

ANNUAL REPORT

Theta Distressed Credit Opportunities Pool

Period ended 31 December 2021

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General information

Fund Manager

Theta Fund Management B.V.
Concertgebouwplein 19
1071 LM Amsterdam
The Netherlands
Tel: +31 20 5722733

Legal Owner

Stichting Juridisch Eigenaar TDCOP
Concertgebouwplein 19
1071 LM Amsterdam
The Netherlands
Tel: +31 20 5722743

Independent Auditor

Ernst & Young Accountants LLP
Wassenaarseweg 80
2596 CZ The Hague
The Netherlands

Legal and Tax Counsel

Greenberg Traurig, LLP
Hirsch Building
Leidseplein 29
1017 PS Amsterdam
The Netherlands

Administrator

Apex Fund Services (Netherlands) B.V.
Van Heuven Goedhartlaan 935 A, Room 6
1181 LD Amstelveen
The Netherlands
Tel: +31 20 2254 592
ssq@apexfs.com

Depository

Until 31 December 2021
Darwin Depository Services B.V.
Barbara Strozilaan 101
1083 HN Amsterdam
The Netherlands
Tel: +31 20 2402576

As of 1 January 2022
Northern Trust Global Services SE
Claude Debussylaan 18A
1082 MD Amsterdam
The Netherlands
Tel: +31 20 7941000

Key figures

	2021¹
Class A USD Participations	
Net Asset Value at 31 December	10,256,468
Outstanding participations at 31 December	8,518.27
Net Asset Value per unit at 31 December	1,204.05
Class B USD Participations	
Net Asset Value at 31 December	37,905,244
Outstanding participations at 31 December	31,905.65
Net Asset Value per unit at 31 December	1,188.04
Total for the Fund	
Net Asset Value at 31 December	48,161,712
Outstanding units at 31 December	40,423.92
Change in value	7,931,464
Other results	67
Costs	(1,031,171)
Total investment result for the period	6,900,360
Investment result per unit Class A USD ²	
Change in value	221.84
Other results	0.00
Costs	(17.49)
Total investment result per unit	204.35
Investment result per unit Class B USD²	
Change in value	216.48
Other results	0.00
Costs	(31.51)
Total investment result per unit	184.97

¹ The reported results cover the period from 1 July 2020 through 31 December 2021.

² The result per unit is calculated using the average number of outstanding units as per the end of the period.

Fund Manager report

Theta Distressed Credit Opportunities Pool's ("TDCOP") 2021 performance was 11.90% for the Class A shares and 11.02% for the Class B shares. The reference HFRX Global Hedge Fund Index was up 3.65%. Annualized returns since inception for TDCOP were 13.18% with annualized standard deviation of 2.66% for the Class A shares and 12.17% and 2.66% respectively for the Class B Shares. This compares to the reference HFRX Global Hedge Fund Index which generated annualized returns of 7.80% with annualized standard deviation of 4.09% over the same period.

It has been a good year for TDCOP with positive numbers throughout the year with very low volatility. This compares well in relation to both equity markets as well as more traditional fixed income markets, which have also both shown significant volatility.

The second half of 2020 through 2021 was a tale of two halves as Covid resurgence, central bank and government intervention and inflationary strain dictated the narrative across global risk assets, leading to a significant dispersion in returns across asset classes.

Fixed income had to contend with runaway inflation numbers and a behind-the-curve Fed, and investors starting to price in aggressive rate hikes. TDCOP has exposure to a range of excellent managers that all delivered positive returns for the year.

As a reminder we have taken a 2-pronged approach to allocation since we launched the fund. On the one hand we wanted to gain exposure to US consumer credit as we felt the consumer was in a strong position. On the other hand, we wanted to gain access to special situation distressed debt managers, but without excessive exposure to corporate credit. We have focused on specialist managers who are able to better determine the outcome of their investment portfolio – either by actively being involved in the restructuring of assets or proactively turning over their portfolio. The managers also have active hedging programs protecting them in uncertain market environments.

