
VARIANT ALTERNATIVE INCOME FUND



Semi-Annual Report

October 31, 2021

(Unaudited)

Variant Alternative Income Fund

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October 31, 2021 (Unaudited)

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This report and the financial statements contained herein are provided for the general information of the shareholders of the Variant Alternative Income Fund. This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus.

Variant Alternative Income Fund

Schedule of Investments

October 31, 2021 (Unaudited)

Investments in private investment companies — 27.3%	Shares/ Units	First Acquisition Date	Cost	Fair Value	Percent of Net Assets
Litigation Finance					
EAJF Leveraged Feeder LP ^{(a)(g)(h)}	—	3/30/2021	\$ 6,000,000	\$ 6,352,129	0.5%
Series 4 - Virage Capital Partners LP ^{(a)(g)(h)}	—	9/1/2018	1,256,910	1,881,052	0.2
Series 6 - Virage Capital Partners LP ^{(a)(g)(h)}	—	10/31/2019	16,000,000	18,755,764	1.5
Virage Recovery Fund (Cayman) LP ^{(a)(g)(h)}	—	8/6/2019	15,313,446	35,587,842	2.9
			<u>38,570,356</u>	<u>62,576,787</u>	<u>5.1</u>
Portfolio Finance					
Crestline Portfolio Financing Fund Offshore B, L.P. and Subsidiary ^{(a)(g)(h)} ..	—	4/25/2018	661,182	862,480	0.1
Crestline Portfolio Financing Fund II (US), L.P. ^{(a)(g)(h)}	—	8/26/2021	1,030,643	1,107,660	0.1
Crestline Praeter, L.P. - Zoom ^{(a)(g)(h)}	—	12/26/2019	2,584,158	2,944,900	0.2
			<u>4,275,983</u>	<u>4,915,040</u>	<u>0.4</u>
Real Estate Debt					
Bay Point Capital Partners II, LP ^{(a)(g)(h)}	—	7/2/2019	5,516,915	8,538,302	0.7
Oak Harbor Capital NPL VII, LLC ^{(a)(g)(h)}	—	3/1/2019	9,956,562	11,507,395	0.9
Quiet Credit I LLC ^{(a)(g)(h)}	—	7/15/2021	6,250,000	6,314,821	0.5
			<u>21,723,477</u>	<u>26,360,518</u>	<u>2.1</u>
Real Estate Equity					
Montreux Healthcare Fund PLC ^{(a)(h)}	39,863	2/1/2018	55,792,884	63,141,455	5.1
Prime Storage Fund II (Cayman), LP ^{(a)(g)(h)}	—	11/20/2017	1,460,840	1,364,506	0.1
			<u>57,253,724</u>	<u>64,505,961</u>	<u>5.2</u>
Royalties					
MV Feeder, LLC ^{(a)(g)(h)}	—	11/27/2020	10,295,667	10,365,747	0.8
MV Co-Investment Feeder, LLC ^{(a)(g)(h)}	—	8/3/2021	2,000,000	2,068,188	0.2
			<u>12,295,667</u>	<u>12,433,935</u>	<u>1.0</u>
Secondaries					
Armadillo Financial Fund LP ^{(a)(g)(h)}	—	12/28/2018	116,039	49,215	0.0
Marathon Structured Product Strategies Fund, LP ^{(a)(g)(h)}	—	3/27/2019	745,744	749,400	0.0
North Haven Offshore Infrastructure Partners A L.P. ^{(a)(g)(h)}	—	7/18/2019	1,566,729	1,431,284	0.1
PWP Asset Based Income ASP Fund ^{(a)(g)(h)}	—	3/29/2019	916,560	1,142,673	0.1
Thor Urban Property Fund II Liquidating Trust ^{(a)(h)}	35,695	12/30/2019	4,829,713	1,056,272	0.1
			<u>8,174,785</u>	<u>4,428,844</u>	<u>0.3</u>
Specialty Finance					
Blue Elephant Financing Fund I, L.P. ^{(a)(g)(h)}	—	3/29/2019	1,378,410	935,287	0.1
CoVenture - Amzn Credit Opportunities Fund LP ^{(a)(g)(h)}	—	3/11/2021	16,915,649	17,099,291	1.4
CoVenture Credit Opportunities Partners Fund LP ^{(a)(g)(h)}	—	2/28/2020	20,000,000	20,217,733	1.6
CoVenture - No1 Credit Opportunities Fund LLC (A-2 Series) ^{(a)(g)(h)}	—	2/5/2021	3,000,000	3,034,009	0.2
CoVenture - No1 Credit Opportunities Fund LLC (A-3 Series) ^{(a)(g)(h)}	—	7/12/2021	2,959,568	2,989,108	0.2
CoVenture - No1 Credit Opportunities Fund LLC ^{(a)(g)(h)}	—	12/12/2019	1,000,000	1,012,355	0.1
DelGatto Diamond Fund QP, LP ^{(a)(g)(h)}	—	10/3/2019	18,750,000	21,459,236	1.7
Leaf II SPC ^{(a) (b) (c) (d)}	—	11/28/2018	14,268	40,067	0.0
OHPC LP Founders Class Interest 1.25% ^{(a)(g)(h)}	—	5/27/2021	5,000,000	5,052,960	0.4
OHP II LP ^{(a)(g)(h)}	—	3/7/2019	9,000,000	9,327,396	0.8
Silverpeak Special Situations Lending Onshore Fund LP ^{(a)(g)(h)}	—	10/19/2021	2,909,240	3,059,909	0.3
Turning Rock Fund I LP ^{(a)(g)(h)}	—	11/29/2019	7,071,938	7,712,751	0.6
			<u>87,999,073</u>	<u>91,940,102</u>	<u>7.4</u>

