
VARIANT ALTERNATIVE INCOME FUND



Annual Report

For the Year Ended April 30, 2020

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the transfer agent at 1-877-770-7717 or your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. Please contact the transfer agent at 1-877-770-7717 or your financial intermediary to elect to receive shareholder reports and other Fund communications electronically.

You may elect to receive all future reports in paper free of charge. Please contact your financial intermediary to inform them that you wish to continue receiving paper copies of your shareholder reports and for details about whether your election to receive reports in paper will apply to all funds held with your financial intermediary.

Variant Alternative Income Fund

Table of Contents

For the Year Ended April 30, 2020

Letter to Shareholders (Unaudited)	2-3
Report of Independent Registered Public Accounting Firm	4
Schedule of Investments	5-8
Portfolio Allocation (Unaudited)	9
Statement of Assets and Liabilities	10
Statement of Operations	11
Statements of Changes in Shareholders' Equity	12
Statement of Cash Flows	13
Financial Highlights	14-15
Notes to Financial Statements	16-31
Supplemental Information (Unaudited)	32
Fund Management (Unaudited)	33-35
Other Information (Unaudited)	36-38

Variant Alternative Income Fund

Letter to Shareholders (Unaudited)

Dear Shareholder,

Variant Investments, LLC ("Variant") is pleased to provide the audited annual financial statements for the Variant Alternative Income Fund¹ (the "Fund") for the fiscal year ended April 30, 2020.

It was a transformative year in the life of the Fund, which included crossing several key milestones throughout the year and then ending amid the unprecedented COVID-19 pandemic. We are gratified that the Fund was able to perform well throughout the year, including amid the heightened financial market stress.

Over the fiscal year, the Fund experienced steady growth in assets under management ("AUM"). AUM grew by \$318 million to end at \$381 million. The Fund was the beneficiary of continuous investor inflows throughout the year, including in the months of March and April when global financial markets succumbed to pandemic-related uncertainties. Also, the Fund was able to satisfy all quarterly redemption requests throughout the year without any proration. With both new and existing clients allocating to the Fund, the Fund's investor base was further diversified.

New capital was deployed into a wide variety of niche investment opportunities, further diversifying the Fund's exposures. A complete listing of the Fund's investments can be found in the Schedule of Investments.

Over the year, the institutional share class for the Fund (NICHX) delivered a net total return² of +8.46% and the investor share class (UNIQX) returned +8.26%. We believe this performance compares favorably to many income-oriented risk assets over the same period. The Fund experienced its first negative monthly returns in March and April in response to the swiftly deteriorating economic outlook; however, the losses were limited relative to many public market indices. We are pleased with the Fund's since inception track record³ which includes strong absolute returns, relatively low volatility and limited correlation⁴ or beta⁵ to public market indices.

The COVID-19 pandemic has given rise to great uncertainties, both economic and otherwise. While the Fund is not immune to pandemic-related risks, we believe our emphasis on market niches with less economic sensitivity and deal structures with strong downside mitigation position the Fund relatively well for the uncertain road ahead.

On behalf of the entire Variant team, we thank you for your investment in the Fund amid these unprecedented and challenging times. We are honored to be trusted stewards of your capital. We are excited about the year ahead and look forward to working with each of you.

Sincerely,

JB Hayes, Principal Curt Fintel, Principal Bob Elsasser, Principal

¹ The Variant Alternative Income Fund (the "Fund") is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as a non-diversified, closed-end management investment company. The Fund intends to operate as an interval fund. The Fund operates under an Agreement and Declaration of Trust ("Declaration of Trust") dated April 4, 2018 (the "Declaration of Trust"). Variant Investments, LLC serves as the investment adviser (the "Investment Manager") of the Fund. The Investment Manager is an investment adviser registered with the Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended. The Fund intends to qualify and elect to be treated as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code").

² The net total return uses geometric returns and reflects the reinvestment of earnings.

³ Inception date is October 2, 2017. Between October 2017 and September 2018, the track record includes that of the Variant Alternative Income Fund LP, the predecessor private fund that converted into the interval fund. The predecessor fund was, in all material respects, equivalent to the interval fund. For purposes of performance reporting, the private fund track record was adjusted to reflect the interval fund's estimated expenses and expense limitations. Specifically, it reflects a management fee of 0.95% and fund expenses capped at 0.50%.

⁴ "Correlation" is the performance relationship between the Fund and the reference indices on a monthly basis over the period.

⁵ "Beta" measures the volatility of the Fund relative to the reference indices over the period.

Variant Alternative Income Fund

Letter to Shareholders (Unaudited) (continued)

The Variant Alternative Income Fund is a continuously-offered, non-diversified, registered closed-end fund with limited liquidity. There is no guarantee the Fund will achieve its objective. An investment in the Fund should only be made by investors who understand the risks involved, who are able to withstand the loss of the entire amount invested and who can bear the risks associated with the limited liquidity of Shares. A prospective investor must meet the definition of "accredited investor" under Regulation D under the Securities Act of 1933.

Important Risks: Shares are an illiquid investment. You should generally not expect to be able to sell your Shares (other than through the repurchase process), regardless of how the Fund performs. Although the Fund is required to implement a Share repurchase program only a limited number of Shares will be eligible for repurchase by the Fund.

An investment in the Fund is speculative, involves substantial risks, including the risk that the entire amount invested may be lost, and should not constitute a complete investment program. The Fund may leverage its investments by borrowing, use of swap agreements, options or other derivative instruments. The Fund is a non-diversified management investment company, meaning it may be more susceptible to any single economic or regulatory occurrence than a diversified investment company. In addition, the fund is subject to investment related risks of the underlying funds, general economic and market condition risk.

Alternative investments provide limited liquidity and include, among other things, the risks inherent in investing in securities, futures, commodities and derivatives, using leverage and engaging in short sales. The Fund's investment performance depends, at least in part, on how its assets are allocated and reallocated among asset classes and strategies. Such allocation could result in the Fund holding asset classes or investments that perform poorly or underperform. Investments and investment transactions are subject to various counterparty risks. The counterparties to transactions in over the-counter or "inter-dealer" markets are typically subject to lesser credit evaluation and regulatory oversight compared to members of "exchange-based" markets. This may increase the risk that a counterparty will not settle a transaction because of a credit or liquidity problem, thus causing the Fund to suffer losses. The Fund and its service providers may be prone to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information, suffer data corruption, or lose operational capacity.

PANDEMIC RISK. The continuing spread of an infectious respiratory illness caused by a novel strain of coronavirus (known as COVID-19) has caused volatility, severe market dislocations and liquidity constraints in many markets, including securities the Fund holds, and may adversely affect the Fund's investments and operations.

BEFORE INVESTING YOU SHOULD CAREFULLY CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. THIS AND OTHER INFORMATION IS IN THE PROSPECTUS, A COPY OF WHICH MAY BE OBTAINED FROM (877) 770-7717 OR WWW.VARIANTINVESTMENTS.COM. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.

Forside Fund Services, LLC, distributor.

Variant Alternative Income Fund

Report of Independent Registered Public Accounting Firm For the Year Ended April 30, 2020

To the Shareholders and Board of Trustees of
Variant Alternative Income Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Variant Alternative Income Fund (the "Fund") as of April 30, 2020, and the related statement of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two periods in the period then ended, including the related notes, and the financial highlights for each of the two periods in the period then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of April 30, 2020, the results of its operations and its cash flows for the year then ended, the changes in its net assets and the financial highlights for each of the two periods in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of April 30, 2020, by correspondence with the custodian, brokers, and underlying fund managers, or by other appropriate auditing procedures as appropriate in the circumstances. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund's auditor since 2017.



COHEN & COMPANY, LTD.
Chicago, Illinois
June 29, 2020

Variant Alternative Income Fund

Schedule of Investments

April 30, 2020

Investments in private investment companies — 47.8%	First Acquisition Date	Cost	Fair Value	Percent of Net Assets
Litigation Finance				
Series 4 - Virage Capital Partners LP ^(g)	9/1/2018	\$ 1,560,438	\$ 1,894,910	0.5%
Series 6 - Virage Capital Partners LP ^(g)	10/31/2019	16,000,000	16,302,749	4.3
Virage Recovery Fund LP ^(g)	8/6/2019	10,773,836	11,391,256	3.0
		<u>28,334,274</u>	<u>29,588,915</u>	<u>7.8</u>
Portfolio Finance				
Crestline Portfolio Financing Fund Offshore B, L.P. and Subsidiary	4/25/2018	702,327	806,591	0.2
Crestline Praeter, L.P. - Zoom	12/26/2019	1,014,851	1,050,330	0.3
		<u>1,717,178</u>	<u>1,856,921</u>	<u>0.5</u>
Real Estate Debt				
Bay Point Capital Partners II, LP	7/2/2019	18,000,000	18,458,813	4.9
Oak Harbor Capital NPL VII, LLC ^(g)	3/1/2019	11,210,736	11,959,088	3.1
		<u>29,210,736</u>	<u>30,417,901</u>	<u>8.0</u>
Real Estate Equity				
Montreux Healthcare Fund PLC ^(g)	2/1/2018	27,750,000	29,755,212	7.8
Prime Storage Fund II (Cayman), LP	11/20/2017	1,248,443	1,063,834	0.3
		<u>28,998,443</u>	<u>30,819,046</u>	<u>8.1</u>
Royalties				
Primary Wave Music IP Fund 1, LP	11/8/2017	1,505,909	1,376,088	0.4
Secondaries				
Armadillo Financial Fund LP	12/28/2018	129,057	72,560	0.0
Blackrock Special Credit Opportunities, L.P. and Subsidiary - Series C ^(g)	6/29/2018	243,286	290,470	0.1
Marathon Structured Product Strategies Fund, LP ^(g)	5/16/2019	958,876	1,115,149	0.3
North Haven Offshore Infrastructure Partners A L.P.	7/18/2019	1,566,729	1,680,669	0.5
PWP Asset Based Income ASP Fund	3/29/2019	916,560	1,213,967	0.3
Thor Urban Property Fund II Liquidating Trust ^(g)	12/30/2019	5,854,744	7,761,824	2.0
		<u>9,669,252</u>	<u>12,134,639</u>	<u>3.2</u>
Specialty Finance				
Blue Elephant Financing Fund I, L.P. ^(g)	3/29/2019	2,185,000	2,227,730	0.6
CoVenture Credit Opportunities Partners Fund LP ^(g)	2/28/2020	1,437,015	1,449,698	0.4
CoVenture No. 1 Credit Opportunity Fund LP ^(g)	12/12/2019	100,000	101,156	0.0
DelGatto Diamond Finance Fund QP, LP	10/31/2019	7,250,000	7,581,864	2.0
Highcrest Private Credit Income Fund, L.P. ^(g)	10/31/2018	9,250,000	10,000,378	2.6
Leaf II SPC ^(a) ^(b) ^(c) ^(g)	11/28/2018	591,914	591,914	0.2
OHP II LP ^(g)	3/7/2019	9,000,000	8,728,062	2.3
Turning Rock Fund I LP	11/29/2019	3,766,307	4,082,879	1.0
		<u>33,580,236</u>	<u>34,763,681</u>	<u>9.1</u>
Transportation Finance				
Aero Capital Solutions Fund, LP ^(g)	1/17/2019	2,490,289	2,817,644	0.7
Aero Capital Solutions Fund II, LP ^(g)	9/16/2019	21,490,681	20,261,704	5.3
American Rivers Fund, LLC ^(g)	5/1/2019	5,972,826	5,956,723	1.6
Hudson Transport Real Asset Fund LP ^(g)	9/1/2018	2,000,000	1,904,883	0.5
		<u>31,953,796</u>	<u>30,940,954</u>	<u>8.1</u>
Warehouse Facilities				
Palmer Square Senior Loan Fund, LLC ^(g)	10/3/2017	11,915,580	9,879,783	2.6
Total investments in private investment companies		<u>176,885,404</u>	<u>181,777,928</u>	<u>47.8</u>