With tightening conditions through higher interest rates as well as resource prices, we expect corporate distressed debt to become an attractive, investable asset class and we are looking to re-position the portfolio accordingly.

We have since Jan 1st changed the Fund's depository to Northern Trust as well as appointed Northern Trust as Custodian. We hope to launch a EUR hedged share class if there is sufficient investor interest. The move to Northern Trust will allow this to happen.

Risk management and willingness to take risks

In the table below we list the various risks to which investors in the Fund are exposed and we discuss the measures applied to manage these risks and their potential impact on the Fund's NAV.

Risk management and willingness to take risks Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Expected impact on 2022 NAV if risk materializes	Impact on 2021 NAV	Adjustments to risk management in 2021 or 2022?
Price risk	No	Portfolio risk management as described in "Investment objective, policy and processes" is applied and is expected to limit the price risk to a degree in line with the return objectives.	As return volatility implies, we expect a 95% chance of NAV not declining by more than 12% (2 standard deviations below the mean) in a given year	The risk was comparable and the ultimate year result as well as the monthly results remained well within the expected range.	No
Interest rate risk	No	The fund has no direct interest-bearing financial instruments except for cash at bank which is limited to a couple of percent max. Therefore, the Fund is not exposed to significant interest rate risk. The underlying managers may take interest rate risk which we expect them to manage accordingly.	None	None	No
Foreign Exchange Risk	No	None	None	None	No
Credit Risk	No	The fund has limited cash held at the fund's bank account. The cash amount is limited.	In theory the fund could lose the amount held as cash. In practice we expect to keep cash limited to a couple of percent of NAV at any time.	None	No

Risk management and willingness to take risks Sorts of risks	Risk hedged	Measures applied and expected effectiveness	Expected impact on 2022 NAV if risk materializes	Impact on 2021 NAV	Adjustments to risk management in 2021 or 2022?
Operational Risk	No	This risk is mitigated by having strict operational procedures in place to address identified operational risk items, by employing clear segregation of duties amongst all identified staff and selecting service providers to the Fund with operational procedures to mitigate the operational risks identified.	Negligible	None	No
Legal Risk	No	The fund manger works with a well experienced law firm who also review and update the documentation when required.	Negligible	No impact	No

General principles of remuneration policy:

Theta Fund Management B.V. maintains a careful, controlled and sustainable remuneration policy. The remuneration policy is consistent with and contributes to a sound and effective risk management and does not encourage risk taking beyond what is acceptable for Theta Fund Management B.V. or the funds under management.

The remuneration policy consists of a fixed and variable component that is at the discretion of management. The aggregate personnel cost for employees totaled EUR 130,341 (2020: EUR 106,364). The variable component of the personnel costs amounted to EUR 15,622 (2020: EUR 13,521).

There are no employees for which the total remuneration is greater than 1 million euro.

SFDR Statement:

As per 10 March 2021 the EU Sustainable Finance Disclosure Regulation (SFDR) has come into force. In the context of the SFDR, the Fund has been classified as an Article 6 fund. The investments of TDCP do not take into account the EU criteria for environmentally sustainable economic activities.

Control Statement

We declare as the manager of the Fund to have an AO/IB that meets the requirements of the "Wet op het Financiële Toezicht" and the "Besluit gedragstoezicht financiële ondernemingen ("Bgfo")".

During 2021 we assessed the various aspects of the Fund's operations as outlined in this AO/IB. We have not identified any internal control measures that do not meet the requirements of article 115y of the Bgfo and as such we declare that the operations in the year 2021 functioned effectively as described.

During 2021 we have updated our AO/IB. Fundamentally we have not changed the processes, however we feel the updated version to be more complete. This version has also been reviewed, and is monitored on an ongoing basis, by our external compliance officer, especially with respect to regulatory updates.

