

Kempen Alternative Investment Fund

**Annual Report, including the audited
financial statements**

31 December 2020



Kempen

Subscriptions cannot be received on the basis of financial statements. Subscriptions are valid only if made on the basis of the current prospectus, supplemented by the last annual report, including audited financial statements and the most recent unaudited semi-annual report, if published thereafter.

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¹DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

Directors and Administration

Board of Directors

Chairman

Henry Kelly, Managing Director, KellyConsult Sàrl,
Grand Duchy of Luxembourg

Directors

Jacques Elvinger, Partner, Elvinger Hoss Prussen,
Grand Duchy of Luxembourg

Hendrik Luttenberg, Managing Director, LBGConsult
Richard Goddard, Independent Director, The
Directors' Office S.A., Grand Duchy of Luxembourg
John Vaartjes, Vice President, Kempen Capital
Management N.V.

Job de Kort, Executive Director, Kempen Capital
Management N.V. (appointed on 15 May 2020)

Management Company and Alternative Investment Fund Manager

Kempen Capital Management N.V.,
Beethovenstraat 300, 1077 WZ Amsterdam,
The Netherlands

Global Distributor

Kempen Capital Management N.V.,
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The Netherlands

Depository and Paying Agent

J.P. Morgan Bank Luxembourg S.A.,
6, Route de Trèves, L-2633 Senningerberg,
Grand Duchy of Luxembourg

Central Administration Agent

J.P. Morgan Bank Luxembourg S.A.,
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Grand Duchy of Luxembourg

Auditor

PricewaterhouseCoopers, Société coopérative,
2, rue Gerhard Mercator B.P. 1443, L-1014
Luxembourg, Grand Duchy of Luxembourg

Legal Advisor

Elvinger Hoss Prussen, société anonyme,
2, Place Winston Churchill B.P. 425, L-2014
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Registered Office of Kempen Alternative Investment Fund

Kempen Alternative Investment Fund
6h, route de Trèves, L-2633 Senningerberg,
Grand Duchy of Luxembourg

Profile

Kempen Alternative Investment Fund (the "Fund"), a Luxembourg based umbrella fund, was incorporated on 16 July 2001 and consists of five Sub-Funds as per year end: Kempen Orange Investment Partnership (KOIP), Kempen Non-Directional Partnership (KNDP), Global Alternative Investment Partners (GAIP), Allocation Fund (AF), and the Diversified Structured Credit Pool (DSCP).

Investment objective KOIP

The investment objective of KOIP is to generate a long term return in excess of Euribor plus 4%. The investment portfolio of KOIP will primarily consist of participations in Investment Vehicles managed by third-party investment managers. These Investment Vehicles may be operating in various fields of the capital markets, from (distressed) debt to equities, utilizing various investment strategies, from traditional ("long only") to so called "alternative" strategies.

Investment objective KNDP

The investment objective of KNDP is to generate a long term return in excess of Euribor plus 3%. The investment vehicles of KNDP may be operating in various fields of the capital markets (e.g. stocks, bonds, commodities). The investment vehicles in which KNDP invests use a broad variety of investment strategies and styles to achieve attractive absolute returns. KNDP invests in investment vehicles which primarily follow non-directional strategies, including relative value strategies, non-directional arbitrage strategies, market neutral long/short investment strategies and event driven strategies. Non-directional strategies aim to achieve a relatively stable pattern of positive returns, whilst limiting potential losses. Managers pursuing these strategies seek to accomplish their risk/return goals by exploiting market inefficiencies with a minimal exposure to general market movements.

Investment objective GAIP

The investment objective of GAIP is to generate a long term return in excess of Euribor plus 4%. The investment portfolio of GAIP will primarily consist of participations in Investment Vehicles managed by third-party investment managers. These Investment Vehicles may be operating in various fields of the capital markets, from (distressed) debt to equities, utilizing various investment strategies, from traditional ("long only") to so called "alternative" strategies.

Investment objective AF

AF is designed as a tool to implement the tactical asset allocation view of Kempen Capital Management N.V. into the portfolios of its discretionary clients and thereby aims to improve the risk return profile of the total portfolios of these discretionary clients.

The exposure to the various investment categories in AF (such as fixed income, equities, real estate, currencies and commodities) is based on the tactical allocation view of Kempen Capital Management N.V. whereby the level of exposure is determined on the basis of the level of conviction of the relevant investment categories. To obtain the exposure to the various investment categories AF may invest (either using long or short positions) worldwide in index futures providing exposure to investment categories such as stocks, bonds, commodities, currencies and real estate. AF is allowed to invest in investment funds as well as, directly or indirectly, in total return swaps and credit default swaps. AF can also invest its cash balances, which should in principle not exceed 98% of the AF net assets, in money market funds, deposits and bonds with a maximum maturity of 27 months. Investments may be made in all available sectors. AF uses derivatives such as, but not limited to, futures as an integral part of its investment policy. AF is allowed to hold short positions by means of derivatives.

Investment objective DSCP

DSCP will primarily consist of a concentrated pool of participations in investment funds managed by third-party investment managers. These investment funds will operate as long-only funds and will focus on the global structured credit markets investing in a variety of market segments including but not limited to RMBS (residential mortgage backed securities), CMBS (commercial mortgage backed securities), CLOs (collateralised loan obligations), Consumer ABS (consumer asset-backed securities) and other types of ABS (asset-backed securities) both in the US as well as in Europe.

Legal and fiscal aspects

No corporate tax, income or capital gains tax is currently levied in Luxembourg on the Fund. The Fund is however liable to a subscription tax ('taxe d'abonnement'). Class A, Class B, Class C and Class F Shares are liable to 'taxe d'abonnement' of 0.05% per annum, based on their net asset value calculated at the end of each quarter.

Class I, Class IG, Class I-GBP and Class I-USD Shares are liable in Luxembourg to a 'taxe d'abonnement' of 0.01% per annum, based on their net asset value calculated at the end of each quarter.

Investments in Luxembourg UCIs by the Fund enjoy full tax exemption so as to prevent double taxation. Under the current Dutch tax regime, investments by Dutch private investors in any of the Sub-Funds will in principle be taxed on the basis of an assumed income.

Subscriptions and redemptions of shares

For KOIP, KNDP, GAIP, AF and DSCP the shares are not listed on any stock exchange. Shares in KOIP and KNDP are issued and redeemed subject to any applicable commitment period and prior notice requirements (as described in the prospectus) on the first business day of each quarter being January, April, July and October. In extension for both Sub-Funds, Class A, Class F, Class I and Class I-GBP Shares are issued the first business day of each month, not being the first business day of each calendar quarter. Shares of KOIP, KNDP and GAIP are issued at net asset value and are redeemed at net asset value.

The dealing frequency of AF is each business day. Investment and/ or disinvestment costs may have an adverse effect on the shareholders' interest in AF. In order to prevent this effect, called 'dilution', the Board of Directors has the authority to allow for the net asset value per share to be adjusted (by no more than 1.50%) by effective dealing and other costs and fiscal charges which would be payable on the effective acquisition or disposal of assets in AF.

The dealing frequency of GAIP is each first business day of each calendar month.

For DSCP the applications for subscription must be received, at least 3 Business Days before the relevant Valuation Day. Application received by that time will be dealt with on the immediately following Dealing Day. Applications for subscriptions received thereafter will be dealt with on the next following Dealing Day based on the net asset value calculated as of the following Valuation Day.

For DSCP each Shareholder will have the right as of each calendar quarter-end, upon at least 92 days' prior written notice, to redeem all or part of his Shares or of a fixed amount at the Net Asset Value per Share determined as at the Valuation Days which is either March 31, June 30, September 30 or December 31 of each calendar year. If the value of a Shareholder's holding on the relevant Valuation Day is less than the specified minimum holding amount, the Shareholder may be deemed to have requested the redemption of all of his Shares.

Dividend policy

It is the policy for KOIP, KNDP, GAIP, AF and DSCP to reinvest all revenues and capital gains and not to pay any dividends in 2020. The Board of Directors of the Fund still has the option, in any given accounting year, to propose to the shareholders of any Sub-Fund at the Annual General Meeting of Shareholders, the payment of a dividend.

The Class B Shares in DSCP will distribute dividend in 2021.

Directors' Report

To our shareholders,

The Board of Directors of Kempen Alternative Investment Fund SICAV (the "Fund" or "KAIF") is pleased to present the Annual Report, including the audited financial statements, for the financial year from 1 January 2020 to 31 December 2020.

COVID-19

Beginning in January 2020, the global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Fund's performance.

Activities and outlook

The Fund comprises five Sub-Funds as per year end: Kempen Orange Investment Partnership (KOIP), Kempen Non-Directional Partnership (KNDP), Global Alternative Investment Partners (GAIP), Allocation Fund (AF) and Diversified Structured Credit Pool (DSCP).

The Sub-Fund DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

After the end of the financial year, on the 4th of January 2021, two new Sub-Funds were launched: Long/Short Equity Pool and Diversified Distressed Debt Pool.

KOIP shareholders were informed that, per a decision of the Board, the Sub-Fund would be merged into the KNDP Sub-Fund. Such merger was successfully completed in January 2021.

As at 31 December 2020, the total Assets under Management of the Fund increased to a total of € 918,726,561. The performance of the Sub-Funds is shown in the table immediately following this report.

Corporate Governance statement

The Board of Directors of the Fund is responsible for supervising the Fund and its delegates in accordance with

the articles of incorporation, prospectus, and laws and regulations applicable to Luxembourg investment funds. The names and addresses of the Directors are listed with their principal occupations in the Directors and Administration section of the Annual Report.

The Board of Directors confirms the Fund's adherence to the ALFI Code of Conduct for Luxembourg Investment Funds, as published in July 2013.

The Board consists of six Directors, two of whom are employees of the Management Company and Distributor, Kempen Capital Management N.V. ("KCM"). The remaining four Directors are independent of KCM.

At the Board meetings, which generally number at least three per financial year, the Directors review the management of the Fund's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Fund's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Fund. The Directors are kept fully informed of investment and financial controls and other matters relevant to the business of the Fund.

The Directors are responsible for ensuring the Fund's annual report is prepared in accordance with Luxembourg GAAP and applicable legal and regulatory requirements.

Internal Controls

The Board is also ultimately responsible for the Fund's system of internal controls and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Fund.

Business of the Annual General Meeting

The annual general meeting of shareholders is held at the registered office of the Fund in Luxembourg. The notice and the agenda of the meeting will be sent to the shareholders prior to the meeting. The next annual general meeting will be held on 14 May 2021.

Luxembourg, 6 May 2021

The Board of Directors of Kempen Alternative Investment Fund

Investment Management Report

We hereby report to you on the financial year 2020 of the Fund, which covers the period from 1 January 2020 to 31 December 2020 inclusive. The report starts with a summary of the results of all Sub-Funds followed by a discussion of the investment policy and outlook of KOIP, KNDP, GAIP, AF and DSCP for 2020.

Results

For the year under review, the return of KOIP based on the net asset value was +5.8% for Class A, +5.9% for Class B, +6.0% for Class C, +5.8% for Class F, +5.8% for Class I, +5.7% for Class I-GBP, and +7.4% for Class I-USD.

