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Maritime Investment Fund II K/S

Strandvejen 70
2900 Hellerup
CVR No. 40251898

Annual report 2022

The Annual General Meeting adopted the annual report on 13.03.2023

Henrik Ramskov
Chairman of the General Meeting

Contents

Entity details

Entity

Maritime Investment Fund II K/S

Strandvejen 70

2900 Hellerup

Business Registration No.: 40251898

Registered office: Gentofte

Financial year: 01.01.2022 - 31.12.2022

Executive Board

Maritime GP F II ApS

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Maritime Investment Fund II K/S for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hellerup, 13.03.2023

Executive Board

Maritime GP F II ApS

Independent auditor's report

To the Limited Partners of Maritime Investment Fund II K/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Maritime Investment Fund II K/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent 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 the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Statement on the management commentary and supplementary reports

Management is responsible for the management commentary, as well as for the supplementary report on disclosures in accordance with the SFDR etc. hereinafter referred to as "the supplementary report".

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary or the supplementary report, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary and the supplementary report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

We did not identify any material misstatement of the management commentary or the supplementary report.

Copenhagen, 13.03.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Michael Thorø Larsen
State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Financial highlights

	2022 USD'000	2021 USD'000	2020 USD'000	2019 USD'000
Key figures				
Revenue	44,247	48,448	24,687	0
Gross profit/loss	47,279	49,435	17,246	(1,191)
Operating profit/loss	36,101	36,929	11,225	(1,191)
Net financials	(6,594)	(6,721)	(4,732)	(7)
Profit/loss for the year	29,506	30,204	6,488	(1,201)
Profit for the year excl. minority interests	29,765	30,204	6,488	(1,201)
Balance sheet total	394,563	334,967	295,688	629
Investments in property, plant and equipment	272,302	309,659	290,510	0
Equity	137,741	133,750	65,714	417
Equity excl. minority interests	111,544	133,750	65,714	417
Ratios				
Gross margin (%)	106.85	102.04	69.86	N/A
Net margin (%)	66.68	62.34	26.28	N/A
Return on equity (%)	21.74	30.29	19.62	(288.00)
Equity ratio (%)	28.27	39.93	22.22	66.30

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin(%):
Profit/loss for the year* 100
Revenue

Return on equity (%)
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

Maritime Investment Fund II K/S (MIF II) is an alternative investment fund. MIF II is incorporated in Denmark and the fund is set up and structured in a fully transparent and a market conform K/S structure. MIF II is managed by Navigare Capital Partners A/S (NCP), an authorized alternative investment fund manager (AIFM).

MIF II's main activity is to carry out investment activities by investing in commercial vessels across multiple shipping segments: container vessels, tankers, dry bulk vessels, gas carriers and offshore wind. The business strategy is to offer investors the opportunity to make long-term investments in a diversified portfolio of maritime assets for which there are diverse underlying demand drivers with attractive growth prospects.

MIF II targets an attractive return, with the majority of the investment returns derived from stable and predictable cash flows, and they intend to achieve this via a proven investment strategy focused on segment diversification and long-term fixed employment contracts for the assets.

Development in activities and finances

Profit for the year 2022 was USD 30m against 30m in 2021. Profit for the year was positively impacted by USD 17m against 16m in 2021 from "Other operating income", which primarily comprises gains from the divestment of vessels. Management expected a positive result in the 2021 annual report and considers the result for the year to be satisfactory.

The investment period runs from MIF II's establishment on 30th September 2019 to the end of Q3 2023. MIF II has completed eight vessel investments at the end of 2022. Two were exited in 2021, and one more was exited in 2022. Furthermore, MIF II invested in five offshore wind support vessels through a Norwegian subsidiary, Norwind Shipholding AS, in Q1 2022. Four vessels are under construction and expected to be delivered in 2023-25. In Q2 2022, the fund entered into a joint venture with Schoeller Holdings LTD to acquire six container feeder vessels with expected delivery in 2023-24.

The development in the financial year's activities was in line with the business strategy.

The ongoing conflict between Ukraine and Russia in 2022 resulted in higher volatility in the financial markets and commodity prices. The conflict has not had a negative impact on the fund.

Profit/loss for the year in relation to expected developments

The profit/loss for the year was as expected.

Outlook

Management expects a revenue in the range of USD 55 to 65m in 2023 and a profit after tax in the range of USD 15-25m.

Management expectations is based on a full-year profit from investments made in 2022, a new vessel investment in 2023 and deliveries of two new builds offshore wind support vessels in 2023.

Material assumptions and uncertainties

The Group's expected development depends on the earnings in group enterprises, the developments in the fair market value of maritime assets and the development in the exchange rate between USD and NOK due to the significant Norwegian activities.

Statutory report on corporate social responsibility

Corporate Social Responsibility

The fund follows NCP's approach to corporate social responsibility. According to NCP's Code of Conduct, NCP and MIF II commit to a high degree of business conduct. In this respect it is a fundamental condition that Environmental, Social and Governance (ESG) topics are respected.

Environmental topics consider how to perform as a steward of nature.

Social topics are about how to manage relationships with employees, suppliers, customers, and the communities where operation takes place.

Governance topics deal with how to ensure leadership and core values when conducting business.

