30. And although buyout deal volumes declined by 19 percent, 2023 was still the third-most-active year on record. In contrast, venture capital (VC) fundraising declined by nearly 60 percent, equalling its lowest total since 2015, and deal volume fell by 36 percent to the lowest level since 2019. VC funds returned –3 percent through September, posting negative returns for seven consecutive quarters.

## AIFM report (continued)

PE buyout entry multiples declined by roughly one turn from 11.9 to 11.0 times EBITDA, slightly outpacing the decline in public market multiples (down from 12.1 to 11.3 times EBITDA), through the first nine months of 2023. For nearly a decade leading up to 2022, managers consistently sold assets into a higher-multiple environment than that in which they had bought those assets, providing a substantial performance tailwind for the industry. Nowhere has this been truer than in technology. After experiencing more than eight turns of multiple expansion from 2009 to 2021 (the most of any sector), technology multiples have declined by nearly three turns in the past two years, 50 percent more than in any other sector. Overall, roughly two-thirds of the total return for buyout deals that were entered in 2010 or later and exited in 2021 or before can be attributed to market multiple expansion and leverage. Now, with falling multiples and higher financing costs, revenue growth and margin expansion are taking center stage for GPs.

**ITALIAN EQUITY MARKET**

After a two-faced 2022 and fears of a heavy recession on the way, the Italian stock market instead started the new year with a positive outlook, driven above all by banking, which reported excellent results due to the growth in net interest income, and the good performance of cyclicals on which analysts' expectations were too cautious.
Also contributing to the figures was the drop in oil and gas prices and energy prices in general, which allowed most companies to recover margins even in a context of low economic growth.

Inflation continued to be a problem, however, and caused interest rates to rise steadily until October, with central banks having set themselves the primary goal of bringing inflation back to more acceptable levels in the long run.

At the sector level, the most rate-sensitive sectors such as utilities and pharmaceuticals continued to be penalised, as well as high valuation and high growth stocks such as technology. On the other hand, industrial stocks moved up thanks to the fact that the dreaded recession did not arrive, while mid and small caps struggled, on which there was less visibility on future prospects and on which the redemptions of PIR funds weighed heavily after the expiry of the five-year period required for capital gains tax exemption. Concerns remained over the war in Ukraine, which for the time being sees no solution on the horizon.

During the middle months of the year, markets began a sideways movement, held back by fears that the rate hike would drive the economy into recession, but with hopes of a soft landing and a slow recovery from 2024 onwards.

Complicating the geopolitical situation in October was the tension in the Middle East related to the Gaza - Israel war, with the subsequent attacks on merchant ships in the Red Sea which increased freight rates and transport costs.

Fortunately, in the last few months data evidenced a falling inflation with a consequent reduction in interest rates; this has allowed upward trends to resume, leading markets to close at highs, with strong recovery in the defensive and technology sectors.

Analysing the company results shows that, apart from the aforementioned banks who also raised guidance for 2024, most companies managed to increase margins despite limited growth in turnover. The disappointments concerned specific cases such as Diasorin, which had to lower its guidance after the acquisition in the US; Campari, which saw an unforeseen slowdown in the third quarter; Moncler, where analysts' expectations were too high; and some small caps such as El En, which is particularly exposed to China.

## AIFM report (continued)

In the course of the year there were some IPOs, such as Lottomatica and Ferretti, which were probably too highly valued. On the other hand, in the banking world the reduction of the Treasury's share in Monte Paschi is noted as well as Unipol rising to 20% in Popolare Sondrio.
Among the extraordinary transactions it is noted the conversion of Saes Getters into ordinary after the sale of the division producing Nitidol with a strong capital gain.

Even in a fairly difficult year, delistings have continued, such as that of Atlantia among the major stocks and that of Dea Capital among the small caps. Finally, the issue of banking aggregations remains, with Pop. Sondrio, Banco BPM and Desio, as well as Monte dei Paschi, after yet another recapitalisation.

**OUTLOOK 2024**

The central scenario for the financial markets is still based on the assumption of positive, albeit slowing, macroeconomic dynamics of world growth and a geopolitical context that weakens the dynamics of international trade and imposes a shortening of production chains. More specifically, the nominal growth of the so-called developed countries is expected to slow down compared to the post-Covid years and to be lower than the potentialgrowth both in the USA and in Europe, with only Japan experiencing an accelerating nominal growth. Growth in the so-called emerging countries is expected to be stable, but strongly influenced by China, which still appears to be in a phase of restructuring its economy due to the difficulties in the real estate sector and the dynamics of international trade.

Inflation, which will account for the bulk of nominal growth in developed countries, is slowing down, although the trajectory towards the central banks' targets is still under close observation in light of the dynamics of the labour market. Monetary policies have embarked on a path of normalisation and, in the case of the USA, have moved into the area of restriction in order to cope with the inflationary dynamics due both to the exit from the Covid and to defuse a potential undesirable wage-price spiral particularly in the so-called developed countries. In the course of the year, if these dynamics are confirmed, a reduction in money market rates can be expected to bring real rates back to less restrictive levels.

The latest data published at the macroeconomic level show a strongly differentiated picture between the various geographical areas: the United States is the area in the best condition as a result of a robust domestic consumption, a healthy labour market, with demand-supply imbalances that are narrowing, and the solidity of investments despite the rise in rates, which, based also on the Federal Reserve 's indications, should have substantially peaked. As far as Europe is concerned, the growth dynamics show much less brilliant data due to an economy structurally less dependent on domestic consumption, which, moreover, is beginning to struggle due to less strong real income dynamics compared to the United States and the slowdown in international trade and China in particular. On the other hand, the European Central Bank 's monetary policy also seems to have reached the peak of its restrictive action, pending the evaluation of its effects in terms of macroeconomic dynamics.

Japan has embarked on an expansionary monetary and fiscal policy and has strongly benefited from a strongly depreciated currency. Growth, however, will have to find support from international dynamics, which at the moment appear to be less robust in the face of a central bank that in the coming months may abandon a monetary policy that appears less and less justified by the prevailing level of inflation.