KOIP	31-12-2020	31-12-2019
Net asset value per share		
- Class A	€ 1,393.96	€ 1,318.13
- Class B	€ 1,425.15	€ 1,346.29
- Class C	€ 1,457.11	€ 1,375.11
- Class F	€ 143.92	€ 136.09
- Class I	€ 128.32	€ 121.29
- Class I-GBP	£ 115.52	£ 109.24
- Class I-USD	\$ 107.46	\$ 100.05
Net assets	€ 289,167,090	€ 361,865,150

For the year under review, the return of KNDP based on the net asset value was +6.2% for Class A, +6.3% for Class B, +6.2% for Class F and +7.8% for Class I-USD.

KNDP	31-12-2020	31-12-2019
Net asset value per share		
- Class A	€ 18.48	€ 17.40
- Class B	€ 18.87	€ 17.76
- Class F	€ 148.40	€ 139.76
- Class I-USD	\$ 113.04	\$ 104.87
Net assets	€ 90,110,700	€ 107,812,230

For the year under review, the return of GAIP based on the net asset value was +8.9% for Class I.

GAIP	31-12-2020	31-12-2019
Net asset value per share		
- Class I	€ 115.89	€ 106.40
Net assets	€ 64,761,964	€ 73,402,882

For the year under review, the return of AF based on the net asset value was +14.7% for Class IG.

AF	31-12-2020	31-12-2019
Net asset value per share		
- Class IG	€ 1,632.42	€ 1,422.94
Net assets	€ 223,599,951	€ 249,457,314

For the period under review, the return of DSCP based on the net asset value was +3.37% for Class A, +3.11% for Class A-EUR, +3.37% for Class I, +3.12% for Class I-EUR and +3.22% for Class I-GBP.

DSCP	31-12-2020	31-10-2020
Net asset value per share		
- Class A	\$ 1,156.76	\$ 1,119.10
- Class A-EUR	€ 1,056.99	€ 1,025.08
- Class B-EUR	€ 1,011.33	–
- Class I	\$ 1,156.88	\$ 1,119.14
- Class I-EUR	€ 1,057.09	€ 1,025.12
- Class I-GBP	£ 992.36	£ 961.43
Net assets	\$ 307,217,319	\$ 281,550,496

The return figures in the table only reflect the months November and December 2020 as the Sub-Fund DSCP was launched at the end of October 2020. The launch of the DSCP Sub-Fund completed the migration of the Fund from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella. Full year return figures of DSCP, including the period where it was a Sub-Fund of KAMF, are available in the "Additional Information (Unaudited)" section starting on page 40.

Investment policy KOIP, KNDP & GAIP

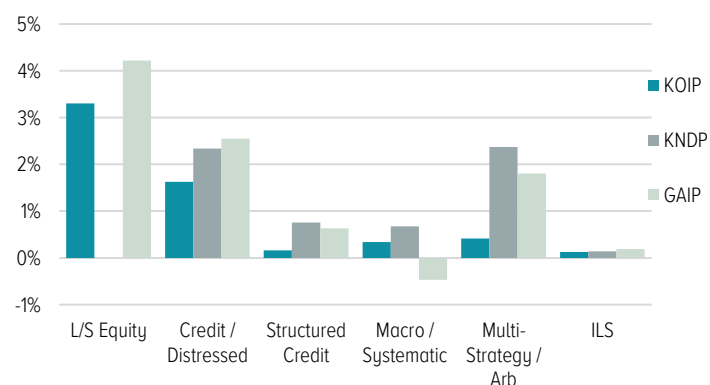
Calendar year 2020 returns were +6.3% (KNDP, Class B), +6.0% (KOIP, Class C), and +8.9% (GAIP, Class I), versus +3.0% for the reference hedge fund index (HFRX Global Hedge Fund EUR Index).

It is an understatement to say that 2020 was a turbulent year. The funds held up well during the first leg down in February, but March was characterized by forced selling and poor technicals which impacted most strategies and caused the funds to be down between -8% and -10% at the end of Q1-2020. At the end of that quarter, we saw significant embedded value in the portfolio and a rich opportunity set across strategies. We were also comforted by the fact that the portfolio was invested in stable, strong managers that had access to dry powder and that had the right fund liquidity structures to be able to act rationally and take advantage of investment opportunities. Portfolio activity at the end of that quarter was centered around optimally positioning the portfolio, amongst others by adding Structured Credit exposure at the troughs. In the remainder of the year the outlook and positioning came to fruition, with nine consecutive positive months – including September and October when stock markets were negative. Ultimately all strategies contributed positively to performance and the funds ended the year up between +6% and +9% (net, EUR).

The strongest contribution to KOIP and GAIP performance was delivered by Long / Short Equity managers that generated a weighted average return of +25%, helped by alpha on both sides of the book (long and short). Credit / Distressed managers also performed strongly (+11%) with returns being driven by a combination of (a) shorts, (b) investing in performing debt at steep discounts in the midst of the crisis, and (c) successful restructurings. Results were more mixed in the group of Macro / Systematic managers, which includes (a) a long volatility manager that was able to hold on to the majority of Q1 gains (finishing the year at +50%), (b) an EM-focused macro manager that rebounded very strongly from a poor Q1 to become one of the top FY contributors, but also (c) a global macro managers that struggled due to being long equities in Q1 and that was not able to fully recoup

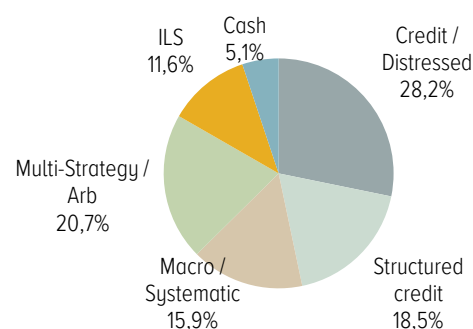
these losses in the remainder of the year. Multi-Strategy/Arbitrage managers also put up healthy performance banking on opportunities across equity market neutral, risk arbitrage, and convertible arbitrage. An extremely high frequency in natural catastrophes made it a difficult year for Insurance Linked (ILS), but the manager in that space was able to eke out a positive return (+5%) as relatively high premiums received outweighed claims to be paid out. Finally, Structured Credit managers weren't ultimately able to fully recoup Q1 losses (ending the year at -1%), but our active portfolio management (adding to the strategy at the end of Q1) meant that this strategy too contributed positively to performance.

Contribution to return (net, EUR) per strategy in 2020

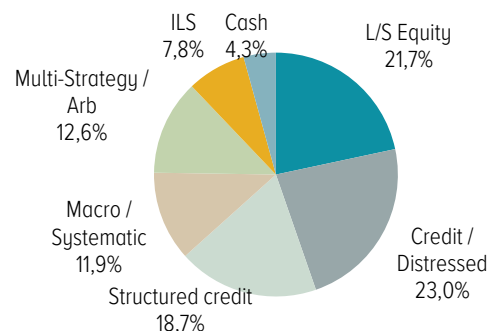


At the start of 2021, KOIP merged into KNDP. Per the start of 2021, strategy exposures for KNDP and GAIP were as follows:

Strategy mix KNDP per Jan 1st, 2021



Strategy mix GAIP per Jan 1st, 2021



Outlook KNDP & GAIP

The opportunity set is healthy across the range of strategies present in the portfolio:

- Rising defaults and rating downgrades in an environment of record levels of corporate debt put Distressed Debt funds in the spotlight. They can provide specialized capital to help companies restructure and reduce debt to sustainable levels. Historically, such an environment has led to above average returns for Distressed Debt.
- Premiums received in Insurance Linked (ILS) increased substantially for the third year in a row in response to elevated natural catastrophe activity. Even under conservative assumptions (i.e. assuming continued above-average natural catastrophes going forward) this strategy offers the opportunity for double digit returns, while the additional benefit is that ILS returns tend to be uncorrelated to traditional markets.
- Monetary policies and the fiscal backdrop across the globe is expected to have meaningfully different impact across regions and asset classes. This in turn enables Macro / Systematic managers relative value opportunities across equities, rates, FX, credit, and commodities.
- The underlying fundamentals for Structured Credit are relatively strong while yields are substantially higher than in similarly rated corporate credit. In addition to potential gains on converging spreads, this is a category where specialist managers have been able to structurally produce 'alpha'.
- A pick-up in M&A and convertible issuance and continued volatility in individual equities should provide Multi-Strategy / Arbitrage managers with a fertile hunting ground to produce uncorrelated returns.
- Elevated single stock volatility leaves more room for stock selection alpha with Long/Short Equity managers on both sides of the book (long and short).

Investment policy AF

AF is a vehicle used for tactical allocation for discretionary managed multi asset portfolios. The Sub-Fund is used as an overlay in the client portfolio. A short position corresponds to an underweight in the overall client portfolio and vice versa for a long position (overweight). AF generated a return of 14,7% over the financial year 2020.

The year 2020 was dominated by the Corona virus (Covid-19). In early January the outbreak was seen as a regional issue, limited to North Eastern Asia. However, in the course of the first quarter of the year the virus grew to a global pandemic. Governments responded by imposing strict lockdowns. Stock markets sharply declined on the back of the Corona developments. The economic impact as a result of these measures was in particular visible in the negative economic growth over the second quarter of the year. Central banks and governments around the world supported the economy by imposing large scale support programs. This resulted in a swift, V-shape, economic recovery in the third quarter of the year. Global stock markets anticipated on the expected economic pattern and showed strong recovery after mid-March. All developments on Corona more or less pushed back other important topics like Brexit and the US presidential elections.

Overall investment categories closed the year with a somewhat mixed result. Fixed Income showed strong results. However, due to the depreciation of the US Dollar with 9% (31-12-'19: 1.1225 – 31-12-2020: 1.2236) the euro result of US and Emerging Markets Bonds remained negative. With equities Europe did not recover to gain positive results over the year. Other regions showed a net positive return with benchmarks up approximately 3 to 10%.

As of 31 December 2020 the fund holds a limited overweight in equity. In equity the fund has an overweight in the US. In bonds, the fund has an underweight in short duration bonds.

Outlook AF

The coronavirus still makes the outlook for the global economy extremely uncertain. The strict lock downs are still, or again, in place in many countries and will have a negative impact on the development of the world economy. In the Eurozone economic growth for the first quarter is expected to be negative. To a lesser extend this can also be the case for the US. In Asia the virus is more under control. The Chinese economy is performing above the pre-pandemic levels. Also other economies in South East Asia show improvement and growth. Vaccination programs and easing of Covid-19 measures, together with continuing fiscal and monetary spending by governments give reason to believe that we can anticipate economic recovery later in the year.

Investment policy DSCP

Please note that the Investment Policy of DSCP is covering the period from 1 January 2020 until 31 December 2020. Before DSCP was migrated into the Kempen Alternative Investment Fund ("KAIF") umbrella it existed and performed under the Kempen Alternative Markets Fund ("KAMF") umbrella. Therefore, the whole year 2020 will be covered instead of the months November and December 2020 (the period where DSCP was active in the Kempen Alternative Investment Fund umbrella).