NCP and MIF II are committed to comply with ESG topics as an integrated part of its sourcing, investment and operational processes related to its investments. This implies that NCP and MIF II also aim for their business partners to comply with these ESG topics.

ESG topics covered by the Code of Conduct and other specific policies include among other things:

- Conflicts of interest
- Gifts, entertainment, and favours
- Kickbacks and secret commissions
- Bribery, corruption, and facilitation payments
- Diversity and inclusion

NCP's Responsible Investment Policy states that NCP strives to deliver attractive, risk-adjusted returns while enabling the green transition of the shipping sector. To support this, four ESG principles are underpinning NCP's daily work with sustainability:

- ESG governance and responsibility: NCP ensures that ESG responsibilities are assigned to effectively oversee the implementation of the framework, and that each member of staff is accountable for ESG integration in accordance with internal policies with support from suitably qualified staff, including from third parties where appropriate.

- ESG commitments: NCP commits to follow all relevant global standards and regulation within areas such as responsible investing, human and labour rights, responsible business, etc. According to the Code of Conduct and the Limited Partnership Agreement for MIF II, NCP and MIF II are committed to comply with the following standards, conventions, and guidelines:
  - UN Principles for Responsible Investments.
  - UN Global Compact.
  - UN Guiding Principles on Business and Human Rights.
  - OECD Guidelines for Multinational Enterprises.
  - ILO Declaration on Fundamental Principles and Rights at Work.

- Basel Convention: Technical guidelines for the environmentally sound management of the full and partial dismantling of ships.

- ESG reporting: NCP reports on its activities and progress towards implementing the ESG framework and engages with other key stakeholders in a transparent way, providing them with key data on material ESG topics. As a financial market participant, NCP is subject to and compliant with the EU Regulation on sustainability-related disclosures in the financial services sector.

- ESG in the investment process and daily operations: NCP incorporates ESG considerations into its investment analysis and decision-making regarding investments, into its operating practices during ownership, and into its decision-making regarding exits/realisations. This implies conducting the following due diligence elements:
  - Commercial due diligence: Analysis of the investment from a commercial perspective.
  - Technical due diligence: Analysis of the investment from a technical perspective.
  - Financial due diligence: Analysis of the investment from a financial perspective.
  - Legal due diligence: Analysis of the investment from a legal perspective.
  - Due diligence on sustainability and ESG-related topics: Analysis of the investment asset and the selected technical manager from a sustainability and ESG perspective.

ESG risks

Environmental:

The most material risk in this area is being non-compliant with the regulatory provisions on environmental conditions as well as environmental incidents in the form of, e.g., oil or chemical spills at sea. Additionally, there is a risk of not succeeding in supporting the green transition in the shipping sector by implementing relevant and beneficial measures to ensure increased consideration for the environment.

NCP and MIF II continuously assess whether there is a need for further environmental measures regarding the various vessels in the portfolio. In support of this NCP has prepared energy saving devices which lists possible technological initiatives per vessel that can help reduce fuel consumption and hence GHG emissions.
Social Conditions, including Human Rights:

The most material risks in this area are reputational risk due to potential negative publicity resulting from human rights abuse, bad working conditions, child labour, inequality, or discrimination.

NCP and MIF II have an ongoing awareness on social conditions and human rights to detect any violations. No violations have been detected.

Governance:

The most material risk in this area is getting involved – directly or indirectly through business partners – in a situation involving corruption, conflicts of interest, financial crime, breach of financial sanctions, or cyber-crime.

NCP and MIF II have an ongoing awareness on these risks. Each employee submits a personal annual attestation of compliance with the Code of Conduct. Further, NCP and MIF II have procedures in place to ensure that the Operations department is very aware of the financial sanctions and continuously monitors the vessels positions and which ports they call at. Special attention is observed when vessels call at ports in e.g., the eastern Mediterranean or the Black Sea or if vessels are engaged in ship-to-ship transfers. No violations have been detected in 2022.

Implementation and Achievements in 2022

During 2022 NCP has updated and expanded the Responsible Investment policy and the policy on Integration of Sustainability Risks and the handling procedures have been expanded accordingly.

NCP is still a signatory of PRI which is an investor initiative in partnership with United Nations supporting principles for responsible investments. Furthermore, NCP is a member of the Maritime Anti-Corruption Network (MACN), a not-for-profit organization established by the maritime industry to tackle corruption.

The published ESG principles has been further expanded during the year and NCP and MIF II have reached a stage where active and targeted work is being done on the ESG principles in the various business processes. NCP launched its first sustainability report creating transparency around its ESG performance and commitments.

NCP and MIF II will during 2023 continue their ESG efforts as well as take the necessary steps to be prepared for future regulation, including the EU Regulation on sustainability-related disclosures in the financial services sector.

The ESG efforts and compliance with the adopted policies is believed to contribute positively to the UN Agenda for Sustainable Development and the corresponding Sustainable Development Goals.

Statutory report on the underrepresented gender

The highest body in the Fund is Maritime GP F II ApS, and since there are no employees in MIF II, there is no policy covering gender targets.

Statutory report on data ethics policy

NCP and MIF II do not use any kind of data based artificial intelligence (AI) or machine learning (ML) in their efforts to the current business model and strategy as described above.

At present, management has, therefore not considered it necessary or beneficial to establish a policy on data ethics.