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Schedule of Investments

April 30, 2020 (continued)

Investments in senior credit facilities — 36.6%	First Acquisition Date	Principal	Fair Value	Percent of Net Assets
Litigation Finance				
Kerberos Capital Management and SPV I, 17.0%, due 9/11/2024 ^{(a) (g)}	12/29/2018	\$ 35,171,005	\$ 35,120,768	9.2%
Kerberos Capital Management and SPV - Lockett, 19.0%, due 9/11/2024 ^{(a) (g)}	1/29/2020	<u>1,946,575</u>	<u>1,986,575</u>	<u>0.5</u>
		<u>37,117,580</u>	<u>37,107,343</u>	<u>9.7</u>
Portfolio Finance				
BA Tech Master, LP, 15.0%, due 10/1/2021 ^{(a) (g)}	10/2/2018	2,000,000	2,000,000	0.5
Fairway LOC, 7.0%, due 8/27/2020 ^{(a) (g)}	11/29/2019	4,000,000	4,000,000	1.1
Formation Group Note 2, 15.0%, due 7/31/2020 ^{(a) (g)}	6/7/2019	2,000,000	2,000,000	0.5
Stage Point Credit Facility, 7.0%, due 5/31/2020 ^{(a) (g)}	5/21/2019	<u>7,000,000</u>	<u>7,000,000</u>	<u>1.9</u>
		<u>15,000,000</u>	<u>15,000,000</u>	<u>4.0</u>
Royalties				
ARC Credit Facility, 13.0%, due 9/25/2021 ^{(a) (g)}	9/26/2019	<u>5,658,129</u>	<u>5,658,129</u>	<u>1.5</u>
Specialty Finance				
Art Money Convertible Note, 8.0%, due 12/9/2021 ^{(a) (g)}	12/9/2019	435,000	435,000	0.1
Art Money U.S., Inc., 11.0%, due 6/8/2021 ^{(a) (g)}	6/12/2018	2,720,000	2,695,395	0.7
Bandon River Credit Facility, 12.0%, due 2/10/2024 ^{(a) (g)}	2/10/2020	5,326,000	5,203,572	1.4
Coromandel Credit Facility, 12.0%, due 1/7/2022 ^{(a) (g)}	1/13/2020	8,000,000	7,892,299	2.1
Old Hill Art Co-Investment, 8.15%, due 9/5/2021 ^{(a) (g)}	1/14/2020	5,000,000	4,943,603	1.3
Old Hill Co-Investment, 11.35% (11.00% + 1 month LIBOR), due 10/25/2021 ^{(a) (b) (g)} ..	9/17/2019	3,665,093	3,618,499	1.0
P2B Investor Incorporated, 13.85% (13.50% + 1 month LIBOR) due 10/31/2020 (a) (b) (g)	5/29/2018	2,185,623	1,724,238	0.4
P2Bi Utility Funding Facility, 14.0%, due 10/31/2020 ^{(a) (g)}	12/11/2019	1,500,000	1,500,000	0.4
PFF LLC, 9.5% ^{(a) (c) (g)}	11/20/2017	12,827,584	12,796,957	3.4
RKB Bridge Solutions Credit Facility, 7.0%, due 12/10/2020 ^{(a) (g)}	12/13/2019	1,200,000	1,200,000	0.3
RKB Energy Solutions, LLC, 10.5%, due 4/29/2021 ^{(a) (g)}	4/29/2019	512,006	512,006	0.1
Salaryo Credit Facility, 12.0%, due 12/19/2022 ^{(a) (g)}	1/30/2020	632,249	625,780	0.2
Shinnecock - Bierstadt, 9.0%, due 9/6/2020 ^{(a) (g)}	9/20/2019	885,896	885,896	0.2
Shinnecock - Haring/Condo, 9.0%, due 8/21/2020 ^{(a) (g)}	9/20/2019	1,081,481	1,081,481	0.3
Shinnecock - O'Keefe, 8.68%, due 2/6/2021 ^{(a) (g)}	2/13/2020	2,250,000	2,234,639	0.6
Star Strong Capital, 12%, due 8/5/2021 ^{(a) (g)}	8/9/2019	5,293,500	5,135,317	1.3
Upper90 SPV Loan, 11.0%, due 12/31/2021 ^{(a) (g)}	11/27/2019	<u>7,500,000</u>	<u>7,397,163</u>	<u>1.9</u>
		<u>61,014,432</u>	<u>59,881,845</u>	<u>15.7</u>
Transportation Finance				
Old Hill Signet Co-Investment, 6.85% (6.50% + 1 month LIBOR), due 7/11/2022 ^{(a) (b) (g)}	3/2/2020	<u>5,000,000</u>	<u>4,302,410</u>	<u>1.1</u>
Warehouse Facilities				
Chapford Warehouse Credit Facility 1, 7.0%, due 12/4/2020 ^{(a) (g)}	12/4/2019	1,492,514	1,492,514	0.4
Edly WH Credit Facility, 12%, due 10/8/2020 ^{(a) (g)}	10/9/2019	4,494,328	4,476,440	1.2
Lendable Kopo Kopo ^{(a) (b) (c) (g)}	1/27/2020	682,500	677,009	0.2
Lendable Solar Panda ^{(a) (b) (c) (g)}	1/17/2020	5,850,000	5,826,346	1.5
WATU Credit Facility ^{(a) (b) (c) (g)}	4/13/2020	<u>4,875,000</u>	<u>4,875,000</u>	<u>1.3</u>
		<u>17,394,342</u>	<u>17,347,309</u>	<u>4.6</u>
Total investments in senior credit facilities		<u>141,184,483</u>	<u>139,297,036</u>	<u>36.6</u>

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Schedule of Investments

April 30, 2020 (continued)

	First Acquisition Date	Cost	Fair Value	Percent of Net Assets
Investments in special purpose vehicles — 5.7%				
Litigation Finance				
YS CF LawFF VII LLC ^(g)	4/5/2018	\$ 500,000	\$ 593,839	0.2%
Real Estate Debt				
Monticello Structured Products, LLC Series MSP-2	4/3/2019	200,000	201,817	0.0
Monticello Structured Products, LLC Series MSP-12	12/12/2019	952,765	964,253	0.3
Monticello Funding, LLC Series BTH-3	7/1/2018	250,000	252,478	0.1
Monticello Funding, LLC Series BTH-11	9/13/2018	250,000	252,478	0.1
Monticello Funding, LLC Series BTH-13	8/10/2018	156,000	157,546	0.0
Monticello Funding, LLC Series BTH-16	7/31/2018	250,000	252,478	0.1
Monticello Funding, LLC Series BTH-18	5/30/2018	500,000	504,931	0.1
Monticello Funding, LLC Series BTH-20	9/18/2018	214,948	217,635	0.1
Monticello Funding, LLC Series BTH-25	2/12/2019	300,000	302,959	0.1
Monticello Funding, LLC Series BTH-30	6/25/2019	200,000	201,983	0.0
Monticello Funding, LLC Series BTH-31	5/29/2019	300,000	302,974	0.1
Monticello Funding, LLC Series BTH-33	8/23/2019	750,000	755,416	0.2
Monticello Funding, LLC Series BTH-34	1/2/2020	1,000,000	1,005,769	0.3
Monticello Funding, LLC Series BTH-37	11/18/2019	2,000,000	2,019,824	0.5
Monticello Funding, LLC Series BTH-38	3/19/2020	1,750,000	1,766,628	0.5
Monticello Funding, LLC Series BTH-39	2/28/2020	2,000,000	2,019,598	0.5
Monticello Funding, LLC Series BTH-41	3/9/2020	2,450,000	2,470,985	0.6
Monticello Funding, LLC Series BTH-43	3/27/2020	850,000	856,902	0.2
		<u>14,373,713</u>	<u>14,506,654</u>	<u>3.8</u>
Royalties				
Round Hill Music Carlin Coinvest, LP ^(d)	10/1/2017	929,104	1,067,855	0.3
Specialty Finance				
CoVenture - Clearbanc Special Assets Fund LP, ^(g)	3/12/2019	1,500,000	1,509,902	0.4
Lendable OneFi, 14.0%, due 7/30/2020 ^{(a)(g)}	7/12/2019	1,333,333	1,333,333	0.3
Lendable Watu 19, 12.0%, due 5/31/2020 ^{(a)(c)(g)}	7/25/2019	6,393	6,393	0.0
Upper90 ClearFund I, SPV, L.P. ^(g)	3/28/2019	2,450,000	2,487,257	0.7
		<u>5,289,726</u>	<u>5,336,885</u>	<u>1.4</u>
Transportation Finance				
YS Vessel Deconstruction I ^{(a)(g)}	6/26/2018	500,000	—	0.0
Total investments in special purpose vehicles		<u>21,592,543</u>	<u>21,505,233</u>	<u>5.7</u>
Investments in direct equities — 0.0%				
Royalties				
ARC Credit Facility - Warrants, due 9/25/2021 ^{(a)(g)}	10/3/2019	0	79,489	0.0
Specialty Finance				
P2Bi Holdings LLC ^{(a)(g)}	11/1/2019	22	118,390	0.0
Total investments in direct equities		<u>22</u>	<u>197,879</u>	<u>0.0</u>
Shares Investments in public securities — 0.1%				
Master Limited Partnerships				
38,800 Energy Transfer LP ^{(g)(h)}	12/27/2019	458,683	325,920	0.1
Total investments in public securities		<u>458,683</u>	<u>325,920</u>	<u>0.1</u>

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Schedule of Investments April 30, 2020 (continued)

<u>Contracts</u>	<u>Investments in purchased put options contracts — 0.0%</u>	<u>First Acquisition Date</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Percent of Net Assets</u>
	Energy Transfer LP				
	Exercise Price: \$10.00, Notional Amount: \$325,920				
388	Expiration Date: July 17, 2020 ^{(e) (g)}	12/27/2019	\$ 15,516	\$ 104,372	0.0%
	Total investments in purchased put options contracts		<u>15,516</u>	<u>104,372</u>	<u>0.0</u>
Shares	Investments in money market instruments — 8.4%				
32,056,547	Federated Treasury Obligations Fund, Institutional Shares, 0.15% ^{(f) (g)} ...		<u>32,056,547</u>	<u>32,056,547</u>	<u>8.4</u>
	Total investments in money market instruments		<u>32,056,547</u>	<u>32,056,547</u>	<u>8.4</u>
	Total Investments (cost \$372,193,198)			\$375,264,915	98.6
	Other assets less liabilities			<u>5,216,516</u>	<u>1.4</u>
	Net Assets			<u>\$380,481,431</u>	<u>100.0</u>
Contracts	Investments in written call options contracts — 0.0%			Premiums	
	Energy Transfer LP				
	Exercise Price: \$13.00, Notional Amount: \$325,920				
(388)	Expiration Date: July 17, 2020 ^(e)	12/27/2019	<u>(11,679)</u>	<u>(15,520)</u>	<u>0.0</u>
	Total investments in written call options contracts		<u>(11,679)</u>	<u>(15,520)</u>	<u>0.0</u>
	Investments in written put options contracts — 0.0%				
	Energy Transfer LP				
	Exercise Price: \$5.00, Notional Amount: \$3,188,640				
(3,796)	Expiration Date: July 17, 2020 ^(e)	3/26/2020	<u>(509,809)</u>	<u>(79,716)</u>	<u>0.0</u>
	Total investments in written put options contracts		<u>(509,809)</u>	<u>(79,716)</u>	<u>0.0</u>
	Total Written Options		<u>(521,488)</u>	<u>(95,236)</u>	

^(a) Value was determined using significant unobservable inputs.