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

Variant Alternative Income Fund

Schedule of Investments

October 31, 2021 (Unaudited) (continued)

Investments in private investment companies — 27.3%	Shares/ Units	First Acquisition Date	Cost	Fair Value	Percent of Net Assets
Transportation Finance					
Aero Capital Solutions Feeder Fund III, LP (a)(g)(h)	—	9/13/2021	\$ 14,183,381	\$ 14,205,981	1.1%
Aero Capital Solutions Fund, LP (a)(g)(h)	—	1/17/2019	2,532,890	2,650,901	0.2
Aero Capital Solutions Fund II, LP (a)(g)(h)	—	9/16/2019	40,196,149	45,428,622	3.7
American Rivers Fund, LLC (a)(g)(h)	—	5/2/2019	7,134,471	7,701,656	0.7
Hudson Transport Real Asset Fund LP (a)(g)(h)	—	8/31/2018	1,360,433	1,440,463	0.1
			65,407,324	71,427,623	5.8
Total investments in private investment companies			295,700,389	338,588,810	27.3
Investments in credit facilities — 42.6%			Principal		
Litigation Finance					
Kerberos Capital Management and SPV I, 17.0%, due 9/11/2024 (a)(b)		12/29/2018	38,075,872	38,075,872	3.1
Kerberos Capital Management and SPV - (Luckett), 19.0%, due 9/11/2024 (a)(b)		1/29/2020	8,282,200	8,282,200	0.7
Kerberos Capital Management SPV I LLC (Pulvers), 20.0%, due 8/16/2024 (a)(b)		11/19/2020	10,729,963	10,729,963	0.9
Kerberos Capital Management SPV I LLC Short Term Loan, due 11/10/2021 (a)(b)		10/27/2021	600,000	600,000	0.0
Legal Capital Products, LLC, due 10/7/2028 (a)(b)		10/7/2021	11,795,000	11,795,000	0.9
			69,483,035	69,483,035	5.6
Portfolio Finance					
BA Tech Master, LP, 15.0%, due 10/1/2022 (a)(b)		10/2/2018	4,477,479	4,477,479	0.4
Delgatto Diamond Finance Fund, L.P., due 5/26/2022 (a)(b)		5/28/2021	20,000,000	20,000,000	1.6
Fairway America Fund (VII and VIIQP) LP, 7.0%, due 7/1/2022 (a)(b)		11/29/2019	5,500,000	5,500,000	0.5
Stage Point Capital, LLC, 7.0%, due 5/31/2022 (a)(b)		5/21/2019	7,800,000	7,800,000	0.6
Viscogliosi Brothers, LLC, due 10/31/2023 (a)(b)		3/2/2020	4,980,000	4,980,000	0.4
			42,757,479	42,757,479	3.5
Real Estate Debt					
Pier Asset Management (Series 5), due 11/7/2022 (a)(b)		4/27/2021	3,773,000	3,773,000	0.3
TAILOR RIDGE CAPITAL MANAGEMENT, LLC, due 6/30/2022 (a)(b)(c)		3/2/2020	3,000,000	3,000,000	0.2
			6,773,000	6,773,000	0.5
Royalties					
ARC LPW I, LLC, 13.0%, due 3/31/2024 (a)(b)		9/26/2019	35,355,458	35,355,458	2.9
Specialty Finance					
5 Core Capital LLC, 13.0%, due 9/30/2022 (a)(b)		10/28/2020	2,757,150	2,757,150	0.2
Advantech Servicios Financieros, (a)(b)		11/5/2020	7,330,000	7,330,000	0.6
Aion Acquisition, LLC, 0.0%, due 12/31/2021 (a)(b)		3/31/2021	1,638,572	1,638,572	0.1
Aion Acquisition, LLC, 0.0%, due 3/31/2022 (a)(b)		3/31/2021	538,513	131,550	0.0
Aion Acquisition, LLC, 0.0%, due 12/31/2021 (a)(b)		3/31/2021	1,582,831	1,582,831	0.1
Art Lending, Inc. (Dart Milano S.R.L), 9.5%, due 4/7/2022 (a)(b)		4/14/2021	12,154,496	12,154,496	1.0
Art Lending, Inc. (Procacini S.L. - 1), 10.0%, due 2/28/2022 (a)(b)		8/26/2020	2,512,000	2,512,000	0.2
Art Lending, Inc. (Procacini S.L. - 2), 9.5%, due 4/7/2022 (a)(b)		4/14/2021	5,899,920	5,899,920	0.5
Art Money International, Co., 8.0%, due 12/9/2021 (a)(b)		12/9/2019	435,000	435,000	0.0
Art Money U.S., Inc., 11.0%, due 7/1/2023 (a)(b)		6/12/2018	2,000,000	2,000,000	0.2
AVISTA COLOMBIA S.A.S, 13.0%, due 4/29/2024 (a)(b)		3/29/2021	4,760,000	4,760,000	0.4
Bandon VAIF, LLC, 12.0%, due 2/9/2023 (a)(b)		2/10/2020	7,156,611	5,208,486	0.4
Coromandel Credit Facility, 12.0%, due 7/30/2022 (a)(b)		1/13/2020	31,982,000	31,982,000	2.6
EDU Growth Capital Management PTE, Ltd., 12.5%, due 11/19/2023 (a)(b)		4/27/2021	4,400,000	4,400,000	0.4
Equity Link, S.A.P.I. De C.V., 15.0%, due 4/29/2024 (a)(b)		4/29/2021	1,925,000	1,925,000	0.2
First Class Securities Pty Ltd as trustee for the Oceana Australian Fixed Income Trust - 10.25%, due 4/14/2023 (a)(b)		4/14/2021	7,652,000	7,522,190	0.6
First Class Securities Pty Ltd as trustee for the Oceana Australian Fixed Income Trust - 11.25%, due 1/20/2023 (a)(b)		1/20/2021	10,000,000	9,990,276	0.8

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Variant Alternative Income Fund

Schedule of Investments

October 31, 2021 (Unaudited) (continued)