All decisions about current and future use of collected data and new information management technologies are anchored at the top management level, who conducts an ongoing evaluation of the company's work with collected data and information management technologies and the resulting need for a policy on data ethics.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would significantly impact the evaluation of this annual report.

Supplementary reports

Periodic disclosure for Article 8 financial products

Please refer to page 34 for Maritime Investment Fund II K/S' periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852 for the period 01.01.2022-31.12.2022.

Consolidated income statement for 2022

	Notes	2022 USD'000	2021 USD'000
Revenue		44,247	48,448
Other operating income		17,426	16,001
Other external expenses	1	(14,394)	(15,014)
Gross profit/loss		**47,279**	**49,435**
Depreciation, amortisation and impairment losses		(10,600)	(11,970)
Other operating expenses		(578)	(536)
Operating profit/loss		**36,101**	**36,929**
Other financial income		508	25
Other financial expenses		(7,102)	(6,746)
Profit/loss before tax		**29,507**	**30,208**
Tax on profit/loss for the year		(1)	(4)
Profit/loss for the year	2	**29,506**	**30,204**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 USD'000	2021 USD'000
Ships		272,302	309,659
Property, plant and equipment	3	**272,302**	**309,659**
Investments in associates		23,603	0
Other receivables		5,013	2,043
Financial assets	4	**28,616**	**2,043**
Fixed assets		**300,918**	**311,702**
Other receivables		8,044	7,634
Prepayments	5	7,016	4,120
Receivables		**15,060**	**11,754**
Cash		**78,585**	**11,511**
Current assets		**93,645**	**23,265**
Assets		**394,563**	**334,967**

Equity and liabilities

	Notes	2022 USD'000	2021 USD'000
Contributed capital		126,305	142,017
Retained earnings		(14,761)	(22,767)
Proposed extraordinary dividend		0	14,500
Equity belonging to Parent's shareholders		**111,544**	**133,750**
Equity belonging to minority interests		**26,197**	**0**
Equity		**137,741**	**133,750**
Bank loans		128,470	169,933
Other payables		7,340	2,000
Non-current liabilities other than provisions	6	**135,810**	**171,933**
Current portion of non-current liabilities other than provisions	6	17,744	16,590
Bank loans		99,584	0
Tax payable		0	5
Other payables		2,489	8,536
Deferred income	7	1,195	4,153
Current liabilities other than provisions		**121,012**	**29,284**
Liabilities other than provisions		**256,822**	**201,217**
Equity and liabilities		**394,563**	**334,967**
Financial instruments	9		
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Consolidated statement of changes in equity for 2022

	Contributed capital USD'000	Retained earnings USD'000	Proposed extraordinary dividend USD'000	Equity belonging to Parent's shareholders USD'000	Equity belonging to minority interests USD'000
Equity beginning of year	142,017	(22,767)	14,500	133,750	0
Effect of mergers and business combinations	0	8,945	0	8,945	12,784
Increase of capital	30,288	0	0	30,288	15,196
Decrease of capital	(46,000)	46,000	0	0	0
Extraordinary dividend paid	0	0	(92,953)	(92,953)	0
Exchange rate adjustments	0	(1,179)	0	(1,179)	(1,524)
Fair value adjustments of hedging instruments	0	2,928	0	2,928	0
Profit/loss for the year	0	(48,688)	78,453	29,765	(259)
Equity end of year	**126,305**	**(14,761)**	**0**	**111,544**	**26,197**

	Total USD'000
Equity beginning of year	133,750
Effect of mergers and business combinations	21,729
Increase of capital	45,484
Decrease of capital	0
Extraordinary dividend paid	(92,953)
Exchange rate adjustments	(2,703)
Fair value adjustments of hedging instruments	2,928
Profit/loss for the year	29,506
Equity end of year	**137,741**

Consolidated cash flow statement for 2022

	Notes	2022 USD'000	2021 USD'000
Operating profit/loss		36,101	36,929
Amortisation, depreciation and impairment losses		10,600	11,970
Working capital changes	8	(7,578)	667
Cash flow from ordinary operating activities		**39,123**	**49,566**
Financial income received		345	25
Financial expenses paid		(5,780)	(6,746)
Taxes refunded/(paid)		0	(5)
Cash flows from operating activities		**33,688**	**42,840**
Acquisition etc. of property, plant and equipment		(84,902)	(70,000)
Sale of property, plant and equipment		95,504	33,081
Cash flows from investing activities		**10,602**	**(36,919)**
Free cash flows generated from operations and investments before financing		**44,290**	**5,921**
Loans raised		123,045	131,900
Repayments of loans etc.		(64,168)	(168,648)
Contributions from Limited Partners		42,360	84,897
Distributions to Limited Partners		(78,453)	(50,000)
Cash flows from financing activities		**22,784**	**(1,851)**
Increase/decrease in cash and cash equivalents		**67,074**	**4,070**
Cash and cash equivalents beginning of year		11,511	7,441
Cash and cash equivalents end of year		**78,585**	**11,511**
Cash and cash equivalents at year-end are composed of:			
Cash		78,585	11,511
Cash and cash equivalents end of year		**78,585**	**11,511**

Notes to consolidated financial statements

1 Other external expenses

The Group has no employees.

Management has not received any remuneration.

In accordance with the Alternative Investment Fund Managers etc. Act, section 61, 3 (5 and 6) information regarding salaries paid to employees of the investment manager can be found in Navigare Capital Partners A/S', Business Reg. No. 37338109, Annual report 2022.