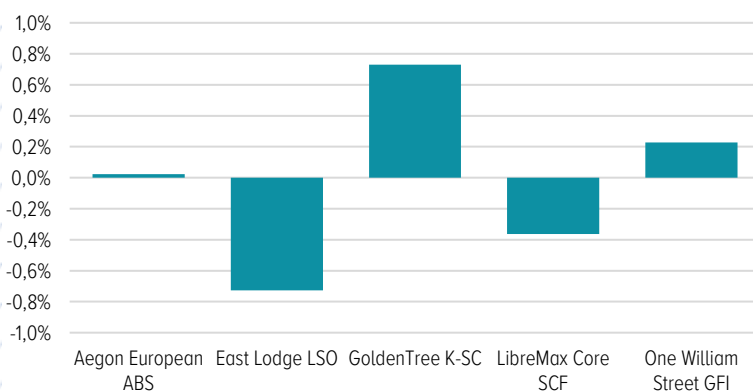
DSCP finished the year with a return of -0.11% (Class I USD) as it recouped March 2020 losses in the ensuing nine months of the year.

While the global outbreak of COVID-19 initially didn't have a large impact on the Structured Credit market, in the course of March 2020 the bottom fell out of the market. Prices dropped precipitously, and the velocity of the price drop was unparalleled. In several markets, prices fell as much in the course of 2-3 weeks as they had done in the Great Financial Crisis ('GFC') when markets started falling in 2007 and only bottomed out in early 2009. Amidst the violent price moves, there was no place to hide and bond prices fell regardless of the type of collateral they were backed by. Dispersion in terms of credit quality was minimal; correlations spiked to 1, and the baby was thrown out with the bathwater. On the one hand there

was a fundamental cause for prices to drop just like in the equity and corporate bond market as the creditworthiness of the collateral in Structured Credit securities would be tested with the global economy falling into recession. Ultimately, as we look back on the year, fundamental performance across collateral types within the Structured Credit market was very strong. The more dominant reason for price falls in March was the technical backdrop that was tainted by forced sellers who, as a result of poor asset-liability matching and/or margin calls, were forced to reduce exposures at a time when market liquidity had vaporized. Examples of poor asset-liability structures emerged in the mutual fund industry where 40Act fixed income funds that offer daily liquidity and that were hit by massive redemptions, becoming forced sellers overnight. The fact that broker-dealers hardly have any capacity to take on positions exacerbated this problem. Margin calls further contributed to the malfunctioning of markets and Mortgage REITs (mREITs) in the US were at the epicenter of these margin calls. mREITs are listed closed-end funds that invest with significant gearing (often times levered by 4-8x) in mortgage-backed securities, predominantly those issued by government sponsored entities such as Fannie Mae and Freddie Mac (Agency MBS), but to a lesser extent also in so-called private label residential mortgage-backed securities issued by independent financial institutions (Non-agency RMBS). When liquidity in the agency MBS market dried up and bond prices started to fall the banks who had lent money to the mREITs aggressively started calling in capital from their clients who in turn had to liquidate assets to make up for these margin calls, often voluntarily but sometimes involuntarily. Stress mounted to a point where on Sunday evening March 22nd portfolio auctions were taking place. Because these portfolio liquidations also comprised Non-agency RMBS bonds that the managers in DSCP invest in, the collateral damage was a fact.

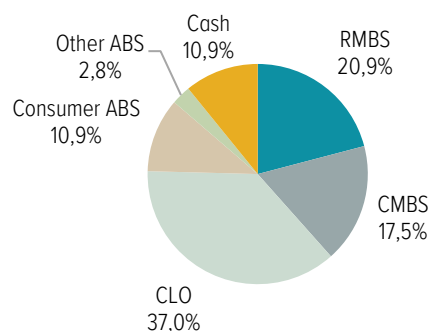
However, none of the underlying managers in DSCP had to crystallize losses as their funds operate without the use of leverage. All underlying managers had dry powder with considerable cash balances and they had the right liquidity structure to face these challenging markets in a position of strength. This helped managers to strongly recover and outperform their global peer group. The two largest positions in DSCP are GoldenTree K-SC and One William Street GFI. Both ultimately ended the year in positive

territory with respective performance of +3.2% and +1.2%, helping them to contribute positively to DSCP. In the instance of GoldenTree, its investment to bonds backed by Puerto Rican assets were their key contributor to performance, while the manager also managed to eke out positive contributions in CLO's, Consumer ABS, and CMBS. One William Street generated its largest gains in Consumer ABS where the manager was quick in recognizing the attractive value in bonds backed by auto car loans, adding to exposure around the troughs in March. When the market started noting the fact that payment behavior was strong and second hand car prices were rising these bonds rallied in price. The smaller allocations within DSCP were to East Lodge and LibreMax. Both managers also recovered strongly after March but ultimately they were not able to get back into positive territory, finishing the year at -4.1% and -2.2% respectively. In the instance of both managers, the allocation to CLO's detracted from performance, and gains in RMBS were not sufficient to offset this. Finally, Aegon European ABS is a daily liquidity high grade structured credit fund that is used at times for efficient portfolio management purposes. It wasn't part of the portfolio at year-end and contributed modestly positive to DSCP during 2020.

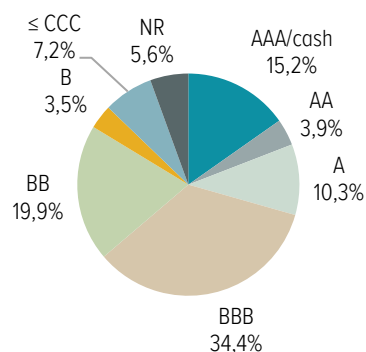


Per the start of 2021, on a look-through basis, DSCP had an allocation of 21% to RMBS, 18% to CMBS, 37% to CLO's, and 11% to Consumer ABS. About 2/3rd of the portfolio was invested in bonds with an Investment Grade rating (BBB rating or higher).

Sector mix DSCP (look-through) per Jan 1st, 2021



Rating mix DSCP (look-through) per Jan 1st, 2021



Outlook DSCP

In terms of the outlook, fundamentals look healthy for those bonds that face the (US) consumer, i.e. RMBS (bonds backed by residential mortgages) and Consumer ABS (bonds backed by consumer loans). Personal savings rates are high, house prices are rising, mortgage rates are low, and payment behaviour is strong. Corporate fundamentals look weaker. This is relevant for CLO's (bonds backed by senior secured corporate loans). That said, the focus of the managers in this segment is on securities that can sustain a dramatic rise in default rates before principal or coupon is impacted. Scenario analysis shows that even in case of default rates being 2-3 times the levels seen during the Global Financial Crisis, these bonds should be money good. In CMBS (bonds backed by commercial real estate), the situation is judged on a case by case basis, including thorough underwriting of the collateral. This detailed analysis highlights attractive risk/reward potential in select cases. On an overall basis at the start of the year, DSCP's portfolio has an average rating of BBB+ and a yield to maturity of 4.2%, comparing favourably to corporate bonds with a similar credit profile.

The information stated in the report is historical and is not representative of future results.

Financial Statements

Statement of net assets as at 31 December 2020

	KOIP	KNDP	GAIP	AF	DSCP ¹	COMBINED
Currency	EUR	EUR	EUR	EUR	USD	EUR
Assets						
Investments in securities at cost (note 2)	140,235,716	61,531,474	53,784,817	180,302,796	271,732,568	657,940,187
Unrealised gain/(loss)	34,792,729	14,982,520	7,502,921	733,371	25,566,454	78,906,849
Investments in securities at market value (note 2)	175,028,445	76,513,994	61,287,738	181,036,167	297,299,022	736,847,036
Cash at bank and at brokers	50,905,381	995,362	1,402,316	42,075,162	–	95,378,221
Receivables on subscriptions	–	–	–	151,553	–	151,553
Receivables on advance redemptions	–	–	–	1,031,552	–	1,031,552
Receivables on investments sold	55,857,857	6,072,540	13,582	443	–	61,944,422
Receivable on advanced purchase of investments	–	4,903,163	1,503,248	589,944	20,127,690	23,446,595
Unrealised gain on financial futures contracts (note 3)	–	–	–	1,755,724	–	1,755,724
Unrealised gain on forward currency exchange contracts (note 3)	8,271,994	2,084,850	1,534,673	–	9,523,505	19,675,020
Formation expenses, net of amortisation	–	–	–	–	5,991	4,896
Other assets	1,264	23	–	–	–	1,287
Total Assets	290,064,941	90,569,932	65,741,557	226,640,545	326,956,208	940,236,306
Liabilities						
Bank overdrafts	–	–	–	–	5,108,268	4,174,957
Payables on redemptions	–	–	–	897,391	–	897,391
Payables on advance subscriptions	–	193,714	876,100	91,329	10,169,101	9,472,288
Payables on investments purchased	–	–	–	67	–	67
Payables on advanced sale of investments	40,741	–	13,580	536,476	4,186,700	4,012,562
Interest payable	40,801	4,068	1,928	16,881	–	63,678
Management fees payable (note 5)	338,553	104,224	66,982	–	170,088	648,770
Unrealised loss on financial futures contracts (note 3)	–	–	–	1,383,098	–	1,383,098
Unrealised loss on forward currency exchange contracts (note 3)	375,494	119,422	847	–	–	495,763
Other liabilities	102,262	37,804	20,156	115,352	104,732	361,171
Total Liabilities	897,851	459,232	979,593	3,040,594	19,738,889	21,509,745
Total net assets	289,167,090	90,110,700	64,761,964	223,599,951	307,217,319	918,726,561

¹DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

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

Statement of operations and changes in net assets for the year ended 31 December 2020

	KOIP	KNDP	GAIP	AF	DSCP ¹	COMBINED
Currency	EUR	EUR	EUR	EUR	USD	EUR
Net assets at the beginning of the year	361,865,150	107,812,230	73,402,882	249,457,314	–	792,537,576
Income						
Dividend income, net of withholding taxes	570	756	1,000	–	–	2,326
Bank interest	11,196	2,736	2,245	15,126	–	31,303
Total income	11,766	3,492	3,245	15,126	–	33,629
Expenses						
Management fees (note 5)	2,187,219	680,268	403,438	–	170,007	3,409,871
Taxe d'abonnement	102,761	46,230	6,272	22,303	7,311	183,541
Amortisation of formation expenses	–	–	–	–	798	652
Bank and other interest expenses	167,416	36,028	20,464	259,508	–	483,416
Other Operating expenses	533,727	156,159	108,616	223,050	51,306	1,063,484
Less: Fee waiver	(18,778)	(5,452)	–	(77,828)	–	(102,058)
Total expenses	2,972,345	913,233	538,790	427,033	229,422	5,038,906
Net investment income/(loss)	(2,960,579)	(909,741)	(535,545)	(411,907)	(229,422)	(5,005,277)
Net realised gain/(loss) on:						
Sale of investments	46,747,516	9,896,076	3,035,376	(621,337)	51,956	59,100,095
Financial futures contracts (note 3)	–	–	–	28,525,155	–	28,525,155
Forward currency exchange contracts (note 3)	16,248,359	5,248,416	3,603,056	–	–	25,099,831
Currency exchange (note 2)	(8,412,700)	(1,744,129)	(1,342,141)	(1,849,678)	(41,624)	(13,382,667)
Net realised gain/(loss) for the year	54,583,175	13,400,363	5,296,291	26,054,140	10,332	99,342,414
Net change in unrealised appreciation/(depreciation) on:						
Investments	(46,791,592)	(9,336,312)	(1,137,940)	(410,903)	9,911,019	(49,576,531)
Financial futures contracts (note 3)	–	–	–	3,059,128	–	3,059,128
Forward currency exchange contracts (note 3)	(46,231)	1,320,133	1,056,700	–	9,653,507	10,220,355
Currency exchange (note 2)	910,814	5,006	7,195	9,899	(4,300)	929,400
Net change in unrealised appreciation/(depreciation) for the year	(45,927,009)	(8,011,173)	(74,045)	2,658,124	19,560,226	(35,367,649)
Increase/(decrease) in net assets as a result of operations	5,695,587	4,479,449	4,686,701	28,300,357	19,341,136	58,969,487
Subscriptions	5,340,075	2,870,054	10,631,993	16,579,209	287,876,183	270,700,794
Redemptions	(83,733,722)	(25,051,033)	(23,959,612)	(70,736,929)	–	(203,481,296)
Increase/(decrease) in net assets as a result of movements in share capital	(78,393,647)	(22,180,979)	(13,327,619)	(54,157,720)	287,876,183	67,219,498
Net assets at the end of the year	289,167,090	90,110,700	64,761,964	223,599,951	307,217,319	918,726,561