Investments in credit facilities — 42.6%	First Acquisition Date	Principal	Fair Value	Percent of Net Assets
Specialty Finance (Continued)				
First Class Securities Pty Ltd as trustee for the Oceana Australian Fixed Income Trust - 13.0%, due 11/6/2022 ^{(a)(b)}	11/6/2020	\$ 30,000,000	\$ 32,774,361	2.6%
First Class Securities Pty Ltd as trustee for the Oceana Australian Fixed Income Trust - 12.5%, due 9/7/2023 ^{(a)(b)}	9/7/2021	10,000,000	10,075,262	0.8
Grupo Olinx, S.A.P.I. de C.V., SOFOM, E.N.R., due 8/20/2024 ^{(a)(b)}	8/12/2021	5,800,000	5,800,000	0.5
Hash Maps Labs, Inc., 12.0%, due 3/21/2024 ^{(a)(b)}	3/23/2021	2,474,447	2,474,447	0.2
Knickerbocker Funding LLC, due 9/21/2021 ^{(a)(b)}	9/20/2019	1,081,481	1,081,481	0.1
Lambda School II SPV LLC, 12.0%, due 10/25/2025 ^{(a)(b)}	10/19/2020	1,777,060	1,777,060	0.1
Lambda School III SPV LLC, 12.0%, due 8/18/2024 ^{(a)(b)}	6/18/2021	1,729,220	1,729,220	0.1
LCA Crackpial, S.A.P.I. de C.V. SOFOM, E.N.R., 15.25%, due 3/12/2023 ^{(a)(b)}	4/21/2021	3,500,086	3,500,086	0.3
Lendable Asset Management LLC, 14.0%, due 1/13/2024 ^{(a)(b)}	1/13/2021	5,000,000	5,000,000	0.4
OHP II LP - Byzfunder Funding, LLC, due 4/22/2024 ^{(a)(b)}	9/3/2021	4,087,702	4,087,702	0.3
OHP II LP - Progress Funding, LLC, due 12/31/2021 ^{(a)(b)}	9/17/2019	1,284,490	1,284,490	0.1
OHP II LP - Wall St. Funding, 11.0%, due 2/18/2023 ^{(a)(b)}	5/7/2021	7,000,000	7,000,000	0.6
PT Awan Tunai Indonesia, 12.29%, due 9/9/2023 ^{(a)(b)}	9/9/2020	9,750,113	9,750,113	0.8
PT SOLUSI DIGITAL INTERASIA, 9.3%, due 11/30/2022 ^{(a)(b)}	11/11/2020	3,800,000	3,800,000	0.3
RAINFOREST LIFE PTE. LTD., due 8/20/2024 ^{(a)(b)}	8/20/2021	1,937,393	1,937,393	0.2
RKB Bridge Solutions Credit Facility, 7.0%, due 12/10/2021 ^{(a)(b)}	12/13/2019	3,000,000	3,000,000	0.3
Salaryo Credit Facility, 12.0%, due 12/19/2022 ^{(a)(b)}	1/30/2020	3,777,249	3,777,249	0.3
Star Strong Capital, 12.0%, due 11/1/2023 ^{(a)(b)}	8/9/2019	9,746,287	9,641,287	0.8
TCM Produce LLC, 9.0%, due 10/15/2022 ^{(a)(b)}	5/19/2021	10,295,000	10,295,000	0.8