2 Proposed distribution of profit/loss

	2022 USD'000	2021 USD'000
Extraordinary dividend distributed in the financial year	78,453	50,000
Retained earnings	(48,688)	(19,796)
Minority interests' share of profit/loss	(259)	0
	29,506	**30,204**

3 Property, plant and equipment

	Ships USD'000
Cost beginning of year	327,429
Additions	68,450
Disposals	(105,250)
Cost end of year	**290,629**
Depreciation and impairment losses beginning of year	(17,771)
Depreciation for the year	(10,669)
Reversal regarding disposals	10,113
Depreciation and impairment losses end of year	**(18,327)**
Carrying amount end of year	**272,302**

4 Financial assets

	Investments in associates USD'000	Other receivables USD'000
Cost beginning of year	0	2,043
Addition through business combinations etc	23,603	0
Additions	0	2,970
Cost end of year	**23,603**	**5,013**
Carrying amount end of year	**23,603**	**5,013**

Associates	**Registered in**	**Ownership %**
SN Shipping LLP	Cyprus	42.73

5 Prepayments

Prepayments mainly constitute pre-invoiced revenue.

6 Non-current liabilities other than provisions

	Due within 12 months 2022 USD'000	Due within 12 months 2021 USD'000	Due after more than 12 months 2022 USD'000
Bank loans	17,744	16,590	128,470
Other payables	0	0	7,340
	17,744	**16,590**	**135,810**

The share of the Group's bank loans falling due within 5 months constitutes USD 2.7m.

7 Deferred income

Deferred income mainly constitute pre-invoiced revenue.

8 Changes in working capital

	2022 USD'000	2021 USD'000
Increase/decrease in receivables	5,171	(7,910)
Increase/decrease in trade payables etc.	(12,749)	8,577
	(7,578)	**667**

9 Derivative financial instruments

Several of the Group companies have entered into swaps where part of the Companies' interest risk have been hedged. The swap contracts are recognized under other receivables and other debt respectively and are measured at fair value. The fair valued are regularly valued based on forward interests in the market.

10 Contingent liabilities

There is a remaining investment commitment of a total of USD 63.0m to group companies.

There are no contingent liabilities of the Group.

11 Assets charged and collateral

The following has been provided as collateral for bank loans with an unpaid balance of USD 123m in the Group. All terms and collaterals has been provided based on terms which is normal within the industry.

- Mortgage deed registered on the vessel owners
- Assignment of earnings of the vessels
- Assignment of the insurance amount of the vessels

Maritime Investment Fund II Holding K/S has furthermore provided a joint and several liability for all bank loans within the companies of the Maritime Investment Fund II Holding K/S Group. The ships owned by the Maritime Investment Fund II Holding K/S Group are provided as collateral for the bank loans with a consolidated carrying amount of USD 214m.

12 Transactions with related parties

Maritime Investment Fund II K/S has no related parties with controlling interest.

Only related party transactions not conducted on an arm's lenght basis are disclosed in the financial statements. All related party transactions during the financial year have been conducted on an arm's lenght basis.

Transactions between Maritime Investment Fund II K/S and its subsidiaries are eliminated in the present consolidated financial statements and are not disclosed with reference to the Danish Financial Statements Act, section 98c.

13 Subsidiaries

	Registered in	Corporate form	Ownership %	Equity USD'000	Profit/loss USD'000
Maritime Investment Fund II Holding K/S	Hellerup	K/S	100.00	123,371	16,058
MIF II no. 1 K/S	Hellerup	K/S	100.00	76	19,698
MIF II no. 2 K/S	Hellerup	K/S	100.00	11,356	1,913
MIF II no. 3 K/S	Hellerup	K/S	100.00	11,120	1,935
MIF II no. 4 K/S	Hellerup	K/S	100.00	31,792	4,571
MIF II no. 5 K/S	Hellerup	K/S	100.00	(22)	(34)
MIF II no. 6 K/S	Hellerup	K/S	100.00	3	(11)
MIF II no. 7 K/S	Hellerup	K/S	100.00	22,150	3,983
MIF II no. 8 K/S	Hellerup	K/S	100.00	22,071	3,050
MIF II no. 9 K/S	Hellerup	K/S	100.00	32	(296)
MIF II no. 10 K/S	Hellerup	K/S	100.00	30,153	(286)
MIF II no. 11 K/S	Hellerup	K/S	100.00	31	(312)
MIF II no. 12 K/S	Hellerup	K/S	100.00	31	(312)
MIF II no. 13 K/S	Hellerup	K/S	100.00	31	(312)
MIF II no. 14 K/S	Hellerup	K/S	100.00	31	(312)
MIF II no. 15 K/S	Hellerup	K/S	100.00	31	(312)
Maritime Investment Fund II Holding GP ApS	Hellerup	ApS	100.00	10	1
MIF II no. 1 GP ApS	Hellerup	ApS	100.00	8	(1)
MIF II no. 2 GP ApS	Hellerup	ApS	100.00	11	0
MIF II no. 3 GP ApS	Hellerup	ApS	100.00	11	0
MIF II no. 4 GP ApS	Hellerup	ApS	100.00	13	0
MIF II no. 5 GP ApS	Hellerup	ApS	100.00	9	(2)
MIF II no. 6 GP ApS	Hellerup	ApS	100.00	8	(2)
MIF II no. 7 GP ApS	Hellerup	ApS	100.00	10	0
MIF II no. 8 GP ApS	Hellerup	ApS	100.00	10	0
MIF II no. 9 GP ApS	Hellerup	ApS	100.00	10	0
MIF II no. 10 GP ApS	Hellerup	ApS	100.00	10	0
MIF II no. 11 GP ApS	Hellerup	ApS	100.00	8	0
MIF II no. 12 GP ApS	Hellerup	ApS	100.00	8	0
MIF II no. 13 GP ApS	Hellerup	ApS	100.00	8	0
MIF II no. 14 GP ApS	Hellerup	ApS	100.00	8	0
MIF II no. 15 GP ApS	Hellerup	ApS	100.00	8	0