^(b) Variable rate security.

^(c) Variable maturity dates maturing through 11/27/2021.

^(d) 100% of this special purpose vehicle is invested in one music catalog.

^(e) Counterparty is Interactive Brokers LLC.

^(f) Rate listed is the 7-day effective yield at 4/30/20.

^(g) Security serves as collateral for the Fund's revolving credit facility, when in use during the year. See Note 11.

^(h) Security held in connection with open put and call option contracts.

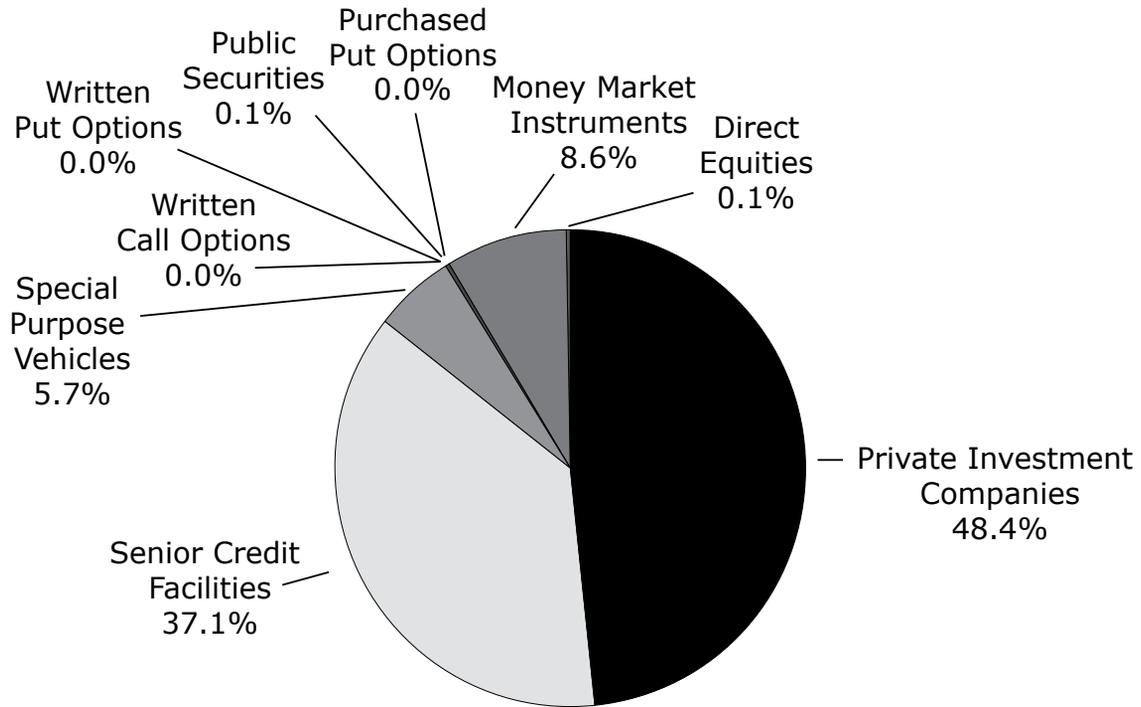
The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Portfolio Allocation (Unaudited)

April 30, 2020

Investment Type as a percentage of Total Investments As Follows



The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Statement of Assets and Liabilities

April 30, 2020

Assets

Investments, at fair value (cost \$372,193,198)	\$ 375,264,915
Cash	277,056
Cash deposited with broker for written options contracts	454,218
Receivable for Fund shares sold	1,333,496
Receivable for investments sold	2,000,000
Interest receivable	2,193,983
Prepaid expenses	144,298
Total Assets	<u>381,667,966</u>

Liabilities

Written options contracts, at fair value (premiums \$521,488)	95,236
Due to Investment Manager	277,157
Audit fees payable	54,000
Legal fees payable	42,969
Accounting and administration fees payable	32,084
Custody fees payable	1,487
Interest received not yet earned	667,687
Other liabilities	15,915
Total Liabilities	<u>1,186,535</u>

Net Assets	<u>\$ 380,481,431</u>
-------------------------	-----------------------

Components of Net Assets:

Paid-in Capital (par value of \$0.01 with an unlimited amount of shares authorized)	\$ 379,214,475
Total distributable earnings	<u>1,266,956</u>
Net Assets	<u>\$ 380,481,431</u>

Institutional Class Shares:

Net assets applicable to shares outstanding	\$ 378,040,195
Shares of beneficial interest issued and outstanding	<u>14,365,236</u>
Net asset value per share	\$ 26.32

Investor Class Shares:

Net assets applicable to shares outstanding	\$ 2,441,236
Shares of beneficial interest issued and outstanding	<u>92,741</u>
Net asset value per share	\$ 26.32

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Statement of Operations

For the Year Ended April 30, 2020

Investment Income

Interest	\$ 9,677,311
Distributions from private investment companies and special purpose vehicles	3,900,607
Total Investment Income	<u>13,577,918</u>

Expenses

Investment management fees	1,979,976
Legal fees	295,705
Accounting and administration fees	282,154
Audit fees	150,975
Transfer Agent fees	77,980
Offering fees	69,905
Blue sky fees	69,887
Trustee fees	39,000
Custody fees	27,895
Chief Compliance Officer fees	12,175
Insurance fees	10,921
12b-1 fees	3,567
Other expenses	80,228
Total expenses	<u>3,100,368</u>
Less fees waived by Investment Manager (see Note 7)	(10,222)
Offering fees waived by Investment Manager (see Note 7)	<u>(69,905)</u>

Net Expenses, before revolving credit facility fees and interest expense	<u>3,020,241</u>
Revolving credit facility fees	106,399
Interest expense	17,381

Net Expenses	<u>3,144,021</u>
---------------------------	------------------

Net Investment Income	<u>10,433,897</u>
------------------------------------	-------------------

Realized and Unrealized Gain (Loss)

Net realized gain (loss) on:	
Investments	(888,677)
Purchased options contracts	(126,491)
Written options contracts	293,279
Capital gain distributions from private investment companies	193,309
Net change in unrealized appreciation (depreciation) on:	
Investments	1,595,182
Purchased options contracts	90,161
Written options contracts	425,619
Net change in unrealized appreciation (depreciation)	<u>2,110,962</u>
Net realized and unrealized gain (loss)	<u>1,582,382</u>

Net Increase in Net Assets resulting from Operations	<u>\$ 12,016,279</u>
---	----------------------

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Statements of Changes in Shareholders' Equity

	For the Year Ended April 30, 2020	For the Period Ended April 30, 2019 ¹
Increase (decrease) in Net Assets from:		
Operations:		
Net investment income	\$ 10,433,897	\$ 1,276,463
Net realized gain (loss)	(528,580)	128,958
Net change in unrealized appreciation (depreciation)	<u>2,110,962</u>	<u>1,387,007</u>
Net increase in net assets resulting from operations	12,016,279	2,792,428
Distributions to Shareholders:		
Distributions:	<u>(13,317,984)</u>	<u>(1,230,213)</u>
Total distributions to shareholders	(13,317,984)	(1,230,213)
Capital Share Transactions:		
Institutional Class Shares		
Net proceeds from shares sold:	336,535,264	35,407,201
Proceeds from Reorganization (See Note 13):	—	24,779,411
Reinvestment of distributions:	3,440,930	864,501
Cost of shares repurchased:	<u>(23,240,685)</u>	<u>(100,640)</u>
Net increase in net assets from Institutional Class Shares capital transactions ...	316,735,509	60,950,473
Investor Class Shares		
Net proceeds from shares sold:	2,892,241	562,754
Reinvestment of distributions:	19,140	2,167
Cost of shares repurchased:	<u>(965,043)</u>	<u>(76,320)</u>
Net increase in net assets from Investor Class Shares capital transactions	1,946,338	488,601
Net increase in net assets resulting from capital transactions	<u>318,681,847</u>	<u>61,439,074</u>
Total increase in net assets	317,380,142	63,001,289
Net Assets:		
Beginning of period	<u>63,101,289</u>	<u>100,000²</u>
End of period	<u>\$ 380,481,431</u>	<u>\$ 63,101,289</u>
Share Transactions:		
Institutional Class Shares		
Issued	12,671,652	1,393,264 ²
Shares from Reorganization	—	1,003,459
Reinvested	130,846	34,235
Repurchased	<u>(864,220)</u>	<u>(4,000)</u>
Change in Institutional Class Shares	11,938,278	2,426,958
Investor Class Shares		
Issued	109,175	22,229
Reinvested	728	85
Repurchased	<u>(36,476)</u>	<u>(3,000)</u>
Change in Investor Class Shares	73,427	19,314

¹ For the period October 1, 2018 (commencement of operations) to April 30, 2019. See Note 13 "Reorganization Information" in the Notes to the Financial Statements.

² The Investment Manager made the initial share purchase of \$100,000 on 10/01/2018. The total initial share purchase of \$100,000 included 4,000 shares purchased at \$25 per share.