¹DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

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

Statistical information

	SHARES OUTSTANDING AS AT 31 DECEMBER 2020	CURRENCY	NAV PER SHARE AS AT 31 DECEMBER 2020	NAV PER SHARE AS AT 31 DECEMBER 2019	NAV PER SHARE AS AT 31 DECEMBER 2018
KOIP					
Class A	3,994	EUR	1,393.96	1,318.13	1,314.76
Class B	28,803	EUR	1,425.15	1,346.29	1,341.52
Class C	4,679	EUR	1,457.11	1,375.11	1,368.87
Class F	829,993	EUR	143.92	136.09	135.74
Class I	48,422	EUR	128.32	121.29	120.93
Class I-GBP	846,058	GBP	115.52	109.24	107.41
Class I-USD	10,000	USD	107.46	100.05	96.86
Total net assets in EUR			289,167,090	361,865,150	389,170,598
KNDP					
Class A	214,750	EUR	18.48	17.40	17.41
Class B	1,492,700	EUR	18.87	17.76	17.74
Class F	384,428	EUR	148.40	139.76	139.82
Class I-USD	10,000	USD	113.04	104.87	101.87
Total net assets in EUR			90,110,700	107,812,230	110,388,524
GAIP					
Class I	558,800	EUR	115.89	106.40	104.88
Total net assets in EUR			64,761,964	73,402,882	80,513,093
AF					
Class IG	136,906	EUR	1,632.42	1,422.94	1,337.37
Total net assets in EUR			223,599,951	249,457,314	282,727,518
DSCP¹					
Class A	5,180	USD	1,156.76	—	—
Class A-EUR	8,448	EUR	1,056.99	—	—
Class B-EUR	362	EUR	1,011.33	—	—
Class I	85,620	USD	1,156.88	—	—
Class I-EUR	81,176	EUR	1,057.09	—	—
Class I-GBP	63,254	GBP	992.36	—	—
Total net assets in EUR			307,217,319	—	—

¹ DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

Realised Gains/(Loss) and Change in Unrealised Appreciation/(Depreciation) on Investments and Derivatives

	KOIP	KNDP	GAIP	AF	DSCP ¹	COMBINED
Currency	EUR	EUR	EUR	EUR	USD	EUR
Realised gain on:						
Investments	51,529,950	10,958,119	3,945,633	3,193,482	52,070	69,669,741
Financial futures contracts	–	–	–	122,203,967	–	122,203,967
Forward currency exchange contracts	29,583,103	7,817,399	5,381,386	–	–	42,781,888
Realised loss on:						
Investments	(4,782,434)	(1,062,043)	(910,257)	(3,814,819)	(114)	(10,569,646)
Financial futures contracts	–	–	–	(93,678,812)	–	(93,678,812)
Forward currency exchange contracts	(13,334,744)	(2,568,983)	(1,778,330)	–	–	(17,682,057)
Net realised gain/(loss) for the year:	62,995,875	15,144,492	6,638,432	27,903,818	51,956	112,725,081
Change in unrealised appreciation on:						
Investments	(46,950,178)	(8,881,155)	(1,238,749)	(1,144,200)	9,578,579	(50,385,767)
Financial futures contracts	–	–	–	1,539,054	–	1,539,054
Forward currency exchange contracts	244,879	1,417,152	1,057,547	–	8,890,663	9,985,863
Change in unrealised depreciation on:						
Investments	158,586	(455,157)	100,809	733,297	332,440	809,236
Financial futures contracts	–	–	–	1,520,074	–	1,520,074
Forward currency exchange contracts	(291,110)	(97,019)	(847)	–	762,844	234,492
Net change in unrealised appreciation/(depreciation) for the year:	(46,837,823)	(8,016,179)	(81,240)	2,648,225	19,564,526	(36,297,048)

¹ DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

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

Schedule of investments and other net assets as at 31 December 2020

1. Kempen Orange Investment Partnership

Kempen Orange Investment Partnership

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
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Units of authorised UCITS or other collective investment undertakings

Collective Investment Schemes - AIF

Bermuda

Aeolus Property Catastrophe Keystone PF Fund LP Series J18	USD	901	952,950	0.33
Aeolus Property Catastrophe Keystone PF Fund LP Series J19	USD	376	524,702	0.18
Aeolus Property Catastrophe Keystone PF Fund LP Series J20	USD	14,000	11,661,620	4.03
Aeolus Property Catastrophe Keystone PF Fund LP Series MY18	USD	405	298,320	0.10
Aeolus Property Catastrophe Keystone PF Fund LP Series MY19	USD	1,074	905,680	0.32
Aeolus Property Catastrophe Keystone PF Fund LP Series MY20	USD	4,725	4,056,427	1.40
			18,399,699	6.36

Cayman Islands

Anchorage Capital Partners Offshore Fund Ltd. Class K 272	USD	3,897	6,544,917	2.26
Bridgewater Pure Alpha Euro Fund Ltd. Class B Series 8000 - 015	EUR	8,298	16,393,078	5.67
D.E. Shaw Composite International Fund Class B*	USD	2,570,201	6,416,129	2.22
Davidson Kempner Distressed Opportunities International Cayman Ltd.	USD	10,582	10,988,348	3.80
Farallon Capital Offshore Investors II Holdings LP Special Situation*	USD	7,044,187	294,226	0.10
Goldentree 2017 K-SC Ltd.	USD	9,070	9,070,339	3.14
Harbinger Capital Partners Offshore LLC Class L Series 01-11	USD	3	3,263	—
Harbinger Capital Partners Offshore LLC Class L Series 04-10	USD	4	4,316	—
Harbinger Capital Partners Offshore LLC Class L Series 04-11	USD	3	3,073	—
Harbinger Capital Partners Offshore LLC Class L Series 07-11	USD	3	3,065	—
Harbinger Capital Partners Offshore LLC Class L Series 10-10	USD	3	3,258	—
Harbinger Capital Partners Offshore LLC Class L Series 2	USD	5	21,512	0.01
Harbinger Capital Partners Offshore LLC Class L Series 3	USD	2	5,961	—
Harbinger Capital Partners Offshore LLC Class L Series 6	USD	—	126	—
Harbinger Capital Partners Offshore LLC Class LS Series 04-11	USD	1,356	—	—
Harbinger Capital Partners Offshore LLC Class LS Series 07-11	USD	1,343	—	—
Harbinger Capital Partners Offshore LLC Class PE Series 01-11	USD	86	18,819	0.01
Harbinger Capital Partners Offshore LLC Class PE Series 04-10	USD	137	25,092	0.01
Harbinger Capital Partners Offshore LLC Class PE Series 04-11	USD	77	18,819	0.01
Harbinger Capital Partners Offshore LLC Class PE Series 07-11	USD	81	18,819	0.01
Harbinger Capital Partners Offshore LLC Class PE Series 1	USD	749	117,593	0.04
Harbinger Capital Partners Offshore LLC Class PE Series 10-10	USD	89	18,819	0.01
Harbinger Capital Partners Offshore LLC Class PE Series 2	USD	196	32,977	0.01
Harbinger Capital Partners Offshore LLC Class PE Series 6	USD	4	709	—
Ionic Volatility Arbitrage Fund II Ltd. Class A Series 33	USD	2,692	2,205,808	0.76
One William Street Capital Offshore Fund Ltd. Class DD - Initial Series	USD	6,245	15,163,941	5.24
Pharo Gaia Fund Ltd. Class A - Series 18	USD	1,795	6,032,021	2.08

Kempen Orange Investment Partnership (continued)

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Pharo Gaia Fund Ltd. Class A-1 Series 1 - LRP	USD	1,500	1,558,661	0.54
Sculptor Credit Opportunities Overseas Fund LP*	USD	5,982	15,131,706	5.23
Sculptor Overseas Fund II Ltd. Class D/1 and H*	USD	65	3,887	–
SEG Partners Offshore Fund Ltd. Class A1 Series 1	USD	15,969	8,172,939	2.83
Silver Point Capital Offshore Fund Ltd. Class H - 124	USD	452	12,555,303	4.34
Tybourne Equity (Offshore) Fund Class B Series B 0414	USD	4,633	8,172,939	2.83
Warwick European Distressed & Special Situations Credit Fund, Inc. Class - B3	EUR	31,386	457,661	0.16
Warwick European Distressed & Special Situations Credit Fund, Inc. Class - BE	EUR	187	1,482	–
Zaaba Pan Asia Fund A Founders Benefit Shares Unrest Initial Series April 2016	USD	7,080	9,017,995	3.12
			128,477,601	44.43
Guernsey				
Boussard & Gavaudan Holding Ltd.	EUR	475,499	9,605,080	3.32
			9,605,080	3.32
United States of America				
Blakeney LP*	USD	644,527	66,490	0.02
Diameter Offshore Fund LP Series A-1 INT 02-18*	USD	8,176,042	6,682,230	2.31
Diameter Offshore Fund LP Series A-1 INT 10-17*	USD	107,134	87,560	0.03
Diameter Offshore Fund LP Series A-1 INT 11-17*	USD	7,389,242	6,039,183	2.09
Nokota LCB Fund*	USD	812,735	41,034	0.02
Nokota Management LP Fund*	USD	703,731	40,544	0.02
OWS Credit Opportunity Offshore Fund Ltd. Class E Series 0416	USD	709	849,058	0.29
OWS Credit Opportunity Offshore Fund Ltd. Class E Series 0516	USD	4,000	4,723,126	1.63
			18,529,225	6.41
Total Collective Investment Schemes - AIF			175,011,605	60.52
Collective Investment Schemes – UCITS				
Luxembourg				
JPMorgan USD Liquidity VNAV Fund - JPM USD Liquidity VNAV C (acc.)	USD	1	16,840	0.01
			16,840	0.01
Total Collective Investment Schemes – UCITS			16,840	0.01
Total Units of authorised UCITS or other collective investment undertakings			175,028,445	60.53
Total Investments			175,028,445	60.53
Cash			50,905,381	17.60
Other assets/(liabilities)			63,233,264	21.87
Total net assets			289,167,090	100.00

* These assets are classified as non-unitised assets.