	Registered in	Corporate form	Ownership %	Equity USD'000	Profit/loss USD'000
MIF II Renewables no. 1 GP ApS	Hellerup	ApS	100.00	6	0
MIF II Partnerships no. 1 GP ApS	Hellerup	ApS	100.00	6	0
MIF II Renewables no. 1 K/S	Hellerup	K/S	100.00	22,493	(197)
MIF Partnerships no. 1 K/S	Hellerup	K/S	100.00	23,617	(92)

The following Group companies with the legal form limited partnership have not submitted an annual report but instead submitted a declaration of exemption in accordance with the Danish Financial Statements Act section 5 (1) and 146 (1):

- Maritime Investment Fund II Holding K/S
- MIF II no. 1 K/S
- MIF II no. 2 K/S
- MIF II no. 3 K/S
- MIF II no. 4 K/S
- MIF II no. 5 K/S
- MIF II no. 6 K/S
- MIF II no. 7 K/S
- MIF II no. 8 K/S
- MIF II no. 9 K/S
- MIF II no. 10 K/S
- MIF II no. 11 K/S
- MIF II no. 12 K/S
- MIF II no. 13 K/S
- MIF II no. 14 K/S
- MIF II no. 15 K/S
- MIF II Renewables no. 1 K/S
- MIF II Partnerships no. 1 K/S

Parent income statement for 2022

	Notes	2022 USD'000	2021 USD'000
Other external expenses	1	(981)	(1,136)
Gross profit/loss		**(981)**	**(1,136)**
Income from investments in group enterprises		33,447	34,506
Other financial income		12	0
Other financial expenses		(825)	(914)
Profit/loss for the year	2	**31,653**	**32,456**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 USD'000	2021 USD'000
Investments in group enterprises		176,654	136,562
Financial assets	3	**176,654**	**136,562**
Fixed assets		**176,654**	**136,562**
Receivables from group enterprises		42,042	31
Other receivables		0	5,534
Receivables		**42,042**	**5,565**
Cash		**1,432**	**149**
Current assets		**43,474**	**5,714**
Assets		**220,128**	**142,276**

Equity and liabilities

	Notes	2022 USD'000	2021 USD'000
Contributed capital		126,305	142,017
Retained earnings		(6,274)	(19,974)
Proposed extraordinary dividend		0	14,500
Equity		**120,031**	**136,543**
Bank loans		99,584	0
Other payables		513	5,733
Current liabilities other than provisions		**100,097**	**5,733**
Liabilities other than provisions		**100,097**	**5,733**
Equity and liabilities		**220,128**	**142,276**
Contingent liabilities	4		
Assets charged and collateral	5		
Related parties with controlling interest	6		

Parent statement of changes in equity for 2022

	Contributed capital USD'000	Retained earnings USD'000	Proposed extraordinary dividend USD'000	Total USD'000
Equity beginning of year	142,017	(22,768)	14,500	133,749
Changes in accounting policies	0	2,794	0	2,794
Adjusted equity, beginning of year	**142,017**	**(19,974)**	**14,500**	**136,543**
Increase of capital	30,288	0	0	30,288
Decrease of capital	(46,000)	46,000	0	0
Extraordinary dividend paid	0	14,500	(92,953)	(78,453)
Profit/loss for the year	0	(46,800)	78,453	31,653
Equity end of year	**126,305**	**(6,274)**	**0**	**120,031**

The contributed capital are divided in shares with a nominal value of USD 1.

The investors have committed themselves to contributing up to USD 417.5m to the Fund. At 31 December 2022, the investors have contributed a net amount of USD 126m out of the combined contribution commitment, causing the balance commitment to stand at USD 291m.

Certain classes of shares are entitled to preferential return, provided that the fund’s total IRR exceeds an agreed return in the Limited Partners Agreement.

Notes to parent financial statements

1 Other external expenses

The Company has no employees.

Management has not received remuneration.

In accordance with the Alternative Investment Fund Managers etc. Act, section 61, 3 (5 and 6) information regarding salaries paid to employees of the investment manager can be found in Navigare Capital Partners A/S', Business Reg. No. 37338109, Annual report 2022.

2 Proposed distribution of profit and loss

	2022 USD'000	2021 USD'000
Extraordinary dividend distributed in the financial year	78,453	50,000
Retained earnings	(46,800)	(17,544)
	31,653	**32,456**

3 Financial assets

	Investments in group enterprises USD'000
Cost beginning of year	135,636
Additions	86,024
Cost end of year	**221,660**
Changes in accounting policies	(45,006)
Impairment losses end of year	**(45,006)**
Carrying amount end of year	**176,654**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

4 Contingent liabilities

There is a remaining investment commitment of a total of USD 63.0m for group companies.