Financial statements

Balance sheet as at 31 December

(all amounts in USD)	Notes	2021
Assets		
Investments	1	
Investment funds		47,594,023
Total of investments		47,594,023
Intangible assets		
Incorporation costs	3	17,330
Total of intangible assets		17,330
Other assets		
Cash and cash equivalents	4	904,185
Total of other assets		904,185
Total assets		48,515,538
Liabilities		
Net asset value	5	
Participations paid in surplus		41,261,352
Legal reserve		17,330
General reserve		(17,330)
Result current period		6,900,360
Total net asset value		48,161,712
Other liabilities		
Other payables and accrued expenses	7	353,826
Total other liabilities		353,826
Total liabilities		48,515,538

Profit and loss statement

(For the period 1 July 2020 through 31 December 2021)

(all amounts in USD)	Notes	2021
Revaluation of investments	8	
Realised results		335,765
Unrealised results		7,595,699
Total changes in value		7,931,464
Other results		
Foreign currency translation	9	67
Total other results		67
Operating expenses		
Management fee	10	(463,963)
Incentive fee	11	(386,228)
Incorporation costs	3	(53,185)
Administration fees	12	(31,190)
Depositary fees	13	(31,176)
Brokerage fees and other transaction costs		(4,474)
Audit fees	14	(32,181)
Legal fees		(3,609)
Other expenses		(25,165)
Total operating expenses		1,031,171
Result for the period		6,900,360

Statement of cash flows

(For the period 1 July 2020 through 31 December 2021)

(all amounts in USD)

	Notes	2021
Cash flow from operating activities		
Purchases of investments		(39,962,559)
Proceeds from sales of investments		300,000
Management and incentive fee paid		(547,995)
Operating expenses paid		(146,680)
Net cash flow used in operating activities		(40,357,234)
Cash flow from financing activities		
Proceeds from subscriptions to participations		41,261,352
Net cash flow from financing activities		41,261,352
Net cash flow for the period		904,118
Cash at beginning of the period		-
Foreign currency translation of cash positions		67
Cash at the end of the period	4	904,185

Notes to the financial statements

General

Theta Distressed Credit Opportunities Pool (the "Fund") is organized as a common contractual fund (fonds voor gemene rekening) under the laws of The Netherlands. The Fund was incorporated on 26 June 2020 and commenced operations on 1 July 2020.

The Fund is called a pool as we see it as a small collection of specialist managers providing access to a 'pool' of talent.

The Fund aims to provide investors with an investment vehicle which targets above average returns of 10%+ per annum on a five-year investment horizon by allocating to a pool of 4-8 hedge funds that focus on investing in dislocated credit instruments and distressed debt and restructuring opportunities.

The Fund is divided in two Classes: Class A and Class B.

The Fund has appointed Theta Fund Management B.V. as its Fund Manager. The Fund Manager is responsible for the execution of the investment policy and for the marketing of the Fund.

The professionals at the Fund Manager have substantial experience with investing in hedge funds. Theta's long history in the strategy secures access to the most successful hedge funds, which are typically highly capacity constrained and very selective as to whom they allow to invest. Theta sources the scarce talent and superior infrastructure required to execute such strategies but limit market risk by focusing on process risk and capturing differentiating risk premia such as complexity premium. Theta ensures a full alignment of interests and long-term staying power and avoids asset gatherers in favour of incentive driven managers. Theta will leverage their extensive industry network to gain access to these capacity constrained opportunities.

The Fund's investment activities are managed by the Fund Manager, with the administration delegated to Apex Fund Services (Netherlands) B.V.

The base currency of the Fund is US dollar.

The Fund Manager authorised these financial statements for issue on 30 June 2022.

Accounting policies

General

The financial statements are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. The accounting principles of the Fund are summarised below. These accounting principles have all been applied consistently throughout the financial period.

The figures cover the period from 1 July 2020 (commencement of operations) through 31 December 2021. As these are the first financial statements since inception no comparative figures are included.

Basis of accounting

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Measurement currency

The amounts included in the financial statements are denominated in USD, which is the functional and presentation currency.

Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortised cost equal the face value. Possible provisions deemed necessary for the risk of doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Organisation costs

Organisational cost are the set-up costs which constitute costs of advisors and other costs and fees directly connected with the incorporation, out-of-pocket expenses and costs connected with pre-establishment preparatory and research activities up to the initial closing. Valuation takes place at cost and will be amortised over a period of 24 months after inception.