## AIFM report (continued)

For the so-called emerging countries, the reference framework is very differentiated and not without uncertainties. Overall, the dynamics of economic growth remain less brilliant than those of the so-called developed countries, due to a combination of minor fiscal and monetary stimulus to which lower growth dynamics of international trade are added. With specific reference to China, which, among the emerging countries, is the one with the greatest weight, although in a phase of recovery, it is still engaged in a complex rebalancing of growth towards domestic consumption and further strengthening of know-how, while it is having to face the downsizing of the real estate sector in a phase of less international cooperation (deglobalisation).

In light of the above, it is believed that the equity market is overall correctly valued on the basis of prevailing interest rates, but still has room for correction, particularly with regard to the US market. Elements of uncertainty include, in particular, corporate profit margins and the performance of non-US economies.

The European market appears to be more discounted and undervalued compared to the US market, with particular reference to the margins of companies benefiting from the easing of pressures on the energy front and the positive effects on bank balance sheets from the rise in rates. On the other hand, the macroeconomic dynamics and uncertainties on the geopolitical front mentioned above undermine its attractiveness.

The assessment on emerging markets is less positive in the light, in addition to the macro considerations outlined above, of geopolitical tensions and the lower level of protection at the governance level.

For this reason, we believe that an equity weighting consistent with the overall risk profile should be maintained, favouring the area of developed countries over emerging ones and high quality companies, leaders in their respective sectors and therefore able to maintain adequate levels of profitability (pricing power).

Among bond investments, it is considered appropriate to keep portfolio duration low with respect to benchmarks, particularly on longer maturities in general and in Europe in particular. Corporate issues present spreads that are on the whole limited or in any case not sufficient to offset the associated risk, particularly in the high-yield segment, and it is therefore believed that the approach to be adopted should be extremely selective. More opportunities are to be found in the investment grade segment and in the subordinated financial issues of solid issuers.

In such an environment, it is believed that there should be more room in asset allocation for short-duration bond investments to take advantage of this phase of the central bank's upward cycle and alternative, optional and/or flexible and dynamic investment approaches in equities.

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# Independent auditor's report

To the Unitholders of
Ersel Private Markets Fund, FCP-RAIF
c/o Ersel Gestion Internationale S.A.
35, Boulevard Joseph II
L-1840 Luxembourg

## Opinion

We have audited the financial statements of Ersel Private Markets Fund, FCP-RAIF (the "Fund") and of each of its sub-funds which comprise the statement of net assets as at December 31, 2023, and the statement of operations and the statement of changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of each of its sub-funds as at December 31, 2023, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

## Basis for opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other information

The Board of Directors of the Management Company of the Fund (the "Board of Directors") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Fund's and each of its sub-funds' 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 Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

**Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Building a better working world

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or any of its sub-funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Madjid Boukhelifa

Luxembourg, July 5, 2024

## Statement of net assets as at December 31, 2023 (in EUR)

| | Notes | Ersel Private Equity Fund | Ersel Real Estate Fund ESG | Combined December 31, 2023, In EUR | Combined December 31, 2022, In EUR |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Formation expenses | 2.2.1, 3 | 822.75 | - | 822.75 | 2 862.71 |
| Investments at fair value | 2.2.2, 4 | 39 211 153.28 | 1 750 870.04 | 40 962 023.32 | 36 546 686.14 |
| Other receivable | | | | | |
| *becoming due and payable within one year* | | 13 170.79 | 388.92 | 13 559.71 | 14 490.36 |
| Cash at bank | | 679 308.50 | 129 041.84 | 808 350.34 | 3 320 803.79 |
| **TOTAL ASSETS** | | **39 904 455.32** | **1 880 300.80** | **41 784 756.12** | **39 884 843.00** |
| **LIABILITIES** | | | | | |
| Accrued expenses and other liabilities | 5 | 963 207.89 | 171 039.07 | 1 134 246.96 | 1 093 035.85 |
| **TOTAL LIABILITIES** | | 963 207.89 | 171 039.07 | 1 134 246.96 | **1 093 035.85** |
| **TOTAL NET ASSETS AT THE END OF THE YEAR/PERIOD** | | **38 941 247.43** | **1 709 261.73** | **40 650 509.16** | **38 791 807.15** |

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

## Statement of operations for the year ended December 31, 2023 (In EUR)

| | Note(s) | Ersel Private Equity Fund | Ersel Real Estate Fund ESG | Combined December 31, 2023, in EUR | Combined December 31, 2022, in EUR |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Interest income | 6 | 29 834.10 | 2 645.64 | 32 479.74 | 7 283.96 |
| **TOTAL INCOME** | | **29 834.10** | **2 645.64** | **32 479.74** | **7 283.96** |
| **EXPENSES** | | | | | |
| Amortization of formation expenses | 2.2.1, 3 | 2 039.96 | - | 2 039.96 | 12 995.68 |
| Administration fees | 8 | 23 050.00 | 12 500.00 | 35 550.00 | 32 250.00 |
| Depositary fees | | 10 130.00 | 8 610.50 | 18 740.50 | 12 168.00 |
| Audit fees | | 19 954.59 | 4 163.32 | 24 117.91 | 23 354.85 |
| Transaction fees | | 800.00 | 800.00 | 1 600.00 | 1 000.00 |
| Management fees | 9 | 446 050.00 | 104 250.00 | 550 300.00 | 469 470.55 |
| Performance fees | 10 | (481 530.01) | - | (481 530.01) | (416 096.16) |
| Subscription tax | 11 | 4 249.88 | 114.29 | 4 364.17 | 4 323.25 |
| Legal fees | | 9 316.38 | - | 9 316.38 | - |
| Reporting fees | | 1 200.00 | 1 200.00 | 2 400.00 | 900.00 |
| Other expenses | | - | 117 166.67 | 117 166.67 | 11 273.08 |
| **TOTAL EXPENSES** | | **35 260.80** | **248 804.78** | **284 065.58** | **151 639.25** |
| **NET RESULT FOR THE YEAR** | | **(5 426.70)** | **(246 159.14)** | **(251 585.84)** | **(144 355.29)** |
| **NET INVESTMENT RESULT** | | | | | |
| Net appreciation/(depreciation) on: investments | 4 | 473 451.70 | 387 480.08 | 860 931.78 | (3 781 924.98) |
| **RESULT FROM OPERATIONS FOR THE YEAR/PERIOD** | | **468 025.00** | **141 320.94** | **609 345.94** | **(3 926 280.27)** |