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

2. Kempen Non-Directional Partnership

Kempen Non-Directional Partnership

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Units of authorised UCITS or other collective investment undertakings				
Collective Investment Schemes - AIF				
<i>Bermuda</i>				
Aeolus Property Catastrophe Keystone PF Fund LP Series J18	USD	232	245,045	0.27
Aeolus Property Catastrophe Keystone PF Fund LP Series J19	USD	97	134,923	0.15
Aeolus Property Catastrophe Keystone PF Fund LP Series J20	USD	4,300	3,581,763	3.97
Aeolus Property Catastrophe Keystone PF Fund LP Series MY18	USD	104	76,711	0.09
Aeolus Property Catastrophe Keystone PF Fund LP Series MY19	USD	274	233,006	0.26
Aeolus Property Catastrophe Keystone PF Fund LP Series MY20	USD	1,795	1,541,013	1.71
			5,812,461	6.45
<i>Cayman Islands</i>				
Anchorage Capital Partners K	USD	2,655	3,961,148	4.40
Bridgewater Pure Alpha Euro Fund Ltd. Class B Series 8000 - 038 B	EUR	5,330	5,119,672	5.68
Caius Capital International Fund - Class A EUR Series NI	EUR	2,000	2,150,380	2.39
D.E. Shaw Composite International Fund Class B*	USD	3,583,441	8,965,238	9.95
D.E. Shaw Composite International Fund Side Pocket*	USD	26,158	12,213	0.01
Goldentree 2017 K-SC Ltd.	USD	3,023	3,023,446	3.36
Ionic Volatility Arbitrage Fund II Ltd. Class A Series 33 A	USD	1,612	1,320,810	1.47
One William Street Capital Offshore Fund Ltd. Class DD - Initial Series	USD	3,327	8,077,393	8.96
Pharo Gaia Fund Ltd. Class A - Series 18 A	USD	572	1,920,715	2.13
Pharo Gaia Fund Ltd. Class A - Series 9 A	USD	1,352	4,548,146	5.05
PHARO GAIA FUND Ltd. Class A-1 Series 2 - LRP A	USD	700	723,605	0.80
Sculptor Credit Opportunities Overseas Fund LP*	USD	2,733	7,280,608	8.08
Sculptor Overseas Fund II Ltd. Series H*	USD	207	30,986	0.03
Silver Point Capital Offshore Fund Ltd. Class H - 160	USD	214	5,202,560	5.77
Warwick European Distressed & Special Situations Credit Fund, Inc. Class - B3	EUR	15,759	229,792	0.26
Warwick European Distressed & Special Situations Credit Fund, Inc. Class - B3 B	EUR	94	744	—
			52,567,456	58.34
<i>Guernsey</i>				
Boussard & Gavaudan Holding Ltd.	EUR	312,759	6,317,732	7.01
			6,317,732	7.01
<i>United States of America</i>				
Diameter Offshore Fund LP Series A-1 INT 01-18*	USD	3,108,071	2,540,208	2.82
Diameter Offshore Fund LP Series A-1 INT 02-18*	USD	3,066,016	2,505,836	2.78
Diameter Offshore Fund LP Series A-1 INT 11-17*	USD	916,218	748,819	0.83
Shepherd Select Ltd. Class A*	USD	23	9,195	0.01
			5,804,058	6.44

Kempen Non-Directional Partnership (continued)

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Virgin Islands, British				
Davidson Kempner International BVI Ltd.	USD	57,135	6,002,482	6.66
			6,002,482	6.66
Total Collective Investment Schemes - AIF			76,504,189	84.90
Collective Investment Schemes - UCITS				
Luxembourg				
JPMorgan USD Liquidity VNAV Fund - JPM USD Liquidity VNAV C (acc.)	USD	1	9,805	0.01
			9,805	0.01
Total Collective Investment Schemes - UCITS			9,805	0.01
Total Units of authorised UCITS or other collective investment undertakings			76,513,994	84.91
Total Investments			76,513,994	84.91
Cash			995,362	1.10
Other assets/(liabilities)			12,601,344	13.99
Total net assets			90,110,700	100.00

* These assets are classified as non-unitised assets.

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

3. Global Alternative Investment Partners

Global Alternative Investment Partners

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Units of authorised UCITS or other collective investment undertakings				
Collective Investment Schemes - AIF				
Bermuda				
Aeolus Property Catastrophe Keystone PF Fund LP Series J18	USD	155	163,362	0.25
Aeolus Property Catastrophe Keystone PF Fund LP Series J19	USD	65	89,949	0.14
Aeolus Property Catastrophe Keystone PF Fund LP Series J20	USD	2,699	2,247,769	3.47
Aeolus Property Catastrophe Keystone PF Fund LP Series J21	USD	1,840	1,503,432	2.32
Aeolus Property Catastrophe Keystone PF Fund LP Series MY18	USD	69	51,141	0.08
Aeolus Property Catastrophe Keystone PF Fund LP Series MY19	USD	151	128,154	0.20
Aeolus Property Catastrophe Keystone PF Fund LP Series MY20	USD	967	830,386	1.28
			5,014,193	7.74
Cayman Islands				
Anchorage Capital Partners Offshore Fund Ltd. Series K	USD	3,826	3,539,655	5.47
Caius Capital International Fund - Class A EUR Series NI	EUR	2,000	2,116,606	3.27
D.E. Shaw Composite International Fund N*	USD	38,536	5,146,955	7.95
Goldentree 2017 K-SC Ltd.	USD	1,938	1,934,579	2.99
Ionic Volatility Arbitrage Fund II Ltd. Class A Series 1.13	USD	1,568	1,271,647	1.96
One William Street Capital Offshore Fund Ltd.	USD	1,000	856,232	1.32
One William Street Capital Offshore Fund Ltd. D	USD	500	421,670	0.65
One William Street Capital Offshore Fund Ltd. Class DD - Initial Series D	USD	1,743	4,230,969	6.53
Pharo Gaia Fund Ltd. Class A - Series 21	USD	808	2,721,398	4.20
Pharo Gaia Fund Ltd. Class A - Series 9	USD	310	1,042,353	1.61
Sculptor Credit Opportunities Overseas Fund, LP*	USD	1,688	4,513,168	6.97
SEG Partners Offshore Fund Ltd. Class A1 Series S1	USD	5,935	3,037,957	4.69
Silver Point Capital Offshore Fund Ltd. Series H - 578	USD	442	4,947,906	7.64
Tybourne Equity (Offshore) Fund Class B Series 0716	USD	2,755	3,470,266	5.36
Tybourne Equity Master Fund Ltd.	USD	500	488,636	0.75
Zaaba Pan Asia Fund A Founders Benefit Shares Unrest Initial Series April 2016	USD	2,271	2,892,663	4.47
			42,632,660	65.83
Guernsey				
Boussard & Gavaudan Holding Ltd.	EUR	145,841	2,945,988	4.55
			2,945,988	4.55
United Kingdom				
MW Eureka New Issue Fund B2 EUR	EUR	14,373	3,291,219	5.08
			3,291,219	5.08
United States of America				
Blakeney LP*	USD	62,054	7,137	0.01
Diameter Offshore Fund LP Series A-1*	USD	1,277,159	1,075,233	1.66
Diameter Offshore Fund LP Series A-1 INT 01-18*	USD	989,643	833,175	1.29
Diameter Offshore Fund LP Series A-1 INT 02-18*	USD	2,648,432	2,229,700	3.44

Global Alternative Investment Partners (continued)

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Lyxor/Bridgewater Fund Ltd. Class S	USD	32,790	2,574,605	3.98
Nokota LCB Fund*	USD	132,927	6,730	0.01
Nokota Management LP Fund*	USD	115,099	6,649	0.01
SEG Partners Offshore Ltd. A	USD	1,306	667,847	1.03
			7,401,076	11.43
Total Collective Investment Schemes - AIF			61,285,136	94.63
Collective Investment Schemes - UCITS				
Luxembourg				
JPMorgan USD Liquidity VNAV Fund - JPM USD Liquidity VNAV C (acc.)	USD	1	2,602	0.01
			2,602	0.01
Total Collective Investment Schemes - UCITS			2,602	0.01
Total Units of authorised UCITS or other collective investment undertakings			61,287,738	94.64
Total Investments			61,287,738	94.64
Cash			1,402,316	2.17
Other assets/(liabilities)			2,071,910	3.19
Total net assets			64,761,964	100.00

* These assets are classified as non-unitised assets.

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

4. Allocation Fund

Allocation Fund

Investments	Currency	Quantity/ Nominal Value	Market Value EUR	% of Net Assets
Units of authorised UCITS or other collective investment undertakings				
Collective Investment Schemes - UCITS				
<i>Ireland</i>				
Insight LDI Solutions Plus Allocation Fund - Class B	EUR	29,731	34,197,292	15.29
Insight Liquidity Funds plc - EUR Cash Fund Class 3	EUR	77,867,449	75,850,682	33.92
			110,047,974	49.21
<i>Luxembourg</i>				
JPMorgan EUR Liquidity LVNAV Fund - JPM EUR Liquidity LVNAV C (acc.)	EUR	7,182	70,988,193	31.75
			70,988,193	31.75
Total Collective Investment Schemes - UCITS			181,036,167	80.96
Total Units of authorised UCITS or other collective investment undertakings			181,036,167	80.96
Total Investments			181,036,167	80.96
Cash			42,075,162	18.82
Other assets/(liabilities)			488,622	0.22
Total net assets			223,599,951	100.00

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

5. Diversified Structured Credit Pool¹

Diversified Structured Credit Pool

Investments	Currency	Quantity/ Nominal Value	Market Value USD	% of Net Assets
Units of authorised UCITS or other collective investment undertakings				
Collective Investment Schemes - UCITS				
Cayman Islands				
GoldenTree 2017 K-SC Ltd.	USD	72,163	88,131,631	28.69
LibreMax Core Securitised Credit Offshore Fund Ltd.	USD	54,763	61,746,770	20.10
OWS Global Fixed Income Fund (USD-hedged) Ltd.	USD	72,185	87,716,897	28.55
			237,595,298	77.34
Ireland				
East Lodge Long ST Class	USD	1,100	1,083,067	0.35
East Lodge Long Structured Opportunities Fund - Class A USD Series 01 Nov 2018	USD	23,000	23,358,762	7.60
East Lodge Long Structured Opportunities Fund - Class A USD Series 03 Mar 2019	USD	1,500	1,522,425	0.50
East Lodge Long Structured Opportunities Fund - Class A USD Series 6 Apr 2019	USD	900	905,602	0.29
East Lodge Long Structured Opportunities Fund - Class A USD Series 09 Jul 2019	USD	2,700	2,669,309	0.87
East Lodge Long Structured Opportunities Fund - Class A USD Series 15 Jan 2020	USD	800	772,752	0.25
East Lodge Long Structured Opportunities Fund - Class A USD Series 26 Dec 2020	USD	1,400	1,409,800	0.46
East Lodge Long Structured Opportunities Fund - Class A USD EB6AN Series 14 Dec 2019	USD	600	583,935	0.19
East Lodge Long Structured Opportunities Fund - Class A USD EB6AN Series 12 Oct 2019	USD	1,800	1,762,232	0.57
East Lodge Long Structured Opportunities Fund - Class A USD Series 22 Aug 2020	USD	3,300	3,427,998	1.12
East Lodge Long Structured Opportunities Fund - Class A USD Series 25 Nov 2020	USD	500	509,825	0.17
East Lodge Long Structured Opportunities Fund - Class A USD Series 20 Jun 2020	USD	4,000	4,227,509	1.38
East Lodge Long Structured Opportunities Fund - Class A USD Series 21 Jul 2020	USD	14,000	14,605,472	4.75
East Lodge Long Structured Opportunities Fund - Class A USD Series 17 Mar 2020	USD	3,000	2,865,036	0.93
			59,703,724	19.43
Total Collective Investment Schemes - UCITS			297,299,022	96.77
Total Units of authorised UCITS or other collective investment undertakings			297,299,022	96.77
Total Investments			297,299,022	96.77
Cash			(5,108,268)	(1.66)
Other assets/(liabilities)			15,026,565	4.89
Total net assets			307,217,319	100.00

¹ DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

In order to comply with the Dutch law Art. 124 Bgfo (Artikel 124 Besluit Gedragstoezicht financiële ondernemingen Wft) we have added a note for investments > 20% of the Net Assets in DSCP which can be found under the 'Additional Information (unaudited)' section on page 43.