Variant Alternative Income Fund

Statement of Cash Flows

For the Year Ended April 30, 2020

Cash flows from operating activities:

Net Increase in net assets resulting from Operations	\$	12,016,279
Adjustments to reconcile Net Increase in net assets resulting from Operations to net cash used in operating activities:		
Net realized gain (loss) on:		
Investments		888,677
Purchased options contracts		126,491
Written options contracts		(293,279)
Capital gain distributions from private investment companies		(193,309)
Net change in unrealized appreciation on investments		
Investments		(1,595,182)
Purchased options contracts		(90,161)
Written options contracts		(425,619)
Purchases of long-term investments		(338,327,892)
Proceeds from long-term investments sold		48,565,612
Premiums received from written options		835,334
Purchase of short-term investments, net		(23,984,791)
Changes in operating assets and liabilities:		
Contributions paid in advance		1,500,000
Deferred offering costs		69,905
Interest receivable		(1,626,746)
Investments sold		(2,000,000)
Other assets		(64,181)
Due to Investment Manager		205,578
Audit fees payable		(12,000)
Legal fees payable		35,881
Accounting and administration fees payable		23,341
Custody fees payable		(4,096)
Due to broker for options contracts		(2,304)
Interest received not yet earned		667,687
Other liabilities		9,097
Net cash used in operating activities		<u>(303,675,678)</u>

Cash flows from financing activities:

Proceeds from shares sold, net of receivable for fund shares sold		338,470,594
Payments for shares repurchased		(24,205,728)
Distributions to shareholders, net of reinvestments		(9,857,914)
Proceeds from revolving credit facility		15,500,082
Repayments on revolving credit facility		<u>(15,500,082)</u>
Net cash provided by financing activities		<u>304,406,952</u>

Net Increase in Cash and Restricted Cash

		<u>731,274</u>
--	--	----------------

Cash and Restricted Cash:

Beginning of period		—
End of period ^(a)	\$	<u>731,274</u>

^(a) Cash and restricted cash include cash and cash deposited with broker for written options contracts, as outlined further on the Statement of Assets and Liabilities.

Supplemental disclosure of cash flow information:

Cash paid for interest on credit facility during the period was \$17,381.

Non-cash financing activities not included consist of reinvestment of dividends and distributions of \$3,460,070.

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Financial Highlights

Investor Class

Per share operating performance.

For a capital share outstanding throughout each year/period.

	For the Year Ended April 30, 2020	For the Period Ended April 30, 2019 ¹
Net asset value, beginning of year/period	\$ 25.80	\$ 25.16
Income from Investment Operations:		
Net investment income ²	1.26	0.87
Net realized and unrealized gain (loss)	0.80	0.60
Total from investment operations	2.06	1.47
Less Distributions:		
From net investment income	(1.54)	(0.83)
From net realized gains	—	—
Total distributions	(1.54)	(0.83)
Net asset value, end of year/period	\$ 26.32	\$ 25.80
Total return ³	8.14%	5.51% ⁴
Ratios and Supplemental Data:		
Net assets, end of period (in thousands)	\$ 2,441	\$ 498
Ratio of expenses to average net assets: (including interest and revolving credit facility expense)		
Before fees waived ⁶	1.78%	3.42% ⁵
After fees waived ⁶	1.75%	1.88% ⁵
Ratio of expenses to average net assets: (excluding interest and revolving credit facility expense)		
Before fees waived ⁶	1.73%	3.24% ⁵
After fees waived ⁶	1.70%	1.70% ⁵
Ratio of net investment income to average net assets: (including interest and revolving credit facility expense)		
Before fees waived ⁶	4.71%	5.33% ⁵
After fees waived ⁶	4.74%	6.87% ⁵
Ratio of net investment income to average net assets: (excluding interest and revolving credit facility expense)		
Before fees waived ⁶	4.76%	5.50% ⁵
After fees waived ⁶	4.79%	7.04% ⁵
Portfolio turnover rate	21%	21% ⁴

¹ For the period October 31, 2018 (commencement of operations) to April 30, 2019. See Note 13 "Reorganization Information" in the Notes to the Financial Statements.

² Based on average shares outstanding for the period.

³ Total returns would have been lower had expenses not been waived by the Investment Manager. Returns shown include Rule 12b-1 fees of up to 0.25% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

⁴ Not Annualized.

⁵ Annualized.

⁶ The expenses and net investment loss ratios include income or expenses of the private investment companies and special purpose vehicles valued at practical expedient in which the Fund invests.

Variant Alternative Income Fund

Financial Highlights

Institutional Class

Per share operating performance.

For a capital share outstanding throughout each year/period.

	For the Year Ended April 30, 2020	For the Period Ended April 30, 2019 ¹
Net asset value, beginning of year/period	\$ 25.79	\$ 25.00
Income from Investment Operations:		
Net investment income ²	1.33	0.97
Net realized and unrealized gain (loss)	0.79	0.69
Total from investment operations	2.12	1.66
Less Distributions:		
From net investment income	(1.59)	(0.87)
From net realized gains	—	—
Total distributions	(1.59)	(0.87)
Net asset value, end of year/period	\$ 26.32	\$ 25.79
Total return ³	8.38%	6.29% ⁴
Ratios and Supplemental Data:		
Net assets, end of period (in thousands)	\$ 378,040	\$ 62,603
Ratio of expenses to average net assets: (including interest and revolving credit facility expense)		
Before fees waived ⁶	1.53%	3.05% ⁵
After fees waived ⁶	1.50%	1.60% ⁵
Ratio of expenses to average net assets: (excluding interest and revolving credit facility expense)		
Before fees waived ⁶	1.48%	2.90% ⁵
After fees waived ⁶	1.45%	1.45% ⁵
Ratio of net investment income to average net assets: (including interest and revolving credit facility expense)		
Before fees waived ⁶	4.96%	5.13% ⁵
After fees waived ⁶	4.99%	6.58% ⁵
Ratio of net investment income to average net assets: (excluding interest and revolving credit facility expense)		
Before fees waived ⁶	5.01%	5.28% ⁵
After fees waived ⁶	5.04%	6.73% ⁵
Portfolio turnover rate	21%	21% ⁴

¹ For the period October 1, 2018 (commencement of operations) to April 30, 2019. See Note 13 "Reorganization Information" in the Notes to the Financial Statements.

² Based on average shares outstanding for the period.

³ Total returns would have been lower had expenses not been waived by the Investment Manager. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

⁴ Not annualized.

⁵ Annualized.

⁶ The expenses and net investment loss ratios include income or expenses of the private investment companies and special purpose vehicles valued at practical expedient in which the Fund invests.

The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020

1. Organization

The Variant Alternative Income Fund (the "Fund") is a closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and reorganized as a Delaware statutory trust at the close of business September 28, 2018. Variant Investments, LLC serves as the investment adviser (the "Investment Manager") of the Fund. The Fund operates as an interval fund pursuant to Rule 23c-3 under the Investment Company Act, and has adopted a fundamental policy to conduct quarterly repurchase offers at net asset value ("NAV"). The Fund commenced operations on October 1, 2018 with Institutional class shares. Investor class shares were offered at a later date and commenced operations on October 31, 2018.

The Fund's investment objective is to seek to provide a high level of current income by investing directly or indirectly, a majority of its net assets (plus any borrowings for investment purposes) in alternative income generating investments. The Fund may allocate its assets through direct investments, and investments in a wide range of investment vehicles.

Under the Distribution and Servicing Plan, the Fund may pay as compensation up to 0.25% on an annualized basis of the aggregate net assets of the Fund attributable to Investor Class Shares, (the "Distribution and Servicing Fee") to the Fund's Distributor or other qualified recipients under the Distribution and Servicing Plan. There is no Distribution and Servicing Fee imposed on Institutional Class Shares.

2. Accounting Policies

Basis of Preparation and Use of Estimates

The Fund is an investment company and follows the accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services – Investment Companies*. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Realized gains and losses on investment transactions are determined using cost calculated on a specific identification basis. Dividends are recorded on the ex-dividend date and interest is recognized on an accrual basis. Distributions from private investments that represent returns of capital in excess of cumulative profits and losses are credited to investment cost rather than investment income.

Distributions to Shareholders

Distributions are paid at least quarterly on the Shares in amounts representing substantially all of the Fund's net investment income, if any, earned each year. The Fund determines annually whether to distribute any net realized long-term capital gains in excess of net realized short-term capital losses (including capital loss carryover); however, it may distribute any excess annually to its shareholders. Distributions to shareholders are recorded on the ex-dividend date.

The exact amount of distributable income for each fiscal year can only be determined at the end of the Fund's tax year. Under Section 19 of the Investment Company Act, the Fund is required to indicate the sources of certain distributions to shareholders. The estimated distribution composition may vary from quarter to quarter because it may be materially impacted by future income, expenses and realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

Valuation of Investments

The Fund calculates its NAV as of the close of business on each business day and at such other times as the Board may determine, including in connection with repurchases of Shares, in accordance with the procedures described below or as may be determined from time to time in accordance with policies established by the Board.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

2. Accounting Policies (continued)

The Board has approved valuation procedures for the Fund (the "Valuation Procedures"). The Valuation Procedures provide that the Fund will value its investments at fair value. The Board has delegated the day to day responsibility for determining these fair values in accordance with the policies it has approved to the Investment Manager. The Investment Manager's Valuation Committee (the "Valuation Committee") will oversee the valuation of the Fund's investments on behalf of the Fund. The Board reviews and ratifies the execution of this process and the resultant fair value prices at least quarterly.

Short-term securities, including bonds, notes, debentures and other debt securities, such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks, with maturities of 60 days or less, for which reliable market quotations are readily available shall each be valued at current market quotations as provided by an independent pricing service or principal market maker. Money market funds will be valued at NAV.

For equity, equity related securities, and options that are freely tradable and listed on a securities exchange or over-the-counter market, the Fund fair values those securities at their last sale price on that exchange or over-the-counter market on the valuation date. If the security is listed on more than one exchange, the Fund will use the price from the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or over-the-counter market on such day, the security will be valued at the mean between the last bid price and last ask price on such day.

Fixed income securities (other than the short-term securities as described above) shall be valued by (a) using readily available market quotations based upon the last updated sale price or a market value from an approved pricing service generated by a pricing matrix based upon yield data for securities with similar characteristics or (b) by obtaining a direct written broker-dealer quotation from a dealer who has made a market in the security. If no price is obtained for a security in accordance with the foregoing, because either an external price is not readily available or such external price is believed by the Investment Manager not to reflect the market value, the Valuation Committee will make a determination in good faith of the fair value of the security in accordance with the Valuation Procedures. In general, fair value represents a good faith approximation of the current value of an asset and will be used when there is no public market or possibly no market at all for the asset. The fair values of one or more assets may not be the prices at which those assets are ultimately sold and the differences may be significant.

Prior to investing in any Underlying Fund, the Investment Manager will conduct an initial due diligence review of the valuation methodologies utilized by the Underlying Fund, which generally shall be based upon readily observable market values when available, and otherwise utilize principles of fair value that are reasonably consistent with those used by the Fund for valuing its own investments. Subsequent to investment in an Underlying Fund, the Investment Manager will monitor the valuation methodologies used by each Underlying Fund. The Fund values its interests in Underlying Funds using the NAV provided by the managers of the Underlying Funds and/or their agents. These valuations involve significant judgment by the managers of the Underlying Funds and may differ from their actual realizable value. Under certain circumstances, the Valuation Committee may modify the managers' valuations based on updated information received since the last valuation date. The Valuation Committee may also modify valuations if the valuations are deemed to not fully reflect the fair value of the investment. Valuations will be provided to the Fund based on interim unaudited financial records of the Underlying Funds, and, therefore, will be estimates and may fluctuate as a result. The Board, the Investment Manager and the Valuation Committee may have limited ability to assess the accuracy of these valuations.