Investments

Recognition and basis of measurement

All investment securities are initially recognised at cost. After initial recognition the investments will be valued at fair value.

Valuation

Investments in funds (fund-of-fund) will be valued on the basis of the latest available valuation of Investee Funds Interests provided by the administrators of the relevant Investee Fund. In the absence of quoted values or audited net asset value calculations, the valuation of the investments is based on the reported values of the respective funds in which the Fund has a position. Lacking any proper valuation, a fair price will be determined by the Fund Manager.

Gains and losses

Gains and losses are treated as realised for financial statement purposes on the trade date of the transaction closing or offsetting the open position. Unrealised gains and losses are the difference between the value initially recognised and fair value. All gains and losses are recognised in the profit and loss account.

Dividend and interest income

Dividends are recorded on the date that the dividends are declared, gross of applicable withholding taxes. Interest income is recognised on accrual basis.

Translation of foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rates of exchange prevailing at yearend. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the profit and loss account as foreign currency gains and losses except where they relate to investments where such amounts are included within realised and unrealised gains and losses on investments.

Brokerage/expenses

Commissions payable on opening and closing positions are recognised when the trade is entered into. Expenses are recorded in the period in which they originate. Transaction costs are borne by the Fund and be brought at the charge of the Fund's profit and loss account. Expenses on disposal of investments are deducted from the proceeds of disposal.

Cash and cash equivalents

For the purpose of presentation in the balance sheet and the cash flow statement, cash is defined as cash at banks and brokers. The cash at bank and brokers is valued at face value.

Cash flow statement

The statement of cash flows is prepared using the direct method. The statement of cash flows shows the Fund's cash flows for the period divided into cash flows from operations and financing activities.

Due to the nature of the Fund's operations, cash flows related to the financial instruments are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of participations of the Fund.

Bank overdrafts that are repayable on demand form an integral part of the Fund's cash management and are a component of cash and cash equivalents.

The ongoing charges figure (OCF)

The ongoing charges figure contains all costs that have been charged to the Fund for the period 1 July 2020 until 31 December 2021 excluding the transaction costs, interest costs and incentive fees. The ongoing charges figure is calculated by dividing all the costs of the period with the average net asset value. The average net asset value is calculated by adding all the monthly net asset values and divide them by the number of month's used (for this period the number of months 18). For the calculation of the OCF, no lookthrough has been applied for investments in other investment funds.

Turnover ratio (TOR)

The turnover ratio is calculated the following way: the sum of all purchases of investments plus the sum of all the sales of investments minus the sum for the subscriptions and redemptions. The total of this number will be divided by the average net asset value of the Fund and multiplied by 100.

Notes to the statement of financial position

1. Investments

The movement (for the period from 1 July 2020 until 31 December 2021) of the financial instruments is as follows:

(all amounts in USD)	<u>2021</u>
<i>Investment funds</i>	
Opening balance	-
Purchases	41,844,805
Sales	(2,182,246)
Realised investment result	335,765
Unrealised investment result	7,595,699
Position as per 31 December	<u>47,594,023</u>

2. Risk management

Market risk

Market risk is the risk that the value of a financial instrument fluctuates as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk contains market price risk, currency risk and interest rate risk. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the USD, the price initially expressed in foreign currency and then converted into USD also fluctuates because of changes in foreign exchange rates. The paragraph 'Currency risk' sets out how this component of price risk is managed and measured.

The level classification of the Fund's investments at 31 December is as follows:

(all amounts in USD)	<u>2021</u>
Other*	47,594,023
Position as per 31 December	<u>47,594,023</u>

*Valuations based on the NAV communicated by the underlying fund manager

The total market risk that the Fund bears at 31 December 2021 is the total net financial assets and liabilities at fair value through profit or loss in the amount of USD 47,594,023.