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

Notes to the Financial Statements

1. General

Kempen Alternative Investment Fund (the Fund) was incorporated in Luxembourg on 16 July 2001 for an indefinite period as a '*Société d'Investissement à Capital Variable*' (SICAV) in accordance with Part II of the law of 30 March 1988 relating to collective investment undertakings. The Fund is organised as an alternative investment fund in accordance with the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011. The Fund is governed by the part II of the law of 17 December 2010 as amended relating to collective investment undertakings. The Fund is registered with the *Registre du Commerce et des Sociétés*, Luxembourg, under number R.C.S. B 82.955.

The Fund consists of five Sub-Funds as per year end: Kempen Orange Investment Partnership (KOIP), Kempen Non-Directional Partnership (KNDP), Global Alternative Investment Partners (GAIP), Allocation Fund (AF) and Diversified Structured Credit Pool (DSCP).

Shares in the Sub-Funds KNDP and KOIP may be issued in the following share classes: Class A; Class B; Class C; Class F; Class FD; Class I, Class I-GBP and Class I-USD. Class I, Class I-GBP and Class I-USD shares may only be subscribed to by institutional investors. The other classes can be issued to any investor.

Shares in the Sub-Fund GAIP may be issued in the following share classes: Class A and Class I. Class I shares may only be subscribed to by institutional investors. The other class can be issued to any investor.

Shares in the Sub-Fund AF may be issued in the following share classes: Class IF and Class IG. These classes can only be acquired and held by institutional investors.

Shares in the Sub-Fund DSCP may be issued in the following share classes: Class A; Class A-GBP; Class A-EUR; Class B; Class B-GBP; Class B-EUR; Class I, Class I-GBP, Class I-EUR, Class J, Class J-GBP and Class J-EUR. Class I, Class I-GBP, Class I-EUR, Class J, Class J-GBP and Class J-EUR may only be subscribed to by institutional investors. The other classes can be issued to any investor.

The entry into force of the Alternative Investment Fund Managers Directive (AIFMD) on July 22, 2014 has had the effect of reinforcing management and administration requirements for the Fund. As a consequence, as from 22 July 2014, Kempen Capital Management N.V. (previously the Investment Manager) has been appointed as the Management Company and external alternative investment fund manager of the Fund.

2. Significant accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles and legal and regulatory requirements in the Grand Duchy of Luxembourg.

Combined Financial Statements

The Combined Financial Statements are expressed in Euro and correspond to the sum of items in the financial statements of each Sub-fund, converted into Euro at the exchange rate prevailing at the closing date.

Valuation of Investments in Securities

Investments are comprised of funds in the case of KNDP, KOIP, GAIP, AF and DSCP. The valuation dates of the underlying funds may differ from those of the Sub-Fund. Market quotations may not be available and

the latest audited financial statements of the underlying investment vehicles may not be available within a reasonable time period before or after the reporting date of the Sub-Fund.

Investments are thus valued in the statement of net assets at their fair value which is the latest available net asset value as determined by the Board of Directors, in good faith and in accordance with generally accepted accounting principles, based on estimates received from the different administrators or investment managers of the underlying investments.

As the calculation of the net asset value of the Sub-Fund on a valuation day may be based on estimates of the net asset values for the funds, redemptions and subscriptions of shares may represent a discount (or premium) on the actual value of net assets.

Shares to Issue / Shares to Redeem

Subscriptions per the Dealing Day falling on the business day following the last calendar day of the reporting period are reflected in the statement of net assets as 'Receivables on subscriptions'. The investments or disinvestments resulting from the subscriptions or redemptions are reflected as 'Receivable on advanced purchase of investments' and 'Receivables on investments sold', respectively.

Any shareholder may apply for redemption of his Shares in part or in whole on any Dealing Day.

Realised and Unrealised Gains and Losses on Sales of Investments

Realised and unrealised gains and losses on sales of investments are calculated on the average book cost.

Security Transactions and Investment Income

Security transactions are accounted for on the trade date. Interest income and retrocession commission are recognised on an accrual basis. Dividend income is recognised on the 'ex-dividend' date.

Swing Pricing

Swing Pricing only applies to the Sub-Fund Allocation Fund. Investment and/or disinvestment costs may have an adverse effect on the shareholders' interests in a Sub-Fund. In order to prevent this effect, called "dilution", the Board of Directors has the authority to allow for the net asset value per Share to be adjusted (by no more than 1.50%) by effective dealing and other costs and fiscal charges which would be payable on the effective acquisition or disposal of assets in the Sub-Fund.

If the net capital activity on a given Valuation Day leads to a net inflow of assets in the Sub-Fund, the net asset value used to process all subscriptions, redemptions or conversions in the Sub-Fund is adjusted upwards by the swing factor that shall be determined from time to time by the Board of Directors.

If the net capital activity on a given Valuation Day leads to a net outflow of assets in the Sub-Fund, the net asset value used to process all subscriptions, redemptions or conversions in the Sub-Fund is adjusted downwards by the swing factor that shall be determined from time to time by the Board of Directors.

As at 31 December 2020 swing pricing was applied on the NAV per share of the following Sub-Funds:

Sub-Fund Name	Share class currency	Unswung NAV per share	Swung NAV per share
AF			
Class IG	EUR	1,633.24	1,632.42

Redemption Charge

0.5% of the relevant net asset value per Share of the relevant Class was retained by the Sub-Funds KOIP, KNDP and GAIP until the end of December 2020.

Foreign Currencies

The books and records of Kempen Orange Investment Partnership (KOIP), Kempen Non-Directional Partnership (KNDP), Global Alternative Investment Partners (GAIP) and Allocation Fund (AF) are denominated in Euro (€), the base currency of the Fund. The books and records of Diversified Structured Credit Pool (DSCP) are denominated in USD (\$).

The value of assets and liabilities denominated in a currency other than the reference currency of a Sub-Fund is determined by taking into account the rate of exchange prevailing at the time of the determination of the net asset value. Assets and liabilities are translated into Euro at the rate of exchange ruling at the statement of net assets date. Purchases and sales of foreign investments, income and expenses are converted into the base currency using currency exchange rates prevailing on the respective dates of such transactions. Resulting realised and net change in unrealised foreign exchange rate gains and losses, if any, are included in the statement of operations.

The exchange rates applied as at 31 December 2020 were as follows:

1	EUR	=	1.2235 USD	1	EUR	=	0.8951 GBP
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Allocation Share Classes

The income and expenses of the Sub-Funds are allocated on a monthly basis to the different share classes based on the total net asset value per share class at the beginning of the month.

Futures contracts

Unsettled futures contracts are valued at the last available price at the relevant valuation date. All unrealised gains and losses are recognised in the statement of net assets, net change in unrealised gains and losses are recognised in the statement of operations and statement of changes in net assets in determining the increase or decrease in the net assets as a result of operations.

Forward Foreign Exchange Contracts

Unsettled forward foreign exchange contracts are valued by reference to the forward rate of exchange applicable to the outstanding life of the contract. All unrealised gains and losses are recognised in the statement of net assets, net change in unrealised gains and losses are recognised in the statement of operations and statement of changes in net assets in determining the increase or decrease in the net assets as a result of operations.

3. Futures and Forward Foreign Exchange Contracts

From time to time, the Sub-Funds enter into forward foreign exchange contracts in order to mitigate impacts of exchange rate fluctuations. As at 31 December 2020 the following forward foreign exchange contracts were open:

Kempen Orange Investment Partnership

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss) EUR	% of Net Assets
EUR	212,012,194	USD	251,900,000	28-1-2021	Credit Suisse	6,254,645	2.16
GBP	96,500,000	EUR	105,792,454	5-1-2021	Credit Suisse	2,017,340	0.70
USD	20,000	EUR	16,337	5-1-2021	Credit Suisse	9	—
Total Unrealised Gain on Forward Currency Exchange Contracts - Assets						8,271,994	2.86
EUR	4,489,418	USD	5,500,000	28-1-2021	Credit Suisse	(3,104)	—
GBP	39,000,000	EUR	43,558,239	28-1-2021	Credit Suisse	(4,304)	—
USD	1,040,000	EUR	885,536	5-1-2021	Credit Suisse	(35,550)	(0.01)
USD	59,000,000	EUR	48,525,054	28-1-2021	Credit Suisse	(332,536)	(0.12)
Total Unrealised Loss on Forward Currency Exchange Contracts - Liabilities						(375,494)	(0.13)
Net Unrealised Gain on Forward Currency Exchange Contracts - Assets						7,896,500	2.73

Kempen Non-Directional Partnership

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss) EUR	% of Net Assets
EUR	70,616,231	USD	83,900,000	28-1-2021	Credit Suisse	2,084,836	2.31
USD	30,000	EUR	24,505	5-1-2021	Credit Suisse	14	–
Total Unrealised Gain on Forward Currency Exchange Contracts - Assets						2,084,850	2.31
EUR	6,117,269	USD	7,500,000	28-1-2021	Credit Suisse	(8,898)	(0.01)
USD	1,090,000	EUR	928,233	5-1-2021	Credit Suisse	(37,383)	(0.04)
USD	2,000,000	EUR	1,706,671	28-1-2021	Credit Suisse	(73,026)	(0.08)
USD	2,195,000	EUR	1,790,406	6-4-2021	Credit Suisse	(115)	–
Total Unrealised Loss on Forward Currency Exchange Contracts - Liabilities						(119,422)	(0.13)
Net Unrealised Gain on Forward Currency Exchange Contracts - Assets						1,965,428	2.18