In circumstances in which market quotations are not readily available or are deemed unreliable, or in the case of the valuation of private, direct investments, such investments may be valued as determined in good faith using methodologies approved by the Board. In these circumstances, the Fund determines fair value in a manner that seeks to reflect the market value of the security on the valuation date based on consideration by the Valuation Committee of any information or factors deemed appropriate. The Valuation Committee may engage third party valuation consultants on an as-needed basis to assist in determining fair value.

Fair valuation involves subjective judgments, and there is no single standard for determining the fair value of an investment. The fair value determined for an investment may differ materially from the value that could be realized upon the sale of the investment. Fair values used to determine the Fund's NAV may differ from quoted or published prices, or from prices that are used by others, for the same investment. Thus, fair valuation may have an unintended dilutive or accretive effect on the value of shareholders' investments in the Fund. Information that becomes known to the Fund or its agents after the NAV has been calculated on a particular day will not be used to retroactively adjust the price of a security or the NAV determined

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

2. Accounting Policies (continued)

earlier. Prospective investors should be aware that situations involving uncertainties as to the value of investments could have an adverse effect on the Fund's NAV if the judgments of the Board or the Valuation Committee regarding appropriate valuations should prove incorrect.

Written Options

The Fund may write call and put options. Writing put options tends to increase the Fund's exposure to the underlying instrument. Writing call options tends to decrease the Fund's exposure to the underlying instrument. When the Fund writes a call or put option, an amount equal to the premium received is recorded as a liability and subsequently marked-to-market to reflect the current value of the option written. These liabilities are reflected as written options outstanding in the Schedule of Investments. Payments received or made, if any, from writing options with premiums to be determined on a future date are reflected as such in the Schedule of Investments. Premiums received from writing options that expire are treated as realized gains. Premiums received from writing options that are exercised or closed are added to the proceeds or offset against amounts paid on the underlying future, security or currency transaction to determine the realized gain or loss. The Fund, as a writer of an option, has no control over whether the underlying future, security or currency may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the security underlying the written option. The risk exists that the Fund may not be able to enter into a closing transaction because of an illiquid market.

Federal Income Taxes

The Fund intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund utilizes a tax-year end of October 31 and the Fund's income and federal excise tax returns and all financial records supporting the 2019 and 2020 returns are subject to examination by the federal and Delaware revenue authorities. If so qualified, the Fund will not be subject to federal income tax to the extent it distributes substantially all of its net investment income and capital gains to shareholders. Therefore, no federal income tax provision is required. Management of the Fund is required to determine whether a tax position taken by the Fund is more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. Based on its analysis, there were no tax positions identified by management of the Fund which did not meet the "more likely than not" standard as of April 30, 2020.

Indemnifications

In the normal course of business, the Fund enters into contracts that provide general indemnifications. The Fund's maximum exposure under these agreements is dependent on future claims that may be made against the Fund, and therefore cannot be established; however, the risk of loss from such claims is considered remote.

3. Principal Risks

Borrowing, Use of Leverage

The Fund may leverage its investments by "borrowing," use of swap agreements, options or other derivative instruments, use of short sales or issuing preferred stock or preferred debt. The use of leverage increases both risk and profit potential. The Fund expects that under normal business conditions it will utilize a combination of the leverage methods described above. The Fund is subject to the Investment Company Act requirement that an investment company limit its borrowings to no more than 50% of its total assets for preferred stock or preferred debt and 33 1/3% of its total assets for debt securities, including amounts borrowed, measured at the time the investment company incurs the indebtedness. Although leverage may increase profits, it exposes the Fund to credit risk, greater market risks and higher current expenses. The effect of leverage with respect to any investment in a market that moves adversely to such investment could result in a loss to the investment portfolio of the Fund that would be substantially greater than if the investment were not leveraged. Also, access to leverage and financing could be impaired by many factors, including market forces or regulatory changes, and there can be no assurance that the Fund will be able to secure or maintain adequate leverage or financing. The ability of the Fund to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

3. Principal Risks (continued)

Margin borrowings and transactions involving forwards, swaps, futures, options and other derivative instruments could result in certain additional risks to the Fund. In such transactions, counterparties and lenders will likely require the Fund to post collateral to support its obligations. Should the securities and other assets pledged as collateral decline in value or should brokers increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), the Fund could be subject to a "margin call," pursuant to which it must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. In the event of a precipitous drop in the value of pledged securities, the Fund might not be able to liquidate assets quickly enough to pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses.

Limited Liquidity

Shares in the Fund provide limited liquidity since Shareholders will not be able to redeem Shares on a daily basis. A Shareholder may not be able to tender its Shares in the Fund promptly after it has made a decision to do so. There is no assurance that you will be able to tender your Shares when or in the amount that you desire. In addition, with very limited exceptions, Shares are not transferable, and liquidity will be provided only through repurchase offers made quarterly by the Fund. Shares in the Fund are therefore suitable only for investors who can bear the risks associated with the limited liquidity of Shares and should be viewed as a long-term investment.

Non-Diversified Status

The Fund is a "non-diversified" management investment company. Thus, there are no percentage limitations imposed by the Investment Company Act on the Fund's assets that may be invested, directly or indirectly, in the securities of any one issuer. Consequently, if one or more securities are allocated a relatively large percentage of the Fund's assets, losses suffered by such securities could result in a higher reduction in the Fund's capital than if such capital had been more proportionately allocated among a larger number of securities. The Fund may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company.

Private Markets Risk

The securities in which the Fund, directly or indirectly, may invest include privately issued securities of both public and private companies. Private securities have additional risk considerations than investments in comparable public investments. Whenever the Fund invests in companies that do not publicly report financial and other material information, it assumes a greater degree of investment risk and reliance upon the Investment Manager's ability to obtain and evaluate applicable information concerning such companies' creditworthiness and other investment considerations. Certain private securities may be illiquid. Because there is often no readily available trading market for private securities, the Fund may not be able to readily dispose of such investments at prices that approximate those at which the Fund could sell them if they were more widely traded. Private securities that are debt securities generally are of below-investment grade quality, frequently are unrated and present many of the same risks as investing in below-investment grade public debt securities. Investing in private debt instruments is a highly specialized investment practice that depends more heavily on independent credit analysis than investments in other types of obligations.

Repurchase Offers

The Fund is a closed-end investment company structured as an "interval fund" and, as such, has adopted a fundamental policy to make quarterly repurchase offers, at per-class NAV, of not less than 5% of the Fund's outstanding Shares on the repurchase request deadline. The Fund will offer to purchase only a small portion of its Shares each quarter, and there is no guarantee that Shareholders will be able to sell all of the Shares that they desire to sell in any particular repurchase offer. Under current regulations, such offers must be for not less than 5% nor more than 25% of the Fund's Shares outstanding on the repurchase request deadline. If a repurchase offer is oversubscribed, the Fund may repurchase only a pro rata portion of the Shares tendered by each Shareholder. The potential for proration may cause some investors to tender more Shares for repurchase than they wish to have repurchased.

Coronavirus (COVID-19)

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. This coronavirus has resulted in closing international borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general public concern and uncertainty. The

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

3. Principal Risks (continued)

impact of this outbreak has negatively affected the worldwide economy, as well as the economies of individual countries, the financial health of individual companies and the market in general in significant and unforeseen ways. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund, including political, social and economic risks. Any such impact could adversely affect the Fund's performance, the performance of the securities in which the Fund invests and may lead to losses on your investment in the Fund. The ultimate impact of COVID-19 on the financial performance of the Fund's investments is not reasonably estimable at this time.

4. Fair Value of Investments

(a) Fair value - Definition

The Fund uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Valuations based on inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly.
- Level 3 – Valuations based on inputs that are both significant and unobservable to the overall fair value measurement.

Investments in private investment companies measured based upon NAV as a practical expedient to determine fair value are not required to be categorized in the fair value hierarchy.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, determining fair value requires more judgment. Because of the inherent uncertainty of valuation, estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Investment Manager in determining fair value is greatest for investments categorized in Level 3.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

(b) Fair Value – Valuation Techniques and Inputs

When determining fair value, the Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in Private Investment Companies

The Fund values private investment companies using the NAVs provided by the underlying private investment companies as a practical expedient. The Fund applies the practical expedient to private investment companies on an investment-by-investment basis, and consistently with the Fund's entire position in a particular investment, unless it is probable that the Fund will sell a portion of an investment at an amount different from the NAV of the investment. Each of these investments has certain restrictions with respect to rights of withdrawal by the Fund as specified in the respective agreements. Generally, the Fund is required to provide notice of its intent to withdraw after the investment has been maintained for a certain period of time. The management agreements of the private investment companies provide for compensation to the managers in the form of fees ranging from 0% to 2% annually of net assets and performance incentive allocations or fees ranging from 0% to 20% on net profits earned.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

4. Fair Value of Investments (continued)

At April 30, 2020, the Fund had private investment companies of \$591,914 that did not qualify for the practical expedient because it is probable that the Fund could sell these investments for amounts that differ from the NAV's provided by the underlying private investment companies. Private investment companies not qualifying for practical expedient were valued by the Fund through application of adjustments to the stated NAV's reported by the underlying private investment companies. These adjustments are based on other relevant information available that the Fund feels has not been reflected in the most recent fair value. As a result, premiums ranging between 0.5% -1.0% have been applied to the stated NAV's. Investments in private investment companies that do not qualify for the practical expedient are categorized in Level 3 of the fair value hierarchy.

Investments in Special Purpose Vehicles

Special purpose vehicles ("SPV") consist of an investment by the Fund in an entity that invests directly or indirectly in a note secured by expected value of contingency fees received from future case settlements, real estate, specialty finance investments, and royalties. The debt offerings are short-term in nature and carry a fixed interest rate. During the year ended April 30, 2020, the Investment Manager determined there were minimal credit impairments. Investments in SPV are generally measured based on NAV as a practical expedient, while others are categorized in Level 3 of the fair value hierarchy.

Investments in Senior Credit Facilities

The Fund has invested in senior credit facilities that are either secured by the borrower's assets or are unsecured in nature. The senior credit facilities have been made directly or through participation with private investment or operating companies. The investments in senior credit facilities will generally be held at cost subject to certain revisions, such as (i) a material change in interest rates for similar notes or (ii) if the Investment Manager becomes aware of a fundamental change that has not been reflected in the cost. The Fund has determined to value its investments in senior credit facilities generally at cost although some are above or below cost as of April 30, 2020. Investments in senior credit facilities are categorized in Level 3 of the fair value hierarchy.