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

## Statement of changes in net assets for the year ended December 31, 2023 (In EUR)

| | | Ersel Private Equity Fund | Ersel Real Estate Fund ESG | Combined | |
|---|---|---|---|---|---|
| | **Note** | **Year ended December 31, 2023** | **Year ended December 31, 2023** | **Year ended December 31, 2023** | **Year ended December 31, 2022** |
| **NET ASSETS AT THE BEGINNING OF THE YEAR** | | **38 473 222.43** | **318 584.72** | **38 791 807.15** | **31 418 087.42** |
| Result from operations and investments | | 468 025.00 | 141 320.94 | 609 345.94 | (3 926 280.27) |
| Capital issued during the year | 7 | - | 1 249 356.07 | 1 249 356.07 | 11 300 000.00 |
| **NET ASSETS AT THE END OF THE YEAR** | | **38 941 247.43** | **1 709 261.73** | **40 650 509.16** | **38 791 807.15** |

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

# Statistical information as at December 31, 2023 (in EUR)

**Ersel Private Equity Fund**

| | As at December 31, 2023 EUR | As at December 31, 2022 EUR | As at December 31, 2021 EUR |
|---|---|---|---|
| | | | |
| **Number of Unit A at the beginning of the year** | **3 413.945** | **2 333.945** | **1 102.298** |
| Number of Unit A issued during the year | - | 1 080.000 | 1 231.647 |
| **Number of Unit A at the end of the year** | **3 413.945** | **3 413.945** | **2 333.945** |
| Total Net asset value | 38 941 247.43 | 38 473 222.43 | 31 418 087.42 |
| Total Net asset value per Unit A | 11 406.5245 | 11 269.4324 | 13 461.3658 |

**Ersel Real Estate Fund ESG**

| | As at December 31, 2023 EUR | As at December 31, 2022 EUR |
|---|---|---|
| | | |
| **Number of Unit A at the beginning of the year / period** | **50.000** | **-** |
| Number of Unit A issued during the year / period | 124.890 | 50.000 |
| **Number of Unit A at the end of the year / period** | **174.890** | **50.000** |
| Total Net asset value | 1 709 261.73 | 318 584.72 |
| Total Net asset value per Unit A | 9 773.3531 | 6 371.6944 |

# Notes to the financial statements as at December 31, 2023

## Note 1 - General Information

1.1 The Fund

Ersel Private Markets Fund, FCP-RAIF (the “Fund”) is a Luxembourg Mutual Investment Fund – reserved alternative investment fund (Fonds Commun de Placement – fonds d’investissement alternatif réservé) governed by the law of July 23, 2016 relating to reserved alternative investment funds (the “2016 Law”), as amended.

The Fund has been incepted on January 3, 2020, the date on which its initial management regulations were signed. The Fund is registered under number K2022 with Luxembourg Trade and Companies Register.

As a Mutual Fund, the Fund has no legal status. The Fund is managed for the account and the exclusive interest of and for the joint account of the unitholders by Ersel Gestion Internationale S.A., the Management Company of the Fund. Ersel Gestion Internationale S.A. is a public limited company (*société anonyme*) incorporated under the laws of the Grand-Duchy of Luxembourg and governed by Chapter 15 of the law dated December 17, 2010, having its registered office at 35, Boulevard Joseph II L-1840 Luxembourg, Grand-Duchy of Luxembourg and registered with the *Registre de Commerce et des Sociétés* of Luxembourg under number B30350.

The Fund also qualifies as an Alternative Investment Fund (“AIF”) within the meaning of law of July 12, 2013 on alternative investment fund managers, as amended (the “AIFM Law”), which transposes the Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011 (the “AIFMD Directive”) into Luxembourg legislation. The Management Company has been designated as the external Alternative Investment Fund Manager (“AIFM”) to perform particularly the portfolio and risk management of the Fund in accordance with the Chapter II of the AIFM Law.

The Fund has been established for an unlimited duration. The term of each Sub-Fund may vary and is laid down in the Special Section of the Offering Document. Upon termination of the last Sub-Fund, the Fund will cease to exist.

The Fund’s financial year starts on January 1 and ends on December 31 of each calendar year.

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 1 - General Information (continued)

1.2 The Sub-Funds

The Fund is structured as an umbrella fund with several Sub-Funds.

The Management Company may create one or several Sub-Funds which may have different features. The assets and liabilities of each Sub-Fund shall be segregated from the assets and liabilities of the other Sub-Funds, in accordance with the provisions of the 2016 Law.

The Management Company may further create and offer different classes of Units in the Sub-Funds which may carry different rights and obligations, inter alia, with regard to their distribution policy, their fee structure, their minimum initial commitment or their target investors. Classes of Units may be launched from time to time upon decision by the Management Company and in its discretion.

Unitholders of the same Class will be treated pro-rata to the number of Units issued by the Management Company and held by them.

Investors should note however that some Classes of Units may not be available to all Investors. The Management Company retains the right to offer only one or more classes of Units for subscription to a certain group of potential investors, for instance investors in any particular jurisdiction in order to conform to local law, customs or business practice or for fiscal or any other reason.

Specifics of the Sub-Funds and of their Classes of Units, if any, are laid down for each Sub-Fund in the Special Section of the Offering Document pertaining to each Sub-Fund.

The right of Unitholders and creditors relating to a particular Sub-Fund or raised by the inception, the operation or the liquidation of a Sub-Fund are limited to the assets of such Sub-Fund. The assets of a Sub-Fund will be answerable exclusively for the rights of the Unitholders relating to this Sub-Fund and for those of the creditors whose Claim arose in relation to the incorporation, the operation or the liquidation of this Sub-Fund. In terms of the relationship between Unitholders, each Sub-Fund will be deemed to be a separate entity.