Exposure Risks

The Fund allocates to a pool of 4-8 hedge funds that focus on investing in dislocated credit instruments and distressed debt and restructuring opportunities. It may be that a particular manager may not achieve the target returns if they have wrongly analysed a situation. It is expected that the returns profile will differ from broader equity markets.

Currency risk

The Fund may invest in assets denominated in currencies other than its functional currency, the US dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US dollar relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets which are denominated in currencies other than the US dollar.

The Fund is not exposed to significant currency risk as all investments are denominated in US dollar.

Custody risk

The Fund's assets are held at Stichting Juridisch Eigenaar TDCOP with Darwin Depositary Services B.V. as Depositary. As of Jan 1st 2022 the fund's depositary and custodian was changed to Northern Trust as opposed to holding in the fund's name directly. All long positions are segregated and therefore their counterparty risk should be negligible. The regular cash accounts do result in counterparty risk to the custodian.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund may invest in securities or investment funds which can be illiquid and can apply a lock-up for their investors. This might have a pricing and liquidity effect on the Fund and might ultimately lead to a slower redemption process for investors in the Fund. The liquidity of the Fund is monitored by the Fund Manager on an ongoing basis.

The redemption of Participations may be limited to 10% of the Participations in issue on any Dealing Day in any Sub-Fund and the right to redeem may be suspended in the event of market disruption or a breakdown in the means employed to value the assets of the Fund. Class A participations are subject to a 2 year initial hard lockup and Class B participations are subject to a 1 year initial hard lockup.

3. Incorporation costs

The Fund has capitalised the costs of setting up the organisation of the Fund. The total incorporation costs amount to USD 70,515 and these are expensed in a period of 24 months.

(all amounts in USD)

	2021	Cumulative
Opening balance	-	-
Prepaid setup costs	70,515	70,515
Amortisation	(53,185)	(53,185)
Balance as per 31 December	17,330	17,330

4. Cash

At 31 December 2021 no restrictions on the use of cash exist.

5. Net assets value

(For the period 1 July 2020 through 31 December 2021)

Total for the Fund

(all amounts in USD)

	2021	
	Amounts	No. of shares
Net assets at beginning of period	-	-
Proceeds from participations issued	41,261,352	40,423.92
Net change from transactions with participation holders	41,261,352	40,423.92
Result for the period	6,900,360	
Net assets at end of period	48,161,712	40,423.92

Class A USD Participations

(all amounts in USD)

	2021	
	Amounts	No. of shares
Net assets at beginning of period	-	-
Proceeds form participations issued	8,553,817	8,518.27
Net change from transactions with participation holders	8,553,817	8,518.27
Result for the period	1,702,651	
Net assets at end of period	10,256,468	8,518.27

Class B USD Participations

(all amounts in USD)

	2021	
	Amounts	No. of shares
Net assets at beginning of period	-	-
Proceeds from shares issued	32,707,535	31,905.65
Net change from transactions with participation holders	32,707,535	31,905.65
Result for the period	5,197,709	
Net assets at end of period	37,905,244	31,905.65

Legal reserve

The incorporation costs have been capitalised and are amortised over a 2-year period. For a corresponding amount, a legal reserve has been formed. At 31 December 2021, the legal reserve amounts to USD 17,330.

6. Fund's capital

Classes

Participations in different Classes of the Fund relate to the same portfolio of assets and liabilities and differ only in the Net Asset Value, the Incentive Fee and Management Fee potentially to be paid, the remaining lock-up period and the redemption conditions depending on the Class in the Fund. After the end of the first financial year following the expiration of the lock-up period of a particular Series, the Series may be converted into one Series of the same Class in the same Fund.

Subscriptions

The Fund may issue Participations in a Fund in the form of Series of a Class on each particular Dealing Day. Participations in different Classes in a Fund relate to the same portfolio of assets and liabilities and differ only in the Net Asset Value, the Incentive Fee and Management Fee potentially to be paid and the remaining lock-up period. After the end of the first financial year following the expiration of the lock-up period of a particular Class, the Series may be converted into one Series of the Fund.