(c) Fair Value - Hierarchy

The Fund's assets recorded at fair value have been categorized based on a fair value hierarchy as described in the Fund's significant accounting policies. The following table presents information about the Fund's assets and liabilities measured at fair value as of April 30, 2020. Assets valued using NAV as a practical expedient, an indicator of fair value, are listed in a separate column to permit reconciliation to totals in the Statement of Assets and Liabilities:

Assets	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Private Investment Companies ..	\$ —	\$ —	\$ 591,914	\$ 181,186,014	\$ 181,777,928
Senior Credit Facilities	—	—	139,297,036	—	139,297,036
Special Purpose Vehicles	—	—	1,339,726	20,165,507	21,505,233
Direct Equities	—	—	197,879	—	197,879
Public Securities	325,920	—	—	—	325,920
Short-Term Investments	32,056,547	—	—	—	32,056,547
Purchased Put Options Contracts	104,372	—	—	—	104,372
Total Assets	\$ 32,486,839	\$ —	\$ 141,426,555	\$ 201,351,521	\$ 375,264,915
Liabilities					
Written Call Options Contracts	\$ 15,520	\$ —	\$ —	\$ —	\$ 15,520
Written Put Options Contacts	79,716	—	—	—	79,716
Total Liabilities	\$ 95,236	\$ —	\$ —	\$ —	\$ 95,236

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

4. Fair Value of Investments (continued)

(d) Fair Value - Changes in Level 3 Measurements

The following table presents the changes in assets and transfers in and out which are classified in Level 3 of the fair value hierarchy for the year ended April 30, 2020:

	Private Investment Companies	Senior Credit Facilities	Special Purpose Vehicles	Direct Equities
April 30, 2019	\$ 1,151,266	\$ 11,737,300	\$ 910,221	\$ —
Realized gains (losses)	—	—	—	—
Unrealized gains (losses)	(2)	(1,882,447)	(500,001)	197,857
Transfers Into Level 3	—	—	—	—
Transfers Out of Level 3	—	—	—	—
Purchases	665,024	147,806,883	5,487,047	22
Sales	(1,224,374)	(18,364,700)	(4,557,541)	—
April 30, 2020	\$ 591,914	\$ 139,297,036	\$ 1,339,726	\$ 197,879

(e) Fair Value - Significant Unobservable Inputs

The following table summarizes the valuation techniques and significant unobservable inputs used for the Fund's investments that are categorized in Level 3 of the fair value hierarchy as of April 30, 2020.

Investments	Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Private Investment Companies	\$ 591,914	Income Approach	Interest rate	11.0% - 15.0%, (13.0%) ^(a)
Senior Credit Facilities	139,297,036	Cost	Recent transaction price	N/A
		Income Approach	Default rates	0%
			Market rate adjustments	1.0% - 14.0%
			Factor rates	95.4% - 99.6%
			Expected terms	6 - 47 months
Special Purpose Vehicles	1,339,726	Income Approach	Interest rate	11.0% - 13.0%, (12.0%) ^(a)
Direct Equities	197,879	Discounted Cash Flow	Discount Rate	15.0% - 30.0%

^(a) Arithmetic average.

5. Derivative and Hedging Disclosure

U.S. GAAP requires enhanced disclosures about the Fund's derivative and hedging activities, including how such activities are accounted for and their effects on the Fund's financial position, performance and cash flows. The Fund invested in options contracts for the year ended April 30, 2020.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

5. Derivative and Hedging Disclosure (continued)

The effects of these derivative instruments on the Fund's financial position and financial performance as reflected in the Statement of Assets and Liabilities and Statement of Operations are presented in the tables below. The fair values of derivative instruments as of April 30, 2020, by risk category are as follows:

Derivatives not designated as hedging instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Value	Statement of Assets and Liabilities Location	Value
Equity contracts	Investments, at fair value	\$ 104,372	Written options contracts, at fair value	\$ 95,236
Total		\$ 104,372		\$ 95,236

The effects of derivative instruments on the Statement of Operations for the year ended April 30, 2020, are as follows:

Amount of Realized Gain or (Loss) on Derivatives Recognized in Income

Derivatives not designated as hedging instruments	Purchased Options Contracts	Written Options Contracts
Equity contracts	\$ (126,491)	\$ 293,279
Total	\$ (126,491)	\$ 293,279

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income

Derivatives not designated as hedging instruments	Purchased Options Contracts	Written Options Contracts	Total
Equity contracts	\$ 90,161	\$ 425,619	\$ 515,780
Total	\$ 90,161	\$ 425,619	\$ 515,780

The number of contracts is included on the Schedule of Investments. The quarterly average volume of derivative instruments as of April 30, 2020, are as follows:

Derivative	Quarterly Average	Amount
Options Contracts - Purchased	Average Notional Value	\$ 3,373,164
Options Contracts - Written	Average Notional Value	(4,458,192)

6. Capital Stock

The Fund offers two separate classes of shares of beneficial interest ("Shares") designated as Institutional Class ("Institutional Class Shares") and Investor Class ("Investor Class Shares"). Institutional Class Shares and Investor Class Shares are subject to different fees and expenses. The Fund may offer additional classes of Shares in the future.

The Fund is authorized as a Delaware statutory trust to issue an unlimited number of Shares in one or more classes, with a par value of \$0.001. The minimum initial investment in Institutional Class Shares by any investor is \$1 million and the minimum initial investment in Investor Class Shares by any investor is \$25,000. However, the Fund, in its sole discretion, may accept investments below these minimums. Shares may be purchased by principals and employees of the Investment Manager or its affiliates and their immediate family members without being subject to the minimum investment requirements.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

6. Capital Stock (continued)

Neither Investor Class Shares nor Institutional Class Shares are subject to any initial sales charge. Shares will generally be offered for purchase on each business day, except that Shares may be offered more or less frequently as determined by the Board in its sole discretion. The Board may also suspend or terminate offerings of Shares at any time. Investor Class Shares will not be offered until the Fund has received exemptive relief from the Securities and Exchange Commission ("SEC") permitting the offering of multiple classes of Shares.

A substantial portion of the Fund's investments are illiquid. For this reason, the Fund is structured as a closed-end interval fund which means that the Shareholders will not have the right to redeem their Shares on a daily basis. In addition, the Fund does not expect any trading market to develop for the Shares. As a result, if investors decide to invest in the Fund, they will have very limited opportunity to sell their Shares. For each repurchase offer the Board will set an amount between 5% and 25% of the Fund's Shares based on relevant factors, including the liquidity of the Fund's positions and the Shareholders' desire for liquidity. A Shareholder whose Shares (or a portion thereof) are repurchased by the Fund will not be entitled to a return of any sales charge that was charged in connection with the Shareholder's purchase of the Shares.

Pursuant to Rule 23c-3 under the Investment Company Act, on a quarterly basis, the Fund offers shareholders holding all classes of shares the option of redeeming shares at NAV. The Board determines the quarterly repurchase offer amount ("Repurchase Offer Amount"), which can be no less than 5% and no more than 25% of all shares of all classes outstanding on the repurchase request deadline. If shareholders tender more than the Repurchase Offer Amount, the Fund may, but is not required to, repurchase an additional amount of shares not to exceed 2% of all outstanding shares of the Fund on the repurchase request deadline. If the Fund determines not to repurchase more than the Repurchase Offer Amount, or if shareholders tender shares in an amount exceeding the Repurchase Offer Amount plus 2% of all outstanding shares on the repurchase request deadline, the Fund shall repurchase the shares tendered on a pro rata basis. There is no guarantee that a shareholder will be able to sell all of the shares tendered in a quarterly repurchase offer. Limited liquidity will be provided to shareholders only through the Fund's quarterly repurchases.

	Repurchase Offer	Repurchase Offer	Repurchase Offer	Repurchase Offer
Commencement Date	May 1, 2019	July 31, 2019	October 30, 2019	February 5, 2020
Repurchase Request Deadline	May 31, 2019	August 30, 2019	November 29, 2019	February 28, 2020
Repurchase Pricing Date	June 14, 2019	September 13, 2019	December 13, 2019	March 13, 2020
Net Asset Value as of Repurchase Offer Date				
Institutional Class	\$ 26.06	\$ 26.49	\$ 26.70	\$ 26.96
Investor Class	\$ 26.08	\$ 26.49	\$ 26.70	\$ 26.96
Amount Repurchased				
Institutional Class	\$ 278,967	\$ 333,988	\$ 4,428,009	\$ 18,199,721
Investor Class	\$ —	\$ 397,977	\$ —	\$ 14,791
Percentage of Outstanding Shares Repurchased				
Institutional Class	0.35%	0.22%	1.92%	4.73%
Investor Class	N/A	25.40%	N/A	0.75%

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

7. Investment Management and Other Agreements

The Fund has entered into an investment management agreement (the "Investment Management Agreement") with the Investment Manager. Pursuant to the Investment Management Agreement, the Fund pays the Investment Manager a monthly Investment Management Fee equal to 0.95% on an annualized basis, calculated daily and payable monthly in arrears, of the Fund's "Managed Assets." "Managed Assets" means the total assets of the Fund (including any assets attributable to any leverage that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage and the aggregate liquidation preference of any outstanding preferred shares). Average daily Managed Assets is the sum of the Managed Assets for the month divided by the number of days in the month.

The Investment Manager has entered into an expense limitation and reimbursement agreement (the "Expense Limitation and Reimbursement Agreement") with the Fund, whereby the Investment Manager has agreed to waive fees that it would otherwise have been paid, and/or to assume expenses of the Fund (a "Waiver"), if required to ensure the Total Annual Expenses (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses (as determined in accordance with SEC Form N-1A), expenses incurred in connection with any merger or reorganization, and extraordinary expenses, such as litigation expenses) do not exceed 1.70% and 1.45% of the average daily net assets of Investor Class Shares and Institutional Class Shares, respectively (the "Expense Limit").

For the year ended April 30, 2020, the Investment Manager waived a portion of its fees totaling \$80,127, consisting of \$10,222 waived fees and \$69,905 waived offering fees. For a period not to exceed three years from the date on which a Waiver is made, the Investment Manager may recoup amounts waived or assumed, provided it is able to effect such recoupment and remain in compliance with the expense limit in place at the time of the waiver. The Expense Limitation and Reimbursement Agreement is in effect until October 31, 2020 and will automatically renew for consecutive one-year terms thereafter. This agreement may be terminated at any time by the Fund's Board of Trustees upon thirty (30) days' written notice to the Investment Manager. This agreement may be terminated by the Investment Manager as of the end of its then-current term upon thirty (30) days' written notice to the Fund. At April 30, 2020, the amount of these potentially recoverable expenses was \$401,308. The Investment Manager may recapture all or a portion of this amount no later than dates stated below:

June 29, 2021	\$	39,772
April 30, 2022		281,409
April 30, 2023		80,127
Total	\$	401,308

The Fund has adopted a Distribution and Servicing Plan which allows the Fund to pay distribution and servicing fees for the sale and servicing of its Investor Class Shares. Under the Distribution and Servicing Plan, the Fund may pay as compensation up to 0.25% on an annualized basis of the aggregate net assets of the Fund attributable to Investor Class Shares (the "Distribution and Servicing Fee") to the Fund's Distributor and/or other qualified recipients. Payment of the Distribution and Servicing Fee is governed by the Distribution and Servicing Plan, which, pursuant to the conditions of an exemptive order issued by the SEC, has been adopted by the Fund with respect to Investor Class Shares in compliance with Rule 12b-1 under the Investment Company Act. The Distribution and Servicing Fee is paid out of the Fund's assets and decreases the net profits or increases the net losses of the Fund. Institutional Class Shares are not subject to the Distribution and Servicing Fee.