Upper90 SPV Loan, 11.0%, due 12/31/2021 ^{(a)(b)}	11/27/2019	1,124,305	1,124,305	0.1
Vantage Borrower SPV I LLC, 16.5%, due 4/30/2024 ^{(a)(b)}	9/11/2020	3,000,000	3,000,000	0.2
		<u>224,888,926</u>	<u>225,138,927</u>	<u>18.2</u>
Trade Finance				
Drip Trade Finance Series 2020-L, 7.0%, due 2/28/2022 ^{(a)(b)}	7/30/2020	1,000,000	1,000,000	0.1
Drip Trade Finance Series 2020-P, 7.0%, due 2/28/2022 ^{(a)(b)}	8/28/2020	2,000,000	2,000,000	0.2
Drip Trade Finance Series 2020-W, 7.0%, due 2/28/2022 ^{(a)(b)}	10/30/2020	1,000,000	1,000,000	0.1
Octagon Asset Management, LLC - (Deal: CTI #10 Beilai), 85.26%, due 1/31/2022 ^{(a)(b)}	2/19/2021	6,214,228	6,124,928	0.5
Octagon Asset Management, LLC - (Deal: Farla), 27.3%, due 1/31/2022 ^{(a)(b)}	10/2/2020	11,960,777	6,290,777	0.5
Octagon Asset Management, LLC - (Deal: Farla McBliss), 22.8%, due 1/31/2022 ^{(a)(b)}	4/12/2021	39,587,871	39,587,871	3.2
Octagon Asset Management, LLC - (Deal: Medicare Edma), 47.44%, due 1/31/2022 ^{(a)(b)}	10/1/2020	26,670,861	31,495,599	2.5
Octagon Asset Management, LLC - (Deal: Moonie), 29.4%, due 1/31/2022 ^{(a)(b)}	12/4/2020	2,954,250	1,283,500	0.1
Octagon Asset Management, LLC - (Deal: Tru Grit 7), 24.0%, due 1/31/2022 ^{(a)(b)}	3/9/2021	19,369,751	21,975,063	1.8
Octagon Asset Management, LLC - (Deal: Hanes #1), 24.0%, due 1/31/2022 ^{(a)(b)}	9/3/2021	925,812	925,812	0.1
		<u>111,683,550</u>	<u>111,683,550</u>	<u>9.0</u>
Transportation Finance				
OHP II LP - Signet Maritime Corporation 10.5%, due 6/30/2022 ^{(a)(b)(c)}	3/2/2020	4,039,652	4,039,652	0.3
Warehouse Facilities				
Edly WH Investors 2019-1, LLC, 12.0%, due 9/30/2023 ^{(a)(b)}	10/9/2019	4,884,564	4,884,564	0.4
Homelight Homes Real Estate, LLC, 12.0%, due 2/28/2022 ^{(a)(b)(d)}	10/8/2020	24,057,968	24,057,968	1.9
Printemps, LP, 7.0%, due 12/4/2021 ^{(a)(b)}	12/4/2019	667,514	667,514	0.1
Rivonia Road Accept, LLC, 8.0%, due 11/12/2022 ^{(a)(b)}	2/5/2021	2,568,182	2,568,182	0.2
		<u>32,178,228</u>	<u>32,178,228</u>	<u>2.6</u>
Total investments in credit facilities		<u>527,159,328</u>	<u>527,409,329</u>	<u>42.6</u>