As at December 31, 2023, two Sub-Funds are active:

| | Sub-Funds | Currency | Date of Launch |
|---|---|---|---|
| 1. | Ersel Private Equity Fund | EUR | 03/01/2020 |
| 2. | Ersel Real Estate Fund ESG | EUR | 27/10/2022 |

# Notes to the financial statements as at December 31, 2023 (continued)

**Note 2 - Significant accounting policies**

2.1 Basis of preparation

These financial statements are expressed in euro ("EUR") and have been prepared in accordance with the Luxembourg legal and regulatory requirements ("Luxembourg GAAP") on a going concern basis.

Accounting policies and valuation rules are, in addition to the ones laid down by the accounting law, determined and applied by the AIFM in accordance with the management regulations of the Fund.

The preparation of financial statements in accordance with such principles requires the use of estimates and assumptions that affect the reported amounts and disclosures. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.2 Summary of significant accounting policies

2.2.1 Formation expenses

Formation expenses, incorporation expenses and other expenses related to the set-up of the Fund are amortized on a straight-line basis over a period of three years.

2.2.2 Investments

The investments in unlisted Private Market ("PM") Funds are valued at their last official and available net asset value, as reported or provided by such PM Funds or their agents, or at their last unofficial net asset values if more recent than their last official net asset values. The official or unofficial net asset value of a PM Fund may be adjusted for subsequent capital calls and distributions and applicable redemption charges where appropriate.

The investments in PM Funds or other securities and investments which are listed on a stock exchange or dealt in another regulated market are valued on the basis of the last available published stock exchange or market value.

The changes in fair value are recorded in the statement of operations and changes in net assets under the caption "Net appreciation/(depreciation) on investments.

2.2.3 Foreign currency translation

The Fund maintains its accounts in EUR and the financial statements are presented in this currency.

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction.

Formation expenses and investments expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets are maintained at their historical exchange rate.

# Notes to the financial statements as at December 31, 2023 (continued)

**Note 2 - Significant accounting policies (continued)**

2.2 Summary of significant accounting policies (continued)

2.2.3 Foreign currency translation (continued)

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the statement of operations and changes in net assets.

Assets and liabilities expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the balance sheet date.

2.2.4 Receivables

Receivables are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.5 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recorded at their reimbursement value.

2.2.6 Interest income and interest charges

Interest income and interest charges are recognized on an accrual basis.

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 3 - Formation expenses

As at December 31, 2023, formation expenses are as follows:

**Ersel Private Equity Fund**

| | As at December 31, 2023 EUR | As at December 31, 2022 EUR |
|---|---:|---:|
| **Formation expenses at the beginning of the year** | **58 180.47** | **58 180.47** |
| Addition during the year | - | - |
| **Cumulated formation expenses at the end of the year** | **58 180.47** | **58 180.47** |
| **Amortisation at the beginning of the year** | **(55 317.76)** | **(42 322.08)** |
| Amortisation during the year | (2 039.96) | (12 995.68) |
| **Cumulated amortisation at the end of the year** | **(57 357.72)** | **(55 317.76)** |
| **Balance at the end of the year** | **822.75** | **2 862.71** |

As at December 31, 2023, there is no formation expense recorded for Ersel Real Estate Fund ESG.

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 4 – Investments

### Ersel Private Equity Fund

As at December 31, 2023, the Sub-Fund holds the following investment:

| Investment | Country | Currency | Issued amount as at 31/12/2023 In EUR | Fair value as at 31/12/2023 In EUR | Unrealised gain as at 31/12/2023 In EUR |
|---|---|---|---|---|---|
| Fondaco Global Private Markets Funds | Luxembourg | EUR | 32 562 456.63 | 39 211 153.28 | 6 648 696.65 |
| | | **Total** | **32 562 456.63** | **39 211 153.28** | **6 648 696.65** |

As at December 31, 2023, the Sub-Fund has a total commitment of EUR 41 750 000.00.

As at December 31, 2022, the Sub-Fund held the following investment:

| Investment | Country | Currency | Issued amount as at 31/12/2022 In EUR | Fair value as at 31/12/2022 In EUR | Unrealised gain as at 31/12/2022 In EUR |
|---|---|---|---|---|---|
| Fondaco Global Private Markets Funds | Luxembourg | EUR | 30 058 458.23 | 36 233 703.18 | 6 175 244.95 |
| | | **Total** | **30 058 458.23** | **36 233 703.18** | **6 175 244.95** |

As at December 31, 2022, the Sub-Fund has a total commitment of EUR 41 750 000.00

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 4 – Investments

### Ersel Real Estate Fund ESG

As at December 31, 2023, the Sub-Fund holds the following investment:

| Investment | Country | Currency | Issued amount as at 31/12/2023 In EUR | Fair value as at 31/12/2023 In EUR | Unrealised loss as at 31/12/2023 In EUR |
|---|---|---|---|---|---|
| Kervis Real Estate Fund II | Italy | EUR | 1 502 251.00 | 1 750 870.04 | 248 619.04 |
| | | **Total** | **1 502 251.00** | **1 750 870.04** | **248 619.04** |

As at December 31, 2023, the Sub-Fund subscribed into Kervis Real Estate Fund II for a total commitment of EUR 9 900 000.00.

As at December 31, 2022, the Sub-Fund holds the following investment:

| Investment | Country | Currency | Issued amount as at 31/12/2022 In EUR | Fair value as at 31/12/2022 In EUR | Unrealised loss as at 31/12/2022 In EUR |
|---|---|---|---|---|---|
| Kervis Real Estate Fund II | Italy | EUR | 451 844.00 | 312 982.96 | (138 861.04) |
| | | **Total** | **451 844.00** | **312 982.96** | **(138 861.04)** |

As at December 31, 2022, the Sub-Fund subscribed into Kervis Real Estate Fund II for a total commitment of EUR 9 900 000.00.