Forside Fund Services, LLC (the "Distributor") is the distributor (also known as principal underwriter) of the Shares of the Fund and acts as the agent of the Fund in connection with the continuous offering of shares of the Fund.

The Fund has retained an Administrator, UMB Fund Services, Inc. (the "Administrator") to provide administrative services, and to assist with operational needs. In consideration for these services, the Fund pays the Administrator a minimum monthly administration fee (the "Administration Fee"). The Administration Fee is paid to the Administrator out of the assets of the Fund and therefore decreases the net profits or increases the net losses of the Fund. The Administrator is also reimbursed by the Fund for out-of-pocket expenses relating to services provided to the Fund and receives a fee for transfer agency services. The Administration Fee and the other terms of the Administration Agreement may change from time to time as may be agreed to by the Fund management and the Administrator.

Certain officers of the Fund are employees of the Investment Manager and Administrator. The Fund does not compensate officers affiliated with the Fund's Investment Manager and Administrator. For the year ended April 30, 2020, the Fund's allocated fees incurred for trustees are reported on the Statement of Operations.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

7. Investment Management and Other Agreements (continued)

UMB Bank, n.a. (the "Custodian"), an affiliate of the Administrator, serves as the primary custodian of the assets of the Fund, and may maintain custody of such assets with U.S. and non-U.S. sub custodians (which may be banks and trust companies), securities depositories and clearing agencies in accordance with the requirements of Section 17(f) of the Investment Company Act and the rules thereunder. Assets of the Fund are not held by the Investment Manager or commingled with the assets of other accounts other than to the extent that securities are held in the name of the Custodian or U.S. or non-U.S. sub custodians in a securities depository, clearing agency or omnibus customer account of such custodian. In consideration for these services, the Fund pays the Custodian a minimum monthly custodian fee.

8. Related Party Transactions

At April 30, 2020, the Investment Manager and its affiliates owned approximately \$31,268,000 (or 8.21% of Shareholders' Equity) of the Fund.

9. Federal Income Taxes

At April 30, 2020, gross unrealized appreciation and depreciation on investments and short securities, based on cost for federal income tax purposes were as follows:

Cost of investments	\$ 370,938,026
Gross unrealized appreciation	\$ 11,036,910
Gross unrealized depreciation	(6,805,257)
Net unrealized appreciation on investments	\$ 4,231,653

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

U.S. GAAP requires that certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or NAV. For the period ended October 31, 2019, permanent differences in book and tax accounting have been reclassified as follows to show the impact of return of capital distributions paid by the fund.

Increase (Decrease)	
Paid-in Capital	Distributable Earnings
\$ (1,004,393)	\$ 1,004,393

As of October 31, 2019, the Fund's most recent tax year end, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ —
Undistributed long-term capital gains	—
Accumulated capital and other losses	—
Unrealized appreciation on investments	4,903,977
Total distributable earnings	\$ 4,903,977

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

9. Federal Income Taxes (continued)

The tax character of distributions paid during the fiscal years ended October 31, 2019 and October 31, 2018 were as follows:

	2019	2018
Distribution paid from:		
Ordinary income	\$ 3,755,000	\$ —
Net long-term capital gains	289,239	—
Return of capital	1,004,393	—
Total distributions paid	<u>\$ 5,048,632</u>	<u>\$ —</u>

10. Investment Transactions

For the year ended April 30, 2020, purchases and sales of investments, excluding short-term investments, were \$337,040,630 and \$40,644,955, respectively.

11. Revolving Credit Facility

The Fund maintains a credit facility (the "Revolving Credit Facility" or "Facility") with a maximum borrowing amount of 10% of eligible assets under management ("AUM") up to \$15,000,000. When in use, the Facility is secured by certain underlying investments of the Fund. For the period May 1, 2019 through March 5, 2020, the Facility was charged an interest rate of Prime plus 75 basis points. Currently and for the period March 6, 2020 through April 30, 2020, the Facility bears an interest rate of Prime (3.25% as of April 30, 2020). Interest and fees incurred for the year ended April 30, 2020 are disclosed in the accompanying Statement of Operations. For the period May 1, 2019 through March 5, 2020, the average interest rate and the average daily loan balance were 5.83% and \$368,172, respectively. For the period March 6, 2020 through April 30, 2020, the average interest rate and the average daily loan balance were 3.43% and \$0, respectively. The Facility matures on March 10, 2021. The maximum loan amount during the year ended April 30, 2020 was \$8,925,000 on January 7, 2020. At April 30, 2020, the principal balance outstanding was \$0.

12. New Accounting Pronouncement

On August 28, 2018, the FASB issued Accounting Standards Update No. 2018-13 ("ASU 2018-13"), *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which changes the fair value measurement disclosure requirements of ASC Topic 820. ASU 2018-13's amendments are effective for annual periods beginning after December 15, 2019. Early adoption is permitted. Management has adopted certain disclosures of ASU 2018-13 as permitted by the standard.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

13. Reorganization Information

Simultaneous with the commencement of the Fund's operations ("Commencement of Operations"), the Variant Alternative Income Fund, L.P. (the "Predecessor Fund"), reorganized with and transferred substantially all its portfolio securities into the Fund. The Predecessor Fund maintained an investment objective, strategies and investment policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Fund. The Fund and the Predecessor Fund shared the same investment adviser and portfolio managers. Below is a breakout of assets, liabilities, and total net assets transferred as of the date of reorganization at the end of business September 28, 2018.

Assets:

Investments at Cost	\$ 21,099,144
Investments at Value	21,406,197
Cash	3,424,801
Interest Accrued	387,807
Miscellaneous Assets	<u>11,931</u>
Total Assets	25,230,736

Liabilities:

Management Fees Payable	47,756
Other Payable	<u>96,516</u>
Total Liabilities	<u>144,272</u>

Net Assets: **\$ 25,086,464**

1,003,458.564 Institutional Class shares were issued with an initial NAV of \$25.00.

14. Commitments

Senior credit facilities may be structured to be fully funded at the time of investment or include unfunded loan commitments, which are contractual obligations for future funding. As of April 30, 2020, the Fund had unfunded loan commitments to senior credit facilities of \$59,395,781.

The following table represents investment strategies, unfunded commitments and redemptive restrictions of investments that are measured at NAV per share (or its equivalent) as a practical expedient as of April 30, 2020:

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Aero Capital Solutions Fund, LP	Private LPs ⁽²⁾	\$ 2,817,644	\$ 699,080	None	N/A
Aero Capital Solutions Fund II, LP	Private LPs ⁽²⁾	20,261,704	18,705,468	None	N/A
American Rivers Fund, LLC	Private LPs ⁽²⁾	5,956,723	2,000,000	Annually (December)	31 day redemption notice after a 36 month lock up period
Armadillo Financial Fund LP	Private LPs ⁽¹⁾	72,560	—	None	N/A
Bay Point Capital Partners II, LP	Private LPs ⁽⁴⁾	18,458,813	—	Quarterly	30 days written notice
Blackrock Special Credit Opportunities, L.P. and Subsidiary - Series C	Private LPs ⁽¹⁾	290,470	243,508	None	N/A
Blue Elephant Financing Fund I, L.P.	Private LPs ⁽⁷⁾	2,227,730	—	None	N/A
CoVenture - Clearbanc Special Assets Fund LP	SPVs ⁽⁷⁾	1,509,902	—	Quarterly	90 day notice after a 12 month lock up period
CoVenture Credit Opportunities Partners Fund LP	Private LPs ⁽⁷⁾	1,449,698	18,562,985	Quarterly	90 day notice after a 12 month lock up period

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

14. Commitments (continued)

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
CoVenture No1 Credit Opportunity Fund LP	Private LPs ⁽⁷⁾	\$ 101,156	\$ 900,000	Quarterly	90 day notice after a 36 month lock up period
Crestline Portfolio Financing Fund Offshore B, L.P. and Subsidiary	Private LPs ⁽⁶⁾	806,591	779,048	None	N/A
Crestline Praeter, L.P. - Zoom	Private LPs ⁽⁶⁾	1,050,330	2,985,149	None	N/A
DelGatto Diamond Finance Fund QP, LP	Private LPs ⁽⁷⁾	7,581,864	5,250,000	Monthly	At least a 90 day notice. Redemptions with 1 year of subscription results in a 5% penalty
Highcrest Private Credit Income Fund, L.P.	Private LPs ⁽⁷⁾	10,000,378	—	Monthly	At least a 35 day notice
Hudson Transport Real Asset Fund LP	Private LPs ⁽²⁾	1,904,883	—	Quarterly	90 day notice after a 24 month lock up
Marathon Structured Product Strategies Fund, LP	Private LPs ⁽¹⁾	1,115,149	15,000	None	N/A
Monticello Funding, LLC Series BTH-11	SPVs ⁽⁴⁾	252,478	—	None	N/A
Monticello Funding, LLC Series BTH-13	SPVs ⁽⁴⁾	157,546	—	None	N/A
Monticello Funding, LLC Series BTH-16	SPVs ⁽⁴⁾	252,478	—	None	N/A
Monticello Funding, LLC Series BTH-18	SPVs ⁽⁴⁾	504,931	—	None	N/A
Monticello Funding, LLC Series BTH-20	SPVs ⁽⁴⁾	217,635	—	None	N/A
Monticello Funding, LLC Series BTH-25	SPVs ⁽⁴⁾	302,959	—	None	N/A
Monticello Funding, LLC Series BTH-3	SPVs ⁽⁴⁾	252,478	—	None	N/A
Monticello Funding, LLC Series BTH-30	SPVs ⁽⁴⁾	201,983	—	None	N/A
Monticello Funding, LLC Series BTH-31	SPVs ⁽⁴⁾	302,974	—	None	N/A
Monticello Funding, LLC Series BTH-33	SPVs ⁽⁴⁾	755,416	—	None	N/A
Monticello Funding, LLC Series BTH-34	SPVs ⁽⁴⁾	1,005,769	—	None	N/A
Monticello Funding, LLC Series BTH-37	SPVs ⁽⁴⁾	2,019,824	—	None	N/A
Monticello Funding, LLC Series BTH-38	SPVs ⁽⁴⁾	1,766,628	—	None	N/A
Monticello Funding, LLC Series BTH-39	SPVs ⁽⁴⁾	2,019,598	—	None	N/A
Monticello Funding, LLC Series BTH-41	SPVs ⁽⁴⁾	2,470,985	—	None	N/A