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Variant Alternative Income Fund

Schedule of Investments

October 31, 2021 (Unaudited) (continued)

Investments in special purpose vehicles — 12.9%	Shares/ Units	First Acquisition Date	Cost	Fair Value	Percent of Net Assets
Litigation Finance					
YS CF LawFF VII LLC ^{(a)(b)}	—	4/5/2018	\$ 500,000	\$ 500,000	0.0%
Real Estate Debt					
Monticello Funding, LLC Series BTH-3 ^{(a)(g)(h)}	—	6/29/2018	119,612	120,819	0.0
Monticello Funding, LLC Series BTH-30 ^{(a)(g)(h)}	—	6/25/2019	200,000	202,018	0.0
Monticello Funding, LLC Series BTH-31 ^{(a)(g)(h)}	—	5/29/2019	300,000	303,060	0.0
Monticello Funding, LLC Series BTH-33 ^{(a)(g)(h)}	—	8/23/2019	750,000	755,632	0.1
Monticello Funding, LLC Series BTH-37 ^{(a)(g)(h)}	—	11/18/2019	2,000,000	2,020,403	0.2
Monticello Funding, LLC Series BTH-38 ^{(a)(g)(h)}	—	3/19/2020	1,750,000	1,767,853	0.1
Monticello Funding, LLC Series BTH-41 ^{(a)(g)(h)}	—	3/9/2020	2,450,000	2,474,994	0.2
Monticello Funding, LLC Series BTH-43 ^{(a)(g)(h)}	—	3/24/2020	850,000	858,957	0.1
Monticello Funding, LLC Series BTH-45 ^{(a)(g)(h)}	—	11/6/2020	700,000	707,141	0.1
Monticello Funding, LLC Series BTH-47 ^{(a)(g)(h)}	—	12/22/2020	3,000,000	3,036,372	0.3
Monticello Funding, LLC Series BTH-48 ^{(a)(g)(h)}	—	7/23/2021	2,250,000	2,272,859	0.2
Monticello Funding, LLC Series BTH-49 ^{(a)(g)(h)}	—	8/16/2021	592,105	597,856	0.0
Monticello Structured Products, LLC Series MSP-12 ^{(a)(g)(h)}	—	12/12/2019	0	11,351	0.0
			<u>14,961,717</u>	<u>15,129,315</u>	<u>1.3</u>
Real Estate Equity					
CX Alexandria Depositor, LLC ^{(a)(g)(h)}	—	10/22/2021	8,350,000	8,544,452	0.7
CX EOS Orlando Depositor, LLC ^{(a)(g)(h)}	—	8/10/2021	5,920,000	5,994,144	0.5
CX Heritage Depositor, LLC ^{(a)(g)(h)}	—	9/15/2021	4,500,000	4,659,534	0.4
CX Highland Depositor, LLC ^{(a)(g)(h)}	—	9/20/2021	7,370,000	7,619,167	0.6
CX Multifamily Portfolio Depositor, LLC ^{(a)(g)(h)}	—	5/25/2021	2,950,000	2,992,263	0.2
CX Riverstone Depositor, LLC ^{(a)(g)(h)}	—	9/15/2021	4,000,000	4,141,808	0.3
CX Texas Industrial Depositor, LLC ^{(a)(g)(h)}	—	8/6/2021	4,500,000	4,672,849	0.4
Windsor Hill Bridge, LLC ^{(a)(g)(h)}	—	7/29/2021	3,300,000	3,469,069	0.3
			<u>40,890,000</u>	<u>42,093,286</u>	<u>3.4</u>
Royalties					
Round Hill Music Carlin Coinvest, LP ^{(e)(g)(h)}	—	10/1/2017	929,104	1,170,548	0.1
Specialty Finance					