There are no contingent liabilities of the Company.

5 Assets charged and collateral

Maritime Investment Fund II K/S's equities in the following companies have been provided as collateral for the outstanding bank debt in the Maritime Investment Fund II Holding K/S Group.
- MIF II no. 2 K/S
- MIF II no. 3 K/S
- MIF II no. 2 GP ApS
- MIF II no. 3 GP ApS

6 Related parties with controlling interest

Maritime Investment Fund II K/S has no related parties with controlling interest.

Only related party transactions not conducted on an arm's length basis are disclosed in the financial statements. All related party transactions during the financial year have been conducted on an arm's length basis.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The reportnig currency is U.S. Dollar (USD).

Changes in accounting policies

The Group and the Parent have changed their accounting policies with regard to the recognition and measurement of the investments in group enterprises. Previous years up until 2021 the investments have been measured in accordance with the equity method. From 2022 and going forward the investments in group enterprises will be measured at cost. The Parent has in 2022 acquired new foreign group entities, and to align all group entities' accounting policies, the management has decided to change the accounting policies. This means that dividends will be recognized in the income statement when earned. The management has assessed that the change provides a more true and fair view of the income statement, assets, liabilities and cash flows.

For the Parent, the change in accounting policies has led to an increase in income from investment in group enterprises of USD 47.2m (2021: 17.7m). However, the effect on this year's pre tax profit is an increase of USD 2.1m (2021: 2.3m) due to impairment losses. The Parent's investment in group enterprises decreases by USD 17.7m (2021: 2.8m) while both total assets and equity decreases by USD 17.7m (2021: 2.8m) at 31.12.2022. The change in accounting policies has had no tax effect neither in the year's tax or the deffered tax regarding this year and the previous years.

For the Group, the change in accounting policies has had no effect on this year's pre tax profit or the Group's equity.

The comparative figures have been restated following the change in accounting policies.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistently with last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Financial statements of foreign subsidiaries are translated into USD at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average exchange rates for income statement items. All effects of exchange rate adjustments are recognised in equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables. Swap payments falling due within 12 months are presented as a current asset or liability, and payments falling due after 12 months are presented as a long term asset or liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the time charter and bareboat charter is recognized on a straight line basis over the duration of the charter.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities as well as gains an losses from sale of the vessel.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including management fee to Navigare Captial Partners A/S and technical management fees.

Depreciation, amortisation and impairment losses

Depreciation relating to the vessel comprise depreciation for the financial year, calculated on the basis of the residual values and useful lives of the vessel and impairment testing.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises income and net exchange rate adjustments on transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to bank and net exchange rate adjustments on transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment includes vessel, who are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price, costs directly attributes to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Vessels	25 years
BWTS	25 years
Dry Docking	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plan and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements at cost. This means that dividends received from group enterprises are included in the profit and loss. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognized as a liability at the time of adoption. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognized directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. The majority of the companies in the group are tax transparent and are settled at investor level, which is why the tax only concerns certain non-tax transparent companies.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with purchase of property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and well as the raising of loans and instalments on interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.

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

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

Disclosure pursuant to Article 8 of Regulation (EU) 2019/2088 (SFDR) and Article 6 of Regulation (EU) 2020/852 (Taxonomy)

Product name: Maritime Investment Fund II K/S (MIF II)
Legal entity identifier: 894500MO76XZ7Y75H089

Environmental and/or social characteristics

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

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

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

1. The fund promoted environmental characteristics through adherence to the following conventions:

   - Hong Kong International Convention for the safe and environmentally sound recycling of ships.
   - Basel Convention: Technical guidelines for the environmentally sound management of the full and partial dismantling of ships.
   - EU Regulation (No. 1257/2013) on ship recycling.
   - International Convention for the Prevention of Pollution from Ships (the IMO MARPOL Convention).
   - International Convention for the Control and Management of Ship's Ballast Water and Sediments.

2. The fund promoted environmental characteristics by operating the assets purposefully to ensure the achievement of net-zero in 2050 in line with the Paris Agreement, supported by short- and medium-term targets of 35% and 55% reduction in carbon intensity in 2025 and 2030, respectively.
3. Further, the fund promoted social characteristics through adherence to the following conventions:
   - UN Principles for Responsible Investments.
   - UN Global Compact.
   - UN Guiding Principles on Business and Human Rights.
   - OECD Guidelines for Multinational Enterprises.
   - ILO Declaration on Fundamental Principles and Rights at Work.
4. The fund promoted certain ethical and social safeguards through the exclusion of certain activities deemed to be non-ethical or controversial.
5. While operating the assets, the fund had effective operational procedures ensuring continuous follow-up on quality, resources, results, and ESG-related practices. The fund sought to influence technical managers' and charterparties' impact on sustainability matters through engagement and requirements for operating the vessels according to the above conventions.
6. The fund sought to influence cooperative partners' impact on sustainability matters through having voting rights on material sustainability topics.

How did the sustainability indicators perform?

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

One of the main factors impacting the environmental objectives is how the assets are operated, in particular the speed of the vessels.