Redemptions

Participants will have the possibility to redeem Participations starting a (quarterly) Dealing Day following at least 90 calendar days prior written notice given to Theta and subject to a lock-up period, if applicable.

All redemption requests will be executed subject to a 25% investor gate. Each redemption will be redeemed at a price equal to the Net Asset Value of the relevant Series on the Dealing Day on which the redemption is effected. The investor gate will be calculated as 25% of the highest balance of the Participant's holdings in the relevant Series on any of the four Dealing Days immediately preceding the redemption request. Any excess over the amount of the investor gate will be redeemed at the following Dealing Day subject again to the investor gate. For clarity, this means for example that a Participant wishing to redeem 50% of his holdings will have his request met in full over 2 Dealing Days. A 100% redemption will be met in full over 4 Dealing Days.

Once a redemption request has been accepted by Theta, any costs incurred as a result of withdrawal of the redemption request will be charged to the Participant. Theta may limit the redemption of Participations on any Dealing Day to a maximum of 10% of the outstanding Participations in the Sub-Fund on such Dealing Day. In the event Theta invokes its right to limit the redemptions to the 10% threshold, it will allocate the redemptions that will be executed on a pro rata basis.

The minimum Net Asset Value to be redeemed subject to one redemption request should at least equal €100,000 or 100 Participations.

Distributions

Theta shall have sole discretion whether to distribute any income of the Fund or whether to retain it within the Fund. All investment gains, paid out dividends or other distributions by Investee Funds will be reinvested within the Fund. However, Theta has the option to make distributions, these shall be made to Participants in the Fund, pro rata to their Participations.

7. Other liabilities

(all amounts in USD)

	2021
Management fees payable	68,645
Incentive fees payable	233,551
Audit fees payable	30,955
Administration fees payable	6,027
Compliance fees payable	14,062
Other liabilities	586
Position as per 31 December	353,826

Notes to the profit and loss statement

8. Revaluation of investments

(all amounts in USD)	2021
<i>Net realised result on financial assets and liabilities at fair value through profit or loss</i>	
Realised gains on investment funds	335,765
Total realised result	335,765
<i>Net unrealised result on financial assets and liabilities at fair value through profit or loss</i>	
Unrealised gains on investment funds	7,727,234
Unrealised losses on investment funds	(131,535)
Total unrealised result	7,595,699
Total revaluation of investments	7,931,464

9. Foreign currency translation

Realised and unrealised exchange differences consist of realised and unrealised translation gains (losses) on assets and liabilities other than financial instruments at fair value through profit or loss and amount to a gain of USD 67.

10. Management fee

The Fund Manager shall be entitled to receive an annual management fee up to a one per cent (1%) of the Net Asset Value of a class. The management fee shall accrue on each dealing day by reference to the Net Asset Value on that day and be paid quarterly in arrears on, the last business day in each of March, June, September and December.

The following management fee percentages are applied per Class:

- Class A 0.350%
- Class B 0.625%

As of 1 August 2021 the management fee for Class B was lowered from 1% to 0.625%.

The management fee for the period ended 31 December 2021 amounts to USD 463,963.

11. Incentive fee

The Fund Manager shall be entitled to receive an incentive fee. The incentive fee shall be calculated out of each series in respect of each financial year. The incentive fee shall be based on the amount by which the total return exceeded the benchmark return ('hurdle rate'), 5% per annum.

The following incentive fee percentages are applied per Class:

- Class A 5.00%
- Class B 7.50%

As of 1 August 2021 the incentive fee for Class B was lowered from 10% to 7.5%.

The incentive fee for the period ended 31 December 2021 amounts to USD 386,228.

12. Administration fees

Apex Fund Services (Netherlands) B.V. serves as Administrator of the Fund. The annual fee charged by the Administrator equals 0.05% of the NAV with a minimum fixed fee of € 15,000. All fees are excluding VAT.

The administrator fee for the period ended 31 December 2021 amounts to USD 31,190.