CoVenture - Clearbanc Special Assets Fund LP ^{(a)(g)(h)}	—	3/12/2019	1,500,000	1,513,356	0.1
PSC US BADGER LLC ^{(a)(g)(h)}	—	10/20/2021	11,424,000	11,461,157	0.9
Segregated Investment Vehicle I, SP (a segregated portfolio of Lendable SPC), 12.18%, due 6/30/2022 ^{(a)(g)(h)}	—	7/31/2020	86,571,335	87,461,442	7.1
Upper90 ClearFund I, L.P. ^{(a)(g)(h)}	—	3/28/2019	223,842	387,976	0.0
			<u>99,719,177</u>	<u>100,823,931</u>	<u>8.1</u>
Transportation Finance					
YS Vessel Deconstruction I ^{(a)(b)}	—	8/26/2018	500,000	200,000	0.0
Total investments in special purpose vehicles			<u>157,499,998</u>	<u>159,917,080</u>	<u>12.9</u>

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Variant Alternative Income Fund

Schedule of Investments

October 31, 2021 (Unaudited) (continued)

	Shares/ Units	First Acquisition Date	Cost	Fair Value	Percent of Net Assets
Investments in direct equities — 0.1%					
Royalties					
ARC LPW I, LLC Warrants, due 3/31/2024 ^{(a)(b)}	3,063	10/3/2019	\$ 0	\$ 79,490	0.0%
Octagon Asset Management, LLC - (Deal: Tru Grit 7) - Warrants ^{(a)(b)}	—	5/18/2021	0	292,500	0.0
			0	371,990	0.0
Specialty Finance					
Aion Financial - Equity ^{(a)(b)}	—	3/31/2021	22	349,125	0.0
Art Lending, Inc. (Dart Milano Profit Share), due 4/7/2022 ^{(a)(b)}	—	6/2/2021	0	18,152	0.0
Art Lending, Inc. (Procacini S.L. - 1 Profit Share), due 2/28/2022 ^{(a)(b)}	—	8/26/2020	0	182,279	0.0
Art Lending, Inc. (Procacini S.L. - 2 Profit Share), due 4/7/2022 ^{(a)(b)}	—	4/14/2021	0	424,903	0.1
Coromandel SPV LLC - Warrants ^{(a)(b)}	—	9/8/2021	0	107,553	0.0
RAINFOREST LIFE PTE. LTD. - Warrants ^{(a)(b)}	8,878	8/20/2021	0	16,676	0.0
Vantage Borrower SPV I LLC Warrants, due 4/30/2024 ^{(a)(b)}	29,207	1/27/2021	0	31,862	0.0
			22	1,130,550	0.1
Total investments in direct equities			22	1,502,540	0.1
Shares Investments in money market instruments — 14.6%					
180,753,061 Federated Treasury Obligations Fund, Institutional Shares, 0.01% ^{(a)(f)} .			180,753,061	180,753,061	14.6
Total investments in money market instruments			180,753,061	180,753,061	14.6
Total Investments (cost \$1,161,112,798)				\$1,208,170,820	97.5
Other assets less liabilities				31,110,076	2.5
Net Assets				\$1,239,280,896	100.0

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

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

^(c) Variable rate security.