When earnings are high, like they were in the first half of 2022, charterers have a tendency to operate the assets at higher speeds, which results in poorer performance. As the fund does not have the operational control, it strives to always make the most fuel-efficient vessels available for its charterers. Hence, in 2022, the fund invested in several energy saving devices to improve the energy efficiency on its vessels. With this, including portfolio effects arising from an increased focus on more energy efficient investments, the fund is expected to have improved its performance on its environmental characteristics.

To further strengthen safety and labour conditions onboard, the fund currently operates all its vessels, except one, under Danish flag which ensures certain legal protections for all seafarers regardless of nationality, including the Danish regulations for injury compensation, sick pay and vacation. The remaining vessel is operated under Norweigian flag, which has similar health and safety measures in place.

As required by the Danish Maritime Authority, Danish-flagged vessels must also implement occupational health and safety systems, which together with the in-house monitoring of the technical directors, create a secure working environment for seafarers.

In 2022, the Fund recorded slightly less than 300,000 working hours, with no work-related safety incidents.

Adequate safety training and medical facilities onboard vessels are essential for preventing accidents and protecting the health and wellbeing of seafarers. Depending on the position and rank of the seafarer, different certifications are required by the Danish Maritime Authority, ranging from training in basic safety to training in maritime legislation. The required training was completed in 2022.

Maritime Autorities around the world also continiously inspect vessels to verify that the condition of a ship and its equipment complies with the requirements of international regulations and that the ship is manned and operated in compliance with these instruments to ensure maritime safety and security and prevent pollution.

The fund had one port state control in 2022. Following the port state controls, it had zero detentions, but an average of 2.00 deficiencies per port state control. All deficiencies were resolved immediately and a feedback loop enabled the Fund to avaid repetition of the deficiencies.

…and compared to previous periods?

Not applicable.

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

Not applicable.

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

Not applicable.

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

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities.

The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

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

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

Before investment occurs, all potential assets are thoroughly screened across a set of parameters of which carbon intensity is key. Only assets which meet the criteria satisfactorily proceeded to additional due diligences where other ESG factors were evaluated more thoroughly.

When the investments are made, each vessel is chartered out to a third party under either a time charter agreement or a bareboat agreement

In a time charter agreement, the fund has the technical, operational, and commercial responsibility of the assets and therefore Navigare Capital introduces its own guidelines especially within health and safety thus taking other adverse impact indicators like injuries, accidents and the like into consideration when choosing the technical manager of the vessels.

The fund also ensures that the principles and guidelines of conventions and known frameworks are adhered to and the technical managers are audited on a regular basis by the fund manager's technical directors and by external third party specialists to ensure this.

Besides calculating and tracking the carbon intensity of the fund's fleet, it has also, in the recent two years, calculated the carbon intensity of a peer group of vessels measured by means of the EU MRV database. The EU MRV database covers all vessels when operating in European waters. Based on these calculations the fund's fleet is operated well above that of the industry.

In the case of a bareboat agreement, the bareboat charterer has the corresponding responsibility while the fund has the opportunity to incorporate requirements which consider principle adverse impacts, but the fund does not have the possibility to continuously follow up on the counterparties' compliance with this. However, before entering into a bareboat charter agreement, the fund manager makes reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: per 31 December 2022

What were the top investments of this financial product?

The investments are measured as assets under management at year end.

Largest investments	Sector	% Assets	Country
Crude tankers	*Transportation of unrefined oil*	*67%*	*100% Danish flagged*
Container ships	*Transportation of various goods in truck-size containers*	*19%*	*100% Danish flagged*
Offshore wind support vessels	*Supporting the installation and maintenance of offshore wind fars*	*11%*	*100% Norwegian flagged*
LPG carriers	*Transportation of liquid natural gas*	*3%*	*100% Danish flagged*

What was the proportion of sustainability-related investments?

The fund promoted environmental and social characteristics, but did not make any sustainable investments.

The expected minimum proportion of investments aligned with the fund's environmental and/or social characteristics is 99%.

The fund has reserved the opportunity of making other investments because each vessel needs a liquidity position which is necessary to ensure reliable liquidity management regarding the operation of the asset. The expected proportion of such investments is a maximum of 1%.

For these investments ("Other") the fund cannot guarantee that the investments promote any environmental or social characteristics.

The minimum proportion of investments aligned with environmental and/or social characteristics and the maximum proportion of other investments are to be seen as the average allocation within the annual reference period as calculated against the total market value of the fund's investments.

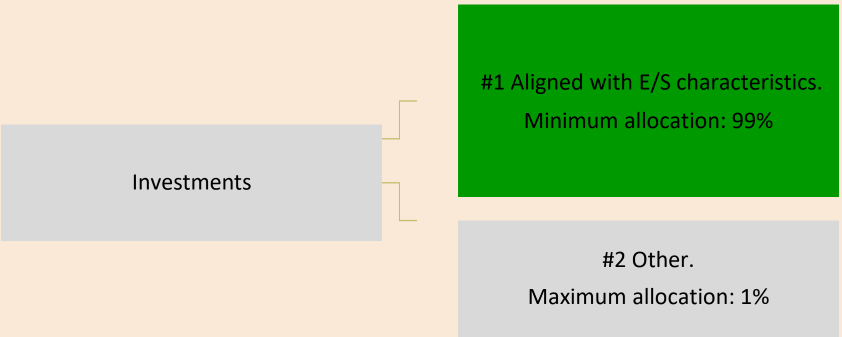
Asset allocation describes the share of investments in specific assets.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

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

What was the asset allocation?