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 5 - Accrued expenses and other liabilities

As at December 31, 2023 and December 31, 2022 this caption consists of:

| | Ersel Private Equity Fund | Ersel Real Estate Fund ESG | Combined 2023, In EUR | Combined 2022, In EUR |
|---|---|---|---|---|
| Administration, domiciliation and transfer agent fees | 31 475.00 | 13 900.00 | 45 375.00 | 35 962.50 |
| Depositary fees | 16 400.00 | 11 638.50 | 28 038.50 | 18 638.00 |
| Audit fees | 101.93 | 12 326.00 | 12 427.93 | 23 061.00 |
| Reporting fees | 8 437.50 | 5 437.50 | 13 875.00 | 12 187.50 |
| Legal fees | 12 224.07 | - | 12 224.07 | 50 253.18 |
| VAT payable | 1 497.87 | - | 1 497.87 | 1 497.87 |
| Performance fees | - | - | - | 481 530.01 |
| Management fees | 892 100.00 | 127 670.55 | 1 019 770.55 | 469 470.55 |
| Other fees | 971.52 | 66.52 | 1 038.04 | 435.24 |
| **Total** | **963 207.89** | **171 039.07** | **1 134 246.96** | **1 093 035.85** |

## Note 6 – Interest income

### Ersel Private Equity Fund

For the year ended December 31, 2023, the caption is mainly composed of interests on current account for a total amount of EUR 29 834.10 (2022: EUR 7 191.15 of interests on current account).

### Ersel Real Estate Fund ESG

For the year ended December 31, 2023, the caption is mainly composed of interests on current account for a total amount of EUR 2 645.64 (For the period from October 27, 2022 to December 31, 2022, the caption is composed of interests on current account for an amount of EUR 92.81.)

### Combined

For the year ended December 31, 2023, the caption amounts to EUR 32 479.74 and is composed of interests on current account (For the year ended December 31, 2022, the caption amounts to EUR 7 283.96 of interest income corresponds mainly to the actualization interests on the 6$^{th}$,7$^{th}$, 8$^{th}$ and 9$^{th}$ closings).

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 7 - Capital

As at December 31, 2023, the capital operations are detailed as follows:

**Ersel Private Equity Fund**

| Date | Operations | Capital Contribution In EUR |
|---|---|---|
| **Total commitment as at December 31, 2020** | | **32 975 000.00** |
| March 12, 2021 | 3rd closing | 5 100 000.00 |
| July 14, 2021 | 4th closing | 3 100 000.00 |
| October 1, 2021 | 5th closing | 3 430 000.00 |
| **Total commitment as at December 31, 2021** | | **44 605 000.00** |
| **Total commitment as at December 31, 2022** | | **44 605 000.00** |
| **Total commitment as at December 31, 2023** | | **44 605 000.00** |
| | | |
| **Total capital call as at December 31, 2020** | | **11 022 981.95** |
| March 25, 2021 | Equalisation 3rd closing | 1 704 843.31 |
| June 7 , 2021 | 3rd capital call | 2 500 000.00 |
| July 26, 2021 | Catch-up 4th closing | 1 239 822.94 |
| October 12, 2021 | Catch-up 5th closing | 1 371 804.10 |
| November 12, 2021 | 4th capital call | 3 000 000.00 |
| December 21, 2021 | 5th capital call | 2 500 000.00 |
| **Total capital call as at December 31, 2021** | | **23 339 452.30** |
| February 9, 2022 | 6th capital call | 4 500 000.00 |
| June 7, 2022 | 7th capital call | 2 000 000.00 |
| October 14, 2022 | 8th capital call | 2 000 000.00 |
| November 17, 2022 | 9th capital call | 2 300 000.00 |
| **Total capital call as at December 31, 2022** | | **34 139 452.30** |
| | | |
| **Total capital call as at December 31, 2023** | | **34 139 452.30** |
| | | |
| **Remaining commitments as at December 31, 2023** | | **10 465 547.70** |

# Notes to the financial statements as at December 31, 2023 (continued)

## Note 7 - Capital (continued)

### Ersel Real Estate Fund ESG

| Date | Operations | Capital Contribution In EUR |
|---|---|---|
| **Total commitment as at beginning of the period** | | **-** |
| October 7, 2022 | 1st Closing | 10 000 000.00 |
| December 13, 2022 | 2nd Closing | 425 000.00 |
| **Total commitment as at December 31, 2022** | | **10 425 000.00** |
| **Total commitment as at December 31, 2023** | | **10 425 000.00** |
| | | |
| October 27, 2022 | 1st Capital Call | 500 000.00 |
| **Total capital call for the period** | | **500 000.00** |
| | | |
| January 3, 2023 | 2nd Capital Call | 180 000.00 |
| January 16, 2023 | Catch-up 2th closing | 28 900.00 |
| February 13, 2023 | 3rd capital call | 500 000.00 |
| July 17, 2023 | 4th capital call | 200 000.00 |
| October 4, 2023 | 5th capital call | 340 000.00 |
| **Total capital call as at December 31, 2023** | | **1 748 900.00** |
| | | |
| **Remaining commitments as at December 31, 2023** | | **8 676 100.00** |

## Note 8 – Administration fees

### Ersel Private Equity Fund

For the year ended December 31, 2023 and 2022, this caption consists of:

| | Ersel Private Equity Fund | Ersel Real Estate Fund ESG | Combined 2023, In EUR | Combined 2022, In EUR |
|---|---|---|---|---|
| NAV Calculation fees | 10 000.00 | 8 000.00 | 18 000.00 | 12 000.00 |
| Reporting fees | 7 750.00 | 3 750.00 | 11 500.00 | 11 500.00 |
| Transfer agent fees | 5 300.00 | 750.00 | 6 050.00 | 8 750.00 |
| **Total** | **23 050.00** | **12 500.00** | **35 550.00** | **32 250.00** |

# Notes to the financial statements as at December 31, 2023 (continued)

### Note 9 - Management fees

The AIFM is entitled to receive an annual management fee of up to 1% of the unitholders' commitment during the investment period and thereafter of 1% of the applicable NAV of the unit class.