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

14. Commitments (continued)

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Monticello Funding, LLC Series BTH-43	SPVs ⁽⁴⁾	\$ 856,902	\$ —	None	N/A
Monticello Structured Products, LLC Series MSP-12	SPVs ⁽⁴⁾	964,253	—	None	N/A
Monticello Structured Products, LLC Series MSP-2	SPVs ⁽⁴⁾	201,817	47,235	None	N/A
Montreux Healthcare Fund PLC	Private LPs ⁽⁵⁾	29,755,212	—	Quarterly	At least a 12 month notice
North Haven Offshore Infrastructure Partners A L.P.	Private LPs ⁽¹⁾	1,680,669	554,165	None	N/A
Oak Harbor NPL VII, LLC	Private LPs ⁽⁴⁾	11,959,088	—	None	N/A
OHP II LP	Private LPs ⁽⁷⁾	8,728,062	—	None	N/A
Palmer Square Senior Loan Fund, LLC	Private LPs ⁽⁸⁾	9,879,783	—	Quarterly	30 day notice
Primary Wave Music IP Fund 1, LP	Private LPs ⁽⁹⁾	1,376,088	276	None	N/A
Prime Storage Fund II (Cayman), LP	Private LPs ⁽⁵⁾	1,063,834	251,417	None	N/A
PWP Asset Based Income ASP Fund	Private LPs ⁽¹⁾	1,213,967	—	None	N/A
Round Hill Music Carlin Coinvest, LP	SPVs ⁽⁹⁾	1,067,855	—	None	N/A
Thor Urban Property Fund II Liquidating Trust	Private LPs ⁽¹⁾	7,761,824	2,228,329	None	N/A
Turning Rock Fund I LP	Private LPs ⁽⁷⁾	4,082,879	6,342,918	None	N/A
Upper90 ClearFund I, SPV, L.P.	SPVs ⁽⁷⁾	2,487,257	—	None	N/A
Series 4 - Virage Capital Partners LP	Private LPs ⁽³⁾	1,894,910	—	None	N/A
Series 6 - Virage Capital Partners LP	Private LPs ⁽³⁾	16,302,749	—	None	N/A
Virage Recovery Fund LP	Private LPs ⁽¹⁰⁾	11,391,256	—	None	N/A
YS CF LawFF VII LLC	SPVs ⁽³⁾	593,839	—	None	N/A
Total		\$201,351,521	\$59,564,578		

¹ Private partnerships that are secondary positions. These investments are purchased in the secondary market of a limited partner's interest in a private credit fund from the primary owner.

² Private partnerships in transportation finance. These partnerships provide financing of transportation assets (aircraft, ships, railcars, trucking, or shipping containers) through equity and/or debt investments.

³ Private partnerships and special purpose vehicles in litigation finance. These strategies consists of loans to law firms backed by the expected value of contingency fees received from future case settlements.

⁴ Real estate debt private partnerships. These are extensions of new debt backed by real estate assets or the purchase of existing loans backed by residential or commercial real estate assets.

⁵ Real estate equity partnerships that consists of equity investments backed by commercial real estate.

⁶ Private partnerships that are in portfolio finance, a special scenario where a loan to the borrower is collateralized by all of the assets in a private investment vehicle.

⁷ Private partnerships that are in specialty finance investments. Such partnerships invest in institutional loans to a non-bank, private lender, which uses the capital to make loans in their particular vertical.

⁸ A warehouse facility is an institutional loan to a pool of assets where the underlying collateral is expected to only stay in the pool for a short period of time.

Variant Alternative Income Fund

Notes to Financial Statements

April 30, 2020 (continued)

14. Commitments (continued)

⁹ Private partnerships and special purpose vehicles that invest in and/or purchase royalties. These royalties are the financial claim to the revenue generated from an asset such as the usage of copyrighted music, licensing payments on intellectual property, or oil and gas production.

¹⁰ Private partnership that invests in insurance receivables. The investment is backed by the recovery of conditional payments advanced by Medicare Advantage Organizations.

15. Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through the date of issuance of the financial statements included herein.

The Fund commenced a repurchase offer on May 4, 2020 and the results are as follows:

Commencement Date	May 4, 2020
Repurchase Request Deadline	June 15, 2020
Repurchase Pricing Date	June 15, 2020
Net Asset Value as of Repurchase Offer Date	
Institutional Class	\$ 26.63
Investor Class	\$ 26.63
Amount Repurchased	
Institutional Class	\$ 15,053,644
Investor Class	\$ 23,941
Percentage of Outstanding Shares Repurchased	
Institutional Class	3.80%
Investor Class	0.93%

There were no other events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements.

Variant Alternative Income Fund

Supplemental Information

April 30, 2020 (Unaudited)

Tax Information

For the year ended October 31, 2019, 0% of dividends to be paid from net investment income, including short-term capital gains from the Fund (if any), are designated as qualified dividend income.

For the year ended October 31, 2019, 0% of the dividends to be paid from net investment income, including short-term capital gains from the Fund (if any), are designated as dividends received deduction available to corporate shareholders.

For the year ended October 31, 2019, the Fund designates \$289,239 as long-term capital gain distributions.

Variant Alternative Income Fund

Fund Management

April 30, 2020 (Unaudited)

The identity of the members of the Board and the Fund's officers and brief biographical information as of April 30, 2020 is set forth below. The Fund's Statement of Additional Information includes additional information about the membership of the Board.

INDEPENDENT TRUSTEES AND ADVISORY BOARD MEMBER

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX* OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEES
David G. Lee Year of Birth: 1952 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Chairman and Trustee	Since Inception	President and Director, Client Opinions, Inc. (2003 - 2012); Chief Operating Officer, Brandywine Global Investment Management (1998-2002)	9	None
Robert Seyferth Year of Birth: 1952 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Trustee	Since Inception	Chief Procurement Officer/Senior Managing Director, Bear Stearns/JP Morgan Chase (1993 -2009)	9	None
Gary E. Shugrue Year of Birth: 1954 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Trustee	Since Inception	Managing Director, Veritable LP (2016-Present); Founder/ President, Ascendant Capital Partners, LP (2001 - 2015)	5	Trustee, Quaker Investment Trust (5 portfolios) (registered investment company); Scotia Institutional Funds (2006-2014) (3 portfolios) (registered investment company).

Variant Alternative Income Fund

Fund Management

April 30, 2020 (Unaudited) (continued)

INTERESTED TRUSTEES AND OFFICERS

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX* OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEES
<p>Anthony Fischer** Year of Birth: 1959 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212</p>	Trustee	Since Inception	President - Alan Water Systems, LLC (2019 – Present); Executive Director – National Sales of UMB Bank for Institutional Banking and Asset Servicing (2018-2019); President of UMB Fund Services (2014 – 2018); Executive Vice President in charge of Business Development, UMB Fund Services (2013 – 2014); Senior Vice President in Business Development, UMB Fund Services (2008 – 2013).	6	None
<p>Terrance P. Gallagher*** Year of Birth: 1958 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212</p>	Trustee	Since Inception	Executive Vice President and Director of Fund Accounting, Administration and Tax; UMB Fund Services, Inc. (2007-present); President, Investment Managers Series Trust II (2013-Present); Treasurer, American Independence Funds Trust (2016-2018); Treasurer, Commonwealth International Series Trust (2010-2015).	4	None
<p>Robert W. Elsasser Year of Birth: 1968 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212</p>	President	Since Inception	Principal, Variant Investments, LLC (2017-Present); Director of Fixed Income, CTC myCFO (2010-2016).	N/A	N/A

Variant Alternative Income Fund

Fund Management

April 30, 2020 (Unaudited) (continued)

INTERESTED TRUSTEES AND OFFICERS (continued)

NAME, ADDRESS AND YEAR OF BIRTH	POSITION(S) HELD WITH THE FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX* OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEES
Curtis Fintel Year of Birth: 1970 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Treasurer	Since Inception	Principal, Variant Investments, LLC (2017-Present); Chief Investment Strategist, CTC myCFO (2006- 2016).	N/A	N/A
Perpetua Seidenberg Year of Birth: 1990 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Chief Compliance Officer	Since June 2018	Compliance Director, Vigilant Compliance, LLC (an investment management services company) (2014 - Present); Auditor, PricewaterhouseCoopers (2012 - 2014).	N/A	N/A
Ann Maurer Year of Birth: 1972 c/o UMB Fund Services, Inc. 235 W. Galena St. Milwaukee, WI 53212	Secretary	Since September 2018	Senior Vice President, Client Services (2017 - Present); Vice President, Senior Client Service Manager (2013 - 2017), Assistant Vice President, Client Relations Manager (2002 - 2013); UMB Fund Services, Inc.	N/A	N/A

* The fund complex consists of the Fund, Infinity Core Alternative Fund, Infinity Long/Short Equity Fund, LLC, The Relative Value Fund, Vivaldi Opportunities Fund, Corbin Multi-Strategy Fund LLC, Agility Multi-Asset Income Fund, Cliffwater Corporate Lending Fund, and Keystone Private Income Fund.

** Mr. Fischer is deemed an interested person of the Fund because of his prior affiliation with an affiliate of the Fund's Administrator. Mr. Fischer resigned effective May 14, 2020.

*** Mr. Gallagher is deemed an interested person of the Fund because of his affiliation with an affiliate of the Fund's Administrator.

Variant Alternative Income Fund

Other Information

April 30, 2020 (Unaudited)

Proxy Voting

The Fund is required to file Form N-PX, with its complete proxy voting record for the twelve months ended June 30, no later than August 31. The Fund's Form N-PX filing and a description of the Fund's proxy voting policies and procedures are available: (i) without charge, upon request, by calling the Fund at 1-877-770-7717 or (ii) by visiting the SEC's website at www.sec.gov.

Availability of Quarterly Portfolio Schedules

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q (or as exhibit to its report on Form N-Q's successor form, Form N-PORT). The Fund's Forms N-Q and Forms N-PORT are available on the SEC's website at www.sec.gov or by calling the Fund at 1-877-770-7717.

Variant Alternative Income Fund

Other Information

April 30, 2020 (Unaudited) (continued)

FACTS	WHAT DOES THE FUND DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> • Social Security number • account balances • account transactions • transaction history • wire transfer instructions • checking account information <p>Even when you are no longer our customer, we continue to share your information as described in this notice.</p>
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons funds choose to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does the Fund share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call 1-877-770-7717.
-------------------	----------------------

Variant Alternative Income Fund

Other Information

April 30, 2020 (Unaudited) (continued)

What we do	
How does the Fund protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does the Fund collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> ▪ open an account ▪ provide account information ▪ give us your contact information ▪ make a wire transfer ▪ tell us where to send money <p>We also collect your information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> ▪ sharing for affiliates' everyday business purposes – information about your creditworthiness ▪ sharing for affiliates from using your information to market to you ▪ sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>Our affiliates include companies such as Variant Investments, LLC and UMB Fund Services, Inc.</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>The Fund doesn't share with nonaffiliates so they can market to you.</i>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ▪ <i>The Fund doesn't jointly market.</i>