13. Depositary expenses

Darwin Depositary Services B.V. (hereinafter "the Depositary") receives a fixed fee from the Fund as remuneration for the services of the board of the Depositary, equal to USD 16,500 (excluding VAT) per annum.

The depositary expenses for the period ended 31 December 2021 amounts to USD 31,176.

14. Audit fees

The Fund appointed Ernst & Young Accountants LLP as the Independent Auditor. The Independent Auditor's remuneration consists of USD 32,181 (equivalent of EUR 27,225) audit fee. The Independent Auditor does not provide any non-audit services to the Fund.

15. Related party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The Fund Manager is therefore a related party, please refer to note 10 and 11 for the transactions between the Fund and the Fund Manager.

16. Taxation

The Fund is structured as transparent for Dutch tax purposes. Accordingly, the Fund is not subject to Dutch corporate income tax. From a Dutch tax perspective, the assets and liabilities, as well as the revenues of the Fund are attributed to the individual Unit Holders pro rata to their interest in the Fund.

17. Ongoing charges figure (OCF)

(all amounts in USD)

	Class A USD	Class B USD
Average net asset value	9,365,971	31,412,802
Total ongoing expenses	89,734	550,733
Ongoing charges figure	0,96%	1.75%
Annualised ongoing charges figure	0,64%	1.17%
Incentive fee ratio	0,59%	1.05%
Annualised incentive fee ratio	0,39%	0.70%

For the calculation of the OCF, no lookthrough has been applied for investments in other investment funds. These indirect expenses are therefore not included in the calculated OCF.

18. Turnover ratio's (TOR)

The turnover ratio for the Fund over the period 1 July 2020 until 31 December 2021 is: 6,8% which means 0,068 times of the average Net Asset Value is traded besides trades resulting from subscriptions and redemptions.

19. Core business and outsourcing

The following key task has been delegated by the Fund:

Administration

The administration has been outsourced to Apex Fund Services B.V. who carries out the administration of the Fund, including the processing of all investment transactions, processing of revenues and expenses and the preparation of the NAV. It also states, under the responsibility of the AIFM, the interim report and the financial statements of the Fund. For information on the fees of the Administrator refer to note 12.

Fund Manager

Theta Fund Management B.V. is the Fund Manager of the Fund. For information on the fees of the Fund Manager refer to note 10.

20. Proposed appropriation of the result

The Fund will not distribute any dividend. The result for the period ended 31 December 2021 will be added to the general reserve.

21. Events after reporting date

Add: Whilst the war in Ukraine should have very little effect outside of one manager with direct exposure, the recent market sell-off and rise in interest rates should increase the investment opportunity for distressed assets. We will watch the situation closely as developments unfold.

Amsterdam, 30 June 2022

Fund Manager
Theta Capital Management B.V.

Other Information

Personal holdings of the Board of Directors of the Fund Managers

At 31 December 2021, the Board of Directors of the Fund Manager had no personal interests in investments the Fund holds in portfolio at these dates.

Independent Auditor's report

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

Independent auditor's report

To: the participants and investment manager of Theta Distressed Credit Opportunities Pool

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Theta Distressed Credit Opportunities Pool based in Amsterdam, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Theta Distressed Credit Opportunities Pool as at 31 December 2021, and of its result for the period 1 July 2020 to 31 December 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2021
- The profit and loss account for the period 1 July 2020 to 31 December 2021
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Theta Distressed Credit Opportunities Pool in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

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

Description of responsibilities for the financial statements

Responsibilities of the manager for the financial statements

The manager of the investment entity is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the manager is responsible for such internal control as the manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the manager is responsible for assessing the investment entity's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the manager should prepare the financial statements using the going concern basis of accounting unless the manager either intends to liquidate the investment entity or to cease operations, or has no realistic alternative but to do so. The manager should disclose events and circumstances that may cast significant doubt on the investment entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the investment entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors

- Concluding on the appropriateness of the manager'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 investment entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an investment entity to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

The Hague, 30 June 2022

Ernst & Young Accountants LLP

Signed by R.J. Bleijs