**Ersel Private Equity Fund**

For the year ended December 31, 2023, the management fees paid to the AIFM/Management Company amounted to EUR 446 050.00 (for the year ended December 31, 2022: EUR 446 050.00).

**Ersel Real Estate Fund ESG**

For the year ended December 31, 2023, the management fees paid to the AIFM/Management Company amounted to EUR 104 250.00 (For the period from October 27, 2022 to December 31, 2022: EUR 23 420.55)

**Combined**

For the year ended December 31, 2023, the management fees paid to the AIFM/Management Company amounted to EUR 550 300.00 (for the year ended December 31, 2022: EUR 469 470.55).

### Note 10 - Performance fees

The AIFM is entitled to receive a performance fee payable out of the Sub-Fund's assets at each distribution subject to the following condition.

**Ersel Private Equity Fund**

Performance fee is equal to 10% of the Sub-Fund's return (equal to the positive difference between the initial and the last net asset value per Unit of the performance period and prior to the accrual of the performance fee per Unit) with respect to the relevant performance period, subject to the condition that the Sub-Fund's return exceeds a yearly internal rate of return of 8%.

During the year ended December 31, 2023, the provisional performance fee amounting to EUR 481 530.01 as at December 31, 2022 has been reduced by EUR 481 530.01.
The provisional performance fee balance as of December 31, 2023 amounts to EUR 0.

**Ersel Real Estate Fund ESG**

Performance fee is equal to 10% of the Sub-Fund's return that exceeds an internal rate of return on an annual basis equal to 9%.

For the year ended December 31, 2023, no performance fees have been accrued.

# Notes to the financial statements as at December 31, 2023 (continued)

### Note 10 - Performance fees (continued)

**Combined**

During the year ended December 31, 2023, the provisional performance fee amounting to EUR 481 510.01 as at December 31, 2022 has been reduced by EUR 481 510.01.
The provisional performance fee balance as of December 31, 2023 is nil.

### Note 11 – Subscription tax

The Fund is not liable for any Luxembourg corporate tax, municipal business tax and net wealth tax.

The Fund is liable to a subscription tax ("taxe d'abonnement") in Luxembourg at an annual rate calculated on the basis of the Net Asset Value of the Fund at the end of each quarter. As the Fund is regulated under the amended RAIF Law, the rate is 0.01%.

No other stamp duty or other tax is payable in Luxembourg on the issue of Units by a Luxembourg FCP-RAIF subject to the 2016 Law.

### Note 12 - Off balance sheet commitments

As at December 31, 2023, the following off-balance sheet commitments with the target funds are detailed as follow:

**Ersel Private Equity Fund**

| | Commitment | Capital called | Remaining commitment |
|---|---|---|---|
| Fondaco Global Private Markets Fund - Class A | 41 750 000.00 | 32 562 456.63 | 9 187 543.37 |
| **Total** | **41 750 000.00** | **32 562 456.63** | **9 187 543.37** |

**Ersel Real Estate Fund ESG**

| | Commitment | Capital called | Remaining commitment |
|---|---|---|---|
| Kervis Real Estate Fund II – Class C | 9 900 000.00 | 1 502 251.00 | 8 397 749.00 |
| **Total** | **9 900 000.00** | **1 502 251.00** | **8 397 749.00** |

# Notes to the financial statements as at December 31, 2023 (continued)

**Note 13 - Subsequent events**

**<u>Ersel Private Equity Fund:</u>**

On January 30, 2024, the Sub-Fund made its 11th capital call for a total amount of EUR 3 334 605.00.

On June 28, 2024, the Sub-Fund made its 12th capital call for a total amount of EUR 2 000 000.00.

**<u>Ersel Real Estate Fund ESG:</u>**

On January 25, 2024, the Sub-Fund made its 6th capital call for a total amount of EUR 2 300 000.00.

On July 4, 2024, the Sub-Fund made its 7th capital call for a total amount of EUR 260 000.00.

# Other information (unaudited)

## Remunerations of staff of management company and delegated investment managers

Remuneration policy

Investment management services for Ersel Private Markets Fund, FCP-RAIF are performed by Ersel Gestion Internationale S.A. as the Management Company of Ersel Private Markets Fund, FCP-RAIF.

Ersel Gestion Internationale S.A. confirms that it has a Remuneration Policy that complies both with EU Directive 2014/91/EU (UCITS V) and EU Directive 2011/61/EU (AIFMD) as well as with regulatory requirements in Luxembourg. This policy defines, among other things, the Identified Staff in respect to the management of UCITS and AIFs and sets rules regarding the variable part of the remuneration.

The Policy is available on the Company website, *www.Ersel.it* or on first written demand addressed to Ersel Gestion Internationale S.A.

**ERSEL GESTION INTERNATIONALE S.A.**

**Management Company**

The split of salaries at Company level into fixed and variable remuneration and the number of staff was as follows for the year ended 31.12.2023:

| Number of staff – head count as of 31.12.2023 | Total fixed salaries (gross) (in EUR) | Total variable portion (gross) (in EUR) | Total gross (in EUR) |
|---|---:|---:|---:|
| 16* | 1,054,269.00 | 109,600.00 | 1,613,869.00 |

*Including 3 part time.

Breakdown between Identified Staff and other staff was as follows:

| | Number – head count As of 31.12.2023 | Total gross (in EUR) |
|---|---:|---:|
| Identified staff | 10 | 1,101,624.00 |
| Other staff | 6 | 512,245.00 |

*Note:*
The tables above refer strictly to gross salaries and do not include other personnel costs such as the social security charges for the employer.