Global Alternative Investment Partners

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss) EUR	% of Net Assets
EUR	52,831,117	USD	62,800,000	28-1-2021	Credit Suisse	1,534,673	2.37
Total Unrealised Gain on Forward Currency Exchange Contracts - Assets						1,534,673	2.37
EUR	1,224,387	USD	1,500,000	28-1-2021	Credit Suisse	(847)	–
Total Unrealised Loss on Forward Currency Exchange Contracts - Liabilities						(847)	–
Net Unrealised Gain on Forward Currency Exchange Contracts - Assets						1,533,826	2.37

Diversified Structured Credit Pool

Currency Purchased	Amount Purchased	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss) USD	% of Net Assets
EUR	93,722,000	USD	110,270,116	5-1-2021	Van Lanschot	4,403,436	1.43
GBP	61,800,000	USD	79,357,439	5-1-2021	Van Lanschot	5,120,069	1.67
Net Unrealised Gain on Forward Currency Exchange Contracts - Assets						9,523,505	3.10

As at 31 December 2020 the following futures contracts were open:

Allocation Fund

Security Description	Number of Contracts	Currency	Unrealised Gain/(Loss) EUR	% of Net Assets
Euro-Bund, 08/03/2021	210	EUR	37,800	0.02
Euro-OAT, 08/03/2021	223	EUR	66,870	0.03
EURO STOXX 50 Index, 19/03/2021	1,051	EUR	398,258	0.18
Foreign Exchange EUR/GBP, 15/03/2021	(127)	GBP	17,125	0.01
MSCI Emerging Markets Index, 19/03/2021	367	USD	544,510	0.24
S&P 500 Emini Index, 19/03/2021	495	USD	691,161	0.31
Total Unrealised Gain on Financial Futures Contracts - Assets			1,755,724	0.79
Foreign Exchange EUR/USD, 15/03/2021	(543)	USD	(1,174,245)	(0.53)
FTSE 100 Index, 19/03/2021	277	GBP	(208,853)	(0.09)
Total Unrealised Loss on Financial Futures Contracts - Liabilities			(1,383,098)	(0.62)
Net Unrealised Gain on Financial Futures Contracts - Assets			372,626	0.17

The counterparty for the above futures contracts is J.P. Morgan.

4. Taxes and expenses payable

The taxes and expenses payable as at 31 December 2020 are as follows:

	Subscription Tax	Expenses	Total
Currency	EUR	EUR	EUR
Kempen Orange Investment Partnership	23,926	457,688	481,614
Kempen Non-Directional Partnership	10,945	135,151	146,096
Global Alternative Investment Partners	1,574	87,491	89,065
Allocation Fund	19,650	112,167	131,817
Diversified Structured Credit Pool	8,628	266,111	274,739

5. Fees

Management Fee

The Management Company receives a management fee from the Sub-Funds KOIP, KNDP, GAIP, AF and DSCP which is payable at month-end out of the assets attributable to the relevant class of shares. The monthly fees are based on the net asset value of the assets attributable to the relevant class of shares on the relevant valuation day.

The maximum percentages per Sub-Fund are disclosed in the Appendix of the Prospectus. The actual percentages are available at www.kempen.com/en/asset-management

Service fee

The Fund pays Service Fee as a fixed percentage of the net assets of the relevant Sub-Funds. For the Sub-Funds KOIP, KNDP and GAIP the fee is approximately 0.08% per annum. For the Sub-Fund AF, the fee is approximately 0.10% per annum. For the Sub-Fund DSCP, the fee is approximately 0.09% per annum.

	Service fee (%)
Kempen Orange Investment Partnership	
Class A	0.08
Class B	0.08
Class C	0.08
Class F	0.08
Class I	0.08
Class I-GBP	0.08
Class I-USD	0.08
Kempen Non-Directional Partnership	
Class A	0.08
Class B	0.08
Class F	0.08
Class I-USD	0.08
Global Alternative Investment Partners	
Class I	0.08

Allocation Fund

Class IG	0.10
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Diversified Structured Credit Pool¹

Class A	0.09
Class A-EUR	0.09
Class B-EUR	0.09
Class I	0.09
Class I-EUR	0.09
Class I-GBP	0.09

¹DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

The Management Company bears the excess of any such fees above the rate specified for each class of shares in the Appendix of the prospectus of the relevant Sub-Fund. Conversely, the Management Company will be entitled to retain any amount by which the rate of these fees to be borne by the classes of shares, as set out in the Appendix of the prospectus, exceeds the actual expenses incurred by the relevant class of the relevant Sub-Fund. The Service Fee covers the Custodian and administration agent fees, fees and out-of-pocket expenses of the Board of Directors of the Fund, legal and auditing fees, publishing, translation and printing expenses, the cost of preparing the explanatory memoranda, financial reports and other documents for the shareholders, postage, telephone and telex, advertising expenses, as well as notification expenses, regulatory costs, costs of the preparation of the prospectus and of the Key Investor Information Documents and any additional registration fees.

Marketing costs are not chargeable to the Fund.

Service Fees do not include tax d'abonnement and normal banking and brokerage fees and commissions on transactions relating to the assets and liabilities of the Fund as well as interest and bank charges and extraordinary expenses, including but not limited to, litigation expenses and the full amount of any tax, levy, duty or similar charge imposed on the Fund or its assets that would not be considered as ordinary expenses.

Custodian Transaction Fee

Transaction fees charged by the Custodian bank are part of the Service Fee as recorded in the statement of operations.

For the year ended 31 December 2020, as the fixed service fees for the Sub-Funds Allocation Fund and Diversified Structured Credit Pool were in excess of the actual expenses incurred by the relevant Class of these relevant Sub-Funds, the Management Company, is entitled to retain the following amounts:

- x €36,672 in the Allocation Fund.
- x €2,836 in Diversified Structured Credit Pool.

For the year ended 31 December 2020, as the fixed service fees for the Sub-Funds Kempen Orange Investment Partnership, Kempen Non-Directional Partnership and Global Alternative Investment Partners were lower than the actual expenses incurred by the relevant Class of the Sub-Fund, the Management Company, is obliged to pay the following amounts:

- x €98,733 in Kempen Non-Directional Partnership.
- x €60,871 in Kempen Orange Investment Partnership.
- x €86,133 in Global Alternative Investment Partners.

These service fees are recorded in the other operating expenses in the statement of operations for the year ended 31 December 2020.

6. Taxation

In conformity with current legislation in the Grand Duchy of Luxembourg, the Fund is not subject to any Luxembourg withholding, income, capital gains or wealth taxes. However the Fund is subject to a 0.05% subscription tax ('taxe d'abonnement') payable and assessed on the basis of the net asset value of each Sub-Fund at the end of each calendar quarter. Class I, Class I-EUR, Class I-GBP, Class I-USD and Class IG Shares which are held exclusively by Institutional Investors, are liable in Luxembourg to a taxe d'abonnement of 0.01% per annum of their net assets. In respect of assets invested in Luxembourg UCIs, a full exemption from this tax is available to avoid double taxation.

7. Net asset value

The net asset value of each class of the Sub-Funds KOIP, KNDP, GAIP and DSCP is calculated as of the last business day of each month in Luxembourg. The net asset value per share of each class of the Sub-Fund AF is determined as of each business day.

8. Transaction with related parties

When arranging transactions of securities for the Fund, related parties may have provided securities brokerage, foreign exchange banking and other services or may have acted as principal on their usual terms and may benefit from them. Commissions have been paid to brokers and agents in accordance with the relevant market practice. The services of related parties (including broker dealers) were used by the management company where it was considered appropriate to do so and provided that their commissions and other terms of business are generally comparable with those available from unassociated brokers and agents in the markets concerned. During the year there have been no transactions which were outside the ordinary course of business or which were not on normal commercial terms.

9. Directors' Fees

For the year ended 31 December 2020, Directors' fees amounted to a total of Euro 75,000 (and were paid to four independent Directors). The fees are fixed and there is no variable amount. The two Directors who are employees of the Management Company do not receive remuneration from the Fund in respect of their roles as Directors of the Fund.

10. Transactions costs

For the year ended 31 December 2020, the Fund incurred transaction costs which have been defined as brokerages fees, relating to purchase or sale of transferable securities, money market instruments, derivatives or other eligible assets and are initially capitalised as part of the cost of these assets. The Fund also incurred transaction costs charged by the custodian agent and relating to purchase and sale of transferable securities. The Custodian Transaction Costs are included in the Statement of Operations under the caption "Other Operating Expenses".

The transaction costs are as follows:

	Currency	Total Transaction Costs
Kempen Orange Investment Partnership	EUR	22,740
Kempen Non-Directional Partnership	EUR	10,413

Global Alternative Investment Partners	EUR	29,982
Allocation Fund	EUR	8,842
Kempen Diversified Structured Credit Pool ¹	EUR	8,369

¹DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

11. Total Expense Ratio

The Total Expense Ratio (TER) of each sub-fund for the year ended 31 December 2020 is as follows:

	Class	TER
Kempen Orange Investment Partnership		
	A	0.98%
	B	0.88%
	C	0.78%
	F	0.98%
	I	0.94%
	I-GBP	0.94%
	I-USD	0.94%
Kempen Non-Directional Partnership		
	A	0.96%
	B	0.86%
	F	0.96%
	I-USD	0.92%
Global Alternative Investment Partners		
	I	0.83%
Allocation Fund		
	IG	0.07%
Kempen Diversified Structured Credit Pool ¹		
	A	0.45%
	A-EUR	0.46%
	B-EUR	0.51%
	I-EUR	0.45%
	I-GBP	0.45%
	I	0.45%

¹DSCP migrated at the end of October 2020 from the Kempen Alternative Markets Fund ("KAMF") umbrella to the Kempen Alternative Investment Fund ("KAIF") umbrella.

The TER for the reporting year is calculated as: TE / ANA , whereas TE = Total Expenses (excluding "other fees") and ANA = Average Net Assets (on the basis of 12 month-end figures).

12. Securities Financing Transactions

The Fund does not engage in securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365 (the "Regulation"), securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31 December 2020.

13. Loan Facility

In line with the Fund's prospectus, the fund may borrow on a temporary basis ("From time to time it may be necessary for the Fund to borrow on a temporary basis. Unless otherwise specified in the relevant Appendix of the Sub-Fund, any Sub-Fund can borrow an aggregate amount of up to 25% of its total assets, provided that the Board intends to limit borrowings to those made (i) on a short-term basis and (ii) for the purpose of (a) satisfying a redemption request in the event that the relevant Sub-Fund has no available cash, or redemption proceeds from prudent redemptions of underlying investments are not available immediately, (b) paying fees and expenses as detailed in the Articles, (c) settling a forward currency contract that was set up to hedge non-euro exposure or posting cash collateral for the same or (d) satisfying a subscription request by already investing the inflow that the investor has committed himself to, in assets that are characterized by infrequent dealing periods, even though the cash is not yet available.")

14. Subsequent events occurred after year-end

1. On the 4th of January 2021 two new Sub-Funds were launched: Long/Short Equity Pool and Diversified Distressed Debt Pool.
2. In January 2021, Kempen Orange Investment Partnership has been merged into Kempen Non-Directional Partnership.