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

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

In which economic sectors were the investments made?

The material part of the fund's investments are related to Transport: Sea and coastal freight water transport, vessels for port operations and auxiliary activities according to the sectors of the EU Taxonomy.

The proportion of investments during the reference period related to transportation of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council, is 70% measured as assets under management at year end.

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

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

☐ ***Yes:***

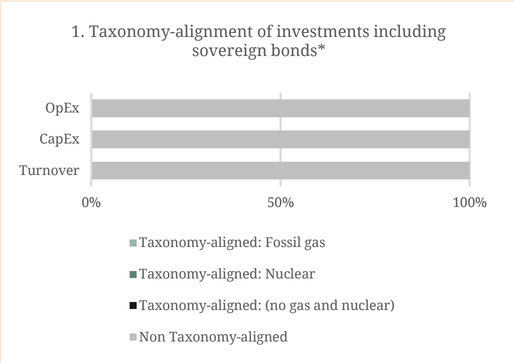
☐ ***In fossil gas*** ☐ ***In nuclear energy***

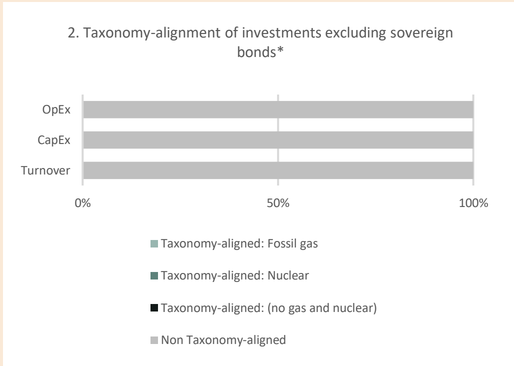
☒ ***No***

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

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

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





**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

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

Not applicable.

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

Not applicable.

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

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

Not applicable.

What was the share of socially sustainable investments?

Not applicable.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

For each vessel there is a liquidity position which is necessary to ensure reliable liquidity management regarding the operation of the asset. This liquidity position part of the investments has no minimum environmental or social safeguards.

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

All potential assets were thoroughly screened across a set of parameters of which carbon intensity is key. Only assets which met the criteria satisfactorily proceeded to additional due diligences where other ESG factors are evaluated more thoroughly.

The fund also continued its efforts from 2021 where it collaborated with a third-party specialist to develop a catalogue of suitable energy-saving devices for each vessel in its portfolio.

In 2022, the fund invested in energy saving devices on the one vessel scheduled for dry dock. One of the energy saving devices installed was a high spec antifouling silicone paint which improves the energy efficiency of the vessel significantly and a state of the art ultrasonic device that by application of ultrasound will be able to keep the propeller clean from fouling, thus improving the propeller's efficiency. The fund also initiated dialogue with its charterers with the aim of investing in more energy-saving devices on its vessels and several initiatives are currently in the process of being evaluated for investment in corporation with its charterers.

When the investments were made, each vessel was chartered out to a third party under either a time charter agreement or a bareboat agreement.

In a time charter agreement, the fund outsources the technical management of its assets to carefully selected top-tier companies based on their safety track record and their performance on health and safety KPIs evaluated in a study performed by Boston Consulting Group. As the fund has the technical, operational, and commercial responsibility of the assets, it introduces its own guidelines especially within health and safety thus taking other adverse impact indicators like injuries, accidents and the like into consideration.

For vessels on time charter, the fund manager, through its in-house technical capabilities, exercised strict supervision and control to ascertain that all matters concerning the assets were planned, carried out in accordance with regulations and followed up on in a manner that was safe, cost effective, and environmentally and ethically sustainable. This involved, among other things, performance reviews of the third-party technical managers and physical onboard inspections of the vessels to assess maintenance standards and evaluate whether the assets were in sound condition in terms of sustainability.

The performance was evaluated by means of, but not limited to, the following KPIs:

- Spills
- Port state deficiencies and detentions. These includes measures on safety and MLC
- Lost time incident frequency
- Carbon intensity measured by AER or CII
- GHG emissions

In addition, the fund manager's experienced team of vessel operators monitored voyages, cargoes, speeds and fuel consumption profiles to ensure the effective operation of the vessel. They also made sure that necessary actions were taken in cases where performance was deemed inadequate, this could be a cleaning of the hull to improve the vessels fuel efficiency.

The team also ensured that any ESG-related matters in connection with the operation of the vessel was in accordance with current regulation, the limitations of the charter contract and the fund's ESG strategy.

In the case of a bareboat contract, the attainment of the environmental characteristics promoted by the fund was similarly measured through usage of, among others, the following indicators/KPIs:

- Carbon intensity measured by AER or CII
- GHG emissions

However, as a result of the contract provisions, the fund has no possibility to continuously follow up on the counterparties' compliance with social characteristics according to international conventions, but before entering into any contracts the fund manager makes reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices and also incorporates additional requirements on health and safety, human rights and working conditions into these.

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

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

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

  Not applicable.

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

  Not applicable.

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

  Not applicable.

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

  Not applicable.

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