## Securities Financing Transactions and of Reuse Regulation (“SFTR”) Disclosures

The Regulation on Transparency of Securities Financing Transactions and of Reuse (the “SFTR”) entered into force on 12 January 2016 aiming to improve transparency in securities and commodities lending, repurchase transactions, margin loans and certain collateral arrangements. The fund does not use any instruments falling into the scope of “SFTR”.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation (“SFDR”) Disclosure

**Ersel Private Equity Fund:**

The Fund takes into account ESG criteria as per Sustainable Finance Disclosure Regulation (“SFDR”).
The fund is in line with **art. 6** of the SFDR. Nevertheless, the investments underlying the Fund do not take into consideration the environmental objectives as defined by Regulation 2020/852 (“EU Taxonomy”) for environmentally sustainable economic activities

**Ersel Real Estate Fund ESG:**

The Fund takes into account ESG criteria as per Sustainable Finance Disclosure Regulation (“SFDR”).
The Fund is in line with **art. 8** of the SFDR. Nevertheless, the investments underlying the Fund do not take into consideration the environmental objectives as defined by Regulation 2020/852 (“EU Taxonomy”) for environmentally sustainable economic.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

*ANNEX IV*

**Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** Ersel Private Markets Fund, FCP-RAIF, Ersel Real Estate Fund ESG **Legal entity identifier:** 213800OB81V6WUFALK60

## Environmental and/or social characteristics

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Did this financial product have a sustainable investment objective?**

| ☐ **Yes** | ☒ **No** |
|---|---|
| ☐ It made **sustainable investments with an environmental objective:**___% | ☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments |
| ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy |
| ☐ not qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy |
| | ☐ with a social objective |
| ☐ It made **sustainable investments with a social objective:**___% | ☒ It promoted E/S characteristics, but **did not make any sustainable investments** |

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

ERSEL Real Estate Fund ESG (the "Sub-Fund") invests at least 85% of its assets into KERVIS REAL ESTATE FUND II (the "Master Fund"). The environmental and/or social objectives promoted by the Sub-Fund are those of the Master Fund. Therefore, look-through principles have been applied for the purpose of this reporting

The Master Fund has invested in four real estate assets, for which tear-down and refurbishing operations are planned. Therefore, the environmental/social characteristics promoted by the Master Fund have currently been integrated into the design activities, and are related to:

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

- Mitigation of climate change, through (i) the realization of buildings with higher energy efficiency compared to the status quo at the time of investment, characterized by low emissions of fossil fuels and Green House Gases (GHG) and (ii) the active management of the environmental performance of the buildings and the awareness of the occupants of the same buildings about the use of renewable energy sources (e.g. photovoltaic panels, led, thermal collectors, etc.);

- Social and end-user well-being, promoting sustainable mobility and through the realization of redevelopment projects and creation of green areas that aim to improve the quality and safety of living for the end-users and, more generally, the well-being of the inhabitants of the areas affected by the same interventions.

The achievement of each environmental and/or social characteristic will be monitored and assessed principally on the basis of energy certifications (e.g. Energy Performance Certificates) and, if applicable, through the certifications of remediation and removal of chemicals. In particular, the management company of the Master Fund aims to obtain the qualification of energy efficient buildings and therefore with high Energy Performance Certificates ("EPC"). For the real estate in which it invests, in consideration of the historical value, of the relative legal impositions and of the potential constraints applicable to the same, the Fund's strategy aims at certifications between class "C" and class "A".

- ***How did the sustainability indicators perform?***

The performance of the chosen indicators to measure the promotion of the Master Fund's environmental and social characteristics is currently not measurable due to the current state of project realization. In the preliminary phase, the design activities aim to achieve environmental and social characteristics through the active management of the environmental performance of the properties.

- ***…and compared to previous periods?***

With reference to the reporting period, this section is not applicable to the financial product.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

This section is not applicable to the financial product.

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

NA

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

*How were the indicators for adverse impacts on sustainability factors taken into account?*

NA

*Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

NA

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

## How did this financial product consider principal adverse impacts on sustainability factors?

At this time the Fund does not take into consideration the negative effects of the investment decisions on the sustainability factors (the so-called "Principal Adverse Impact") because the Manco does not have a set of acceptable data and information to fully assess the potential negative effects of its investments on the sustainability factors

Despite the limitations on data and information available for assets, the Fund, as part of its investment strategy, which aims to achieve positive environmental impacts, monitors the improvement of energy performance of buildings and the impact of construction interventions on green areas, in order to mitigate the negative effects connected to investments.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation (“SFDR”) Disclosure

Due to the nature of the assets in the portfolio, furthermore, the Fund does not have exposures to the fossil fuel sector.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period ended 31/12/2023.

## What were the top investments of this financial product?

| Largest investments | Sector | % Assets | Country |
|---|---|---|---|
| AMPERE | *Real Estate* | 22 % | *Italy* |
| LARIO/STELVIO | *Real Estate* | 29 % | *Italy* |
| DOMENICHINO | *Real Estate* | 18 % | *Italy* |
| TORTONA | *Real Estate* | 31 % | *Italy* |

The investments of the Master Fund, used for the acquisition of properties, represent 100% of the investments made by the fund up to the date of publication.

**Asset allocation** describes the share of investments in specific assets.

## What was the proportion of sustainability-related investments?

100% of the investments planned by the Master Fund are aimed at promoting environmental/social characteristics.

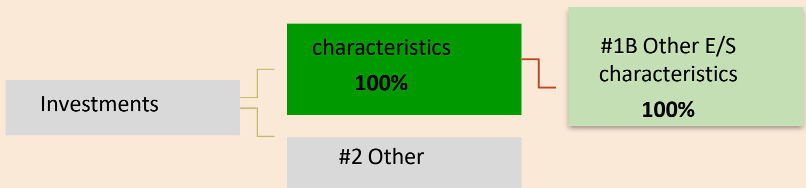
### *What was the asset allocation?*

The Sub-Fund invested 100% of its assets in the Master Fund, net of cash and money market instruments The Master Fund has invested 100% of the funds collected in assets whose design and construction characteristics will be in line with the promotion of the environmental and social characteristics that the Fund intends to promote, without having carried out an alignment analysis to the EU Taxonomy for investments in economic activities that qualify as environmentally sustainable or having a social objective to date.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations

switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.




**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

***In which economic sectors were the investments made?***

The Master Fund invested in the real estate sector for residential purposes.