Audit report

To the Shareholders of
KEMPEN ALTERNATIVE INVESTMENT FUND

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of KEMPEN ALTERNATIVE INVESTMENT FUND (the "Fund") and of each of its sub-funds as at 31 December 2020, 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.

What we have audited

The Fund's financial statements comprise:

- the statement of net assets as at 31 December 2020;
- the statement of operations and changes in net assets for the year then ended;
- the schedule of investments and other net assets as at 31 December 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 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 23 July 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are 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. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our audit report 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the 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 of the Fund 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 of the Fund 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 of the Fund either intends to liquidate the Fund or close 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

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 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 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism 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 of the Fund;



- conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. 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.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 6 May 2021

René Paulussen

Additional Information (unaudited)

1. General Information

The current Articles of Association have been lodged with the registrar of the Luxembourg District Court, from whom copies may be obtained.

The issue price and the redemption price are made public at the registered office of the Fund where annual and semi-annual reports may be obtained. These reports will be sent to registered shareholders.

2. Board of Directors Holdings

The members of the Board of Directors had no holdings as referred to in Section 122 paragraph 2 of the Decree on Conduct of Business Supervision of Financial Undertakings under the Wft (*Besluit Gedragstoezicht financiële ondernemingen Wft*) as at 31 December 2020.

3. Remuneration Policy

All legal entities belonging to Van Lanschot Group, including the Management Company and the Investment Manager, are covered by the remuneration policy of Van Lanschot Group, provided that some specific additional conditions apply to the Management Company. These conditions are described in the remuneration policy and focus on the activities of the Management Company and the remuneration rules that apply to those activities.

Van Lanschot Kempen NV (VLK) pursues a prudent, sound and sustainable remuneration policy that is in line with the group's strategy, risk appetite, objectives and values. The remuneration policy is in line with and contributes to sound and effective risk control and does not encourage the taking of more risks than VLK considers acceptable. VLK ensures that the remuneration policy is applied across the group.

The remuneration policy is in line with the business strategy, objectives values and interests of the Management Company. It does not interfere with the obligation of the Management Company to act in the best interests of the Fund and of the Investors and includes an assessment process based on the longer-term performance of the Fund.

The following general remuneration policy principles apply for all employees working at Kempen Capital Management N.V.:

- x Outperformance is rewarded;
- x A system of differentiated remuneration applies;
- x Remuneration is set on a gender-neutral basis;
- x An employee's variable remuneration is based on the performance of VLK, KCM and the individual employee;
- x The assessment of an employee's personal performance is based on both quantitative (financial) and qualitative (non-financial) performance criteria; selected departments apply only qualitative criteria;
- x At least 50% of the variable remuneration is based on non-financial criteria;
- x The performance criteria contain no incentives to take unjustified risks;
- x Appropriate account is taken of the interests of clients when striking a balance between the fixed and variable remuneration components, and the performance criteria are determined in such a way as to avoid any conflicts of interest that could occur between employees and clients;
- x The awarding of variable remuneration is partly related to the long-term objectives of VLK;

- x When assessing performance on the basis of the set performance criteria, financial performance is adjusted for (estimated) risks and costs of capital;
- x Variable remuneration (including the conditional portion) is only awarded or paid if (i) this is reconcilable with VLK's financial position and if it is justified by the performance of VLK, KCM and the employee concerned; and (ii) VLK holds the capital buffers as required by the Dutch Financial Supervision Act (Wft) and implementing regulation;
- x None of VLK's financial services or other activities, remuneration components or structures could lead to a risk of consumers, clients or members being treated without all due care, and VLK has no intention of introducing such activities, components or structures;
- x In the event that VLK does not make a profit in any financial year, discretionary bonus pools may be established by the Statutory Board with the approval of the Supervisory Board;
- x Variable remuneration is only awarded to employees working for KCM if KCM makes a profit;
- x During the reassessment preceding the payment and receipt of variable remuneration, the total variable remuneration is lowered substantially by applying a reduction or clawback scheme in the event of a weak or negative performance by VLK or in the event of incompetent or incorrect conduct on the part of an employee.

The table below contains information about the awarded remuneration to Identified Staff. KCM's Identified Staff means: KCM employees, including the management of KCM, whose activities materially influence the risk profile of KCM or the risk profile of funds managed by KCM, including employees who perform a senior management, risk-taking or control functions, as well as employees who receive a remuneration of at least the same level as the categories of employees who perform a higher managerial or risk-taking position. KCM does not charge personnel costs to individual investment institutions.

The figures below relates to KCM's 2020 financial year and are the latest available. The following remunerations are related to the Sub-Funds of Kempen Alternative Investment Fund.

	Senior management personnel*	Managerial positions	Other personnel	All personnel
Number of employees (in FTEs, average for the 2020 financial year)	5	30	229	264
Remuneration 2020 (in EUR)				
Total Fixed Remuneration	22,129	56,618	179,133	257,880
Total Variable Remuneration**	5,897	10,881	26,015	42,793

The calculations of the Fixed and Variable Remuneration are as follows:

Total Remuneration (Fixed and Variable) * Assets under Management of the Sub-Funds of Kempen Alternative Investment Fund / Total Assets under Management of KCM

* Mr W.H. van Houwelingen is a director of KCM and therefore included in the table in the 'Senior management' category. He is not a member of KCM's identified staff.

** In keeping with Dutch laws and regulations, variable remuneration relates to the variable remuneration as recognised in profit or loss.

In relation to Article 1: 120 paragraph 2 under the Financial Supervision Act (Wft), we report the following: no person received a remuneration in 2020 exceeding the million.

4. Liquidity Risk

The special arrangements of Kempen Orange Investment Partnership as at 31 December 2020 are as follows:

Holding	Special Arrangement	Percentage of TNA
Blakeney LP	Side-pockets	0.02%
Farallon Capital Offshore Investors II Holdings LP	Side-pockets	0.10%
Harbinger Capital Partners Offshore	Side-pockets	0.10%
Nokota LC LLC	Side-pockets	0.03%
Sculptor Overseas Fund II, Ltd	Side-pockets	0.00%
Warwick	Gates/Distributing	0.16%

The special arrangements of Kempen Non-Directional Partnership as at 31 December 2020 as follows:

Holding	Special Arrangement	Percentage of TNA
D.E. Shaw Composite International Fund	Side-pockets	0.01%
Shepherd Select Assets	Gates/Distributing	0.01%
Sculptor Overseas Fund II, Ltd	Side-pockets	0.03%
Warwick	Gates/Distributing	0.26%

The special arrangements of Global Alternative Investment Partners as at 31 December 2020 as follows:

Holding	Special Arrangement	Percentage of TNA
Blakeney LP	Side-pockets	0.01%
Nokota LC LLC	Side-pockets	0.02%

The above assets for Kempen Orange Investment Partnership as well as Kempen Non-Directional Partnership and Global Alternative Investment Partners are valued at a discount of 50% compared to the NAV except for the Sculptor Overseas and D.E. Shaw Composite International Side Pocket investments, both of which are regular side pockets that were created in ordinary course of business and that have proven to regularly see distributions in cash.

The Allocation Fund and Diversified Structured Credit Pool does not invest in assets that can be classified as illiquid and hence there are no special arrangements in place.

5. Leverage

The total amount of leverage employed by each sub-fund for the period ended 31 December 2020 is as follows:

Sub-Fund	Gross Method	Commitment method
Allocation Fund	169%	185%
Kempen Orange Investment Partnership	156%	100%
Kempen Non-Directional Partnership	171%	100%
Global Alternative Investment Partners	176%	100%
Diversified Structured Credit Pool	98%	100%

The percentages given for the Sub-Funds KOIP, KNDP, GAIP and DSCP show the leverage related to the forward foreign exchange contracts. The gross method exposure for the Sub-Fund AF is due to futures and the commitment method exposure is increased due to the large cash position of the Fund.

There has been no change in the maximum level of leverage allowed for the Sub-Fund AF (700%). The Sub-Funds KOIP, KNDP, GAIP and DSCP do not have maximum levels in place.

6. Risk

KCM Risk Management monitors the compliance of the Sub-Funds with their respective investment restrictions. These restrictions are a detailed and concrete elaboration of the investment restrictions found in the prospectus. In case of a possible breach, KCM Risk Management engages with the portfolio manager to create awareness and to avoid any breach from materialising. If necessary KCM Risk Management will report this breach to the Board of Directors after which appropriate action is taken. The Board of Directors also monitors compliance of the Sub-Funds with laws and (stock exchange) regulations. Furthermore, there is a risk management policy in place that enables the Board of Directors to measure and monitor the actual risk of the positions within each portfolio and their contribution to the overall risk profile of the Sub-Funds. KCM Risk Management also has a process for accurate and independent assessment of the value of OTC derivatives.

For an overview and a detailed explanation of the risk profile of all five Sub-Funds please refer to the prospectus.

For the financial year 2020, there have been no breaches of the risk limits applicable to the Sub-Funds.

7. Full year performance figures DSCP

For the period 1 January 2020 – 31 December 2020, the return of DSCP based on the net asset value was -0.1% for Class A, -1.8.% for Class A-EUR, -0.1% for Class I, -1.7% for Class I-EUR and -1.8% for Class I-GBP.

8. Art. 124 Bgfo (investments in DSCP)

DSCP – Description and performance of underlying funds as per 31-12-2020

One William Street Global Fixed Income Fund (USD-hedged), Ltd. is a long-only unlevered fund that is diversified across US Structured Credit sectors (RMBS, Consumer ABS, CMBS and CLOs). The Fund returned +1.93% in 2020, mainly driven by strong performance contributions from its US Consumer ABS and US Legacy RMBS allocations. Its performance contribution to DSCP in 2020 was +0.23%.

GoldenTree 2017 K-SC, Ltd. Fund is a long-only unlevered fund that is primarily focused on global CLOs with some smaller allocations to more esoteric US ABS sectors such as Trust-preferred securities, Consumer ABS and CMBS. The Fund returned +3.30% in 2020, driven by its holdings in more esoteric ABS and Consumer ABS. Its performance contribution to DSCP in 2020 was +0.73%.

East Lodge Long Structured Opportunities Fund is a long-only unlevered fund that is diversified across European Structured Credit sectors (mainly UK buy-to-let and non-conforming RMBS and European CLOs). The Fund returned -3.46% in 2020, mainly driven by a strong performance contribution from UK RMBS while its CLO allocation was the main performance detractor. East Lodge became more cautious in the aftermath of March 2020, selling some of its higher-risk positions (e.g. lower-rated CLOs), while markets rallied back strongly. Its performance contribution to DSCP in 2020 was -0.73%.

LibreMax Core Securitized Credit Offshore Fund, Ltd. is a long-only unlevered fund that is diversified across US Structured Credit sectors (Legacy RMBS, Consumer ABS, CMBS and CLOs). The Fund returned -2.58% in 2020, mainly driven by strong performance contributions from its US RMBS and CMBS allocations while its Consumer ABS and CLO allocations detracted from performance. LibreMax had higher cash levels after March 2020 due to scheduled redemptions in April and June 2020 while markets rallied back strongly. Its performance contribution to DSCP in 2020 was -0.36%.

Luxembourg, 6 May 2021

The Board of Directors of Kempen Alternative Investment Fund