**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

**Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

In accordance with the pre-contractual information prepared, with the regulatory requirements of the EU Taxonomy, and considering that the real estate projects subject to investment are still in the design phase, the level of alignment with the Taxonomy is currently 0%. However, ad hoc assessments are currently underway to evaluate the necessary interventions to ensure compliance with the technical screening criteria presented by the delegated acts of the EU Taxonomy, and to obtain reliable data on the degree of alignment.

**Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?**

Yes:

In fossil gas    In nuclear energy

✖ No

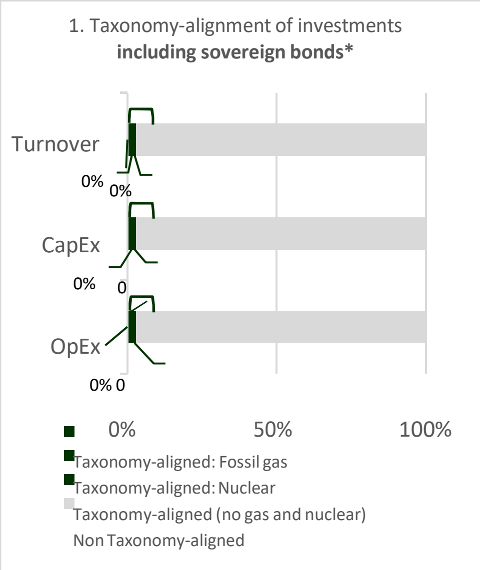
Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

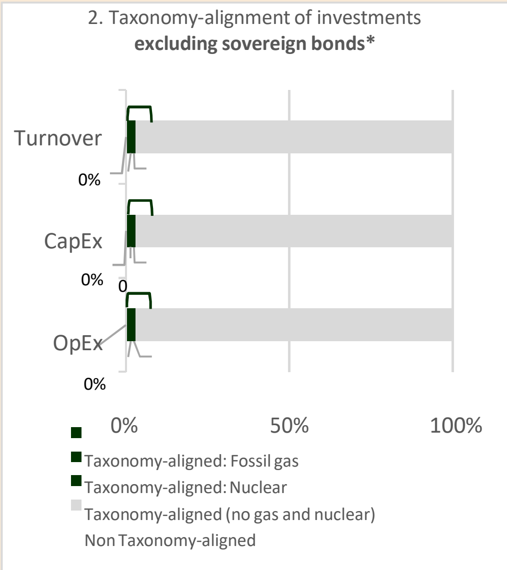
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation (“SFDR”) Disclosure

***The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.***




This graph represents x% of the total investments.

* *For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures.*

### *What was the share of investments made in transitional and enabling activities?*

N.A.

### *How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?*

N.A.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

### What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

N.A.

### What was the share of socially sustainable investments?

N.A.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

**What investments were included under "other", what was their purpose and**

No investments are included in the "Other" category, net of cash and money market instruments , as all the assets of the Sub-Fund have been invested in the Master Fund, and the Master Fund allocated its portfolio for the promotion of environmental/social characteristics. The Master Fund's assets may however, as necessary, invest in money market instruments, marketable securities and bank deposits and financial derivative instruments, the latter for the sole purpose of hedging risks including currency risk and risks arising from borrowing. The Master Fund may also invest in companies for the purpose of real estate investment. In addition, the Master Fund may hold cash for treasury needs

**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Master Fund has introduced, during 2023, the inclusion in the portfolio of two further underlying assets (Domenichino and Tortona), in addition to the two assets introduced during 2022 (Ampere and Lario/Stelvio). Among the activities initiated, there are operations of change of use in residential form, among other things by carrying out redevelopment and creation of green areas aimed at increasing the quality and safety of housing for end users. Therefore, the activities of pursuing the environmental and social characteristics of the Fund are also planned in the planning phase.

In order to promote environmental and social characteristics such as climate change mitigation and the social well-being of end users, the MF design actions, with related work to be conducted directly and/or indirectly, will aim at promoting such characteristics. In particular, the Manco is committed to promoting active management of the *performance* of properties from the planning phase and to increase the awareness of the properties' occupants on the use of renewable energy sources (e.g. photovoltaic panels, LEDs, thermal collectors, etc.). Moreover, it aims to support sustainable mobility and the implementation of redevelopment and creation of green areas aimed at enhancing the quality and safety of living for end users and, more generally, the well-being of the inhabitants of the areas affected by the same interventions.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

Particular attention will be dedicated to improving the energy efficiency of the properties compared to the status quo at the time of investment. Indeed, during evaluations of individual properties subject to potential investment, the Manco takes into account the possibility of meeting - at the outcome of redevelopment, renovation, renewal and/or conversion of target properties - sustainability parameters, as well as the possibility of obtaining specific certifications issued by nationally and/or internationally accredited professionals or bodies.

The Manco therefore aims to achieve the qualification of energy-efficient properties and therefore equipped with a high Energy Performance Certificate (EPC), ranging between class "C" and class "A". During the reference period, through appropriate restoration, renovation (including demolition and reconstruction), renewal and/or conversion for residential use, also through the implementation of actions aimed at containing negative environmental externalities, the properties held by the Master Fund aim to improve their energy efficiency, achieving a higher energy class. The Master Fund therefore, through the application of this strategy, aims to increase the energy performance of the properties, while maintaining those aesthetic and social characteristics that will also make them important for the community in which they are located. Furthermore, within the scope of its investment strategy and with the aim of achieving the environmental and/or social characteristics promoted by the Fund, the Manco considers the following criteria as binding:

- location in areas with good infrastructure in terms of public transport;
- the possibility to create private green areas or external common green areas for condominiums.

The Master Fund, therefore, does not invest in real estate projects that do not allow for development and refurbishment operations in line with the environmental and/or social characteristics promoted by it.

**How did this financial product perform compared to the reference benchmark?**

N.A.

**How does the reference benchmark differ from a broad market index?**

N.A.

***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

N.A.

***How did this financial product perform compared with the reference benchmark?***

N.A.

# Other information (unaudited) (continued)

# Sustainable Finance Disclosure Regulation ("SFDR") Disclosure

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How did this financial product perform compared with the broad market index?***

N.A.