^(d) Variable maturity dates maturing through 12/5/2021.

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

^(f) Rate listed is the 7-day effective yield at 10/31/21.

^(g) Private investment company or special purpose vehicle does not issue shares or units.

^(h) Investment valued using net asset value per share (or its equivalent) as a practical expedient. See Note 13 for respective investment strategies, unfunded commitments and redemptive restrictions.

	Expiration Date	Number of Contracts Long (Short)	Notional Value	Value at October 31, 2021	Unrealized Appreciation (Depreciation)
FUTURES CONTRACTS					
Foreign Exchange Futures					
CME Australian Dollar	December 2021	(846)	\$ (62,530,070)	\$ (63,674,190)	\$ (1,144,120)
TOTAL FUTURES CONTRACTS			<u>\$ (62,530,070)</u>	<u>\$ (63,674,190)</u>	<u>\$ (1,144,120)</u>

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

Variant Alternative Income Fund

Portfolio Allocation (Unaudited)

October 31, 2021

Investment Type as a percentage of Total Net Assets As Follows

Security Type/Sector	Percent of Total Net Assets
Credit Facilities	42.6%
Private Investment Companies	27.3%
Special Purpose Vehicles	12.9%
Direct Equities	0.1%
Short-Term Investments	14.6%
Total Investments	97.5%
Other assets less liabilities	2.5%
Total Net Assets	100.0%

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

Variant Alternative Income Fund

Statement of Assets and Liabilities

October 31, 2021 (Unaudited)

Assets

Investments, at fair value (cost \$1,161,112,798)	\$ 1,208,170,820
Cash	1,319,827
Cash deposited with broker for futures contracts	6,430,032
Receivable for Fund shares sold	2,243,458
Receivable for investments sold	48,598
Interest receivable	24,937,695
Prepaid expenses	693,953
Total Assets	<u>1,243,844,383</u>

Liabilities

Foreign currency due to broker, at value (proceeds \$606)	595
Unrealized depreciation on open futures contracts	1,144,120
Due to Investment Manager	975,410
Audit fees payable	176,905
Accounting and administration fees payable	153,953
SEC fees payable	104,471
Custody fees payable	25,248
Interest received not yet earned	1,832,168
Other Liabilities	150,617
Total Liabilities	<u>4,563,487</u>

Net Assets	<u>\$ 1,239,280,896</u>
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Components of Net Assets:

Paid-in Capital (par value of \$0.01 with an unlimited amount of shares authorized)	\$ 1,176,642,588
Total distributable earnings	<u>62,638,308</u>
Net Assets	<u>\$ 1,239,280,896</u>

Institutional Class Shares:

Net assets applicable to shares outstanding	\$ 1,239,280,896
Shares of beneficial interest issued and outstanding	<u>44,394,882</u>
Net asset value per share	\$ 27.91

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

Variant Alternative Income Fund

Statement of Operations

For the Six Months Ended October 31, 2021 (Unaudited)

Investment Income

Interest (net of withholding taxes, \$32,803)	\$ 36,861,098
Distributions from private investment funds and special purpose vehicles	<u>6,335,775</u>
Total Investment Income	<u>43,196,873</u>

Expenses

Investment management fees	5,007,042
Accounting and administration fees	436,545
Legal fees	63,531
Audit fees	181,758
Transfer Agent fees	117,415
Blue sky fees	4,942
Custody fees	52,153
Trustee fees	23,431
Insurance fees	33,887
Chief Compliance Officer fees	2,207
12b-1 fees	3,262
Other expenses	<u>319,796</u>
Total expenses	<u>6,245,969</u>

Net Expenses, before revolving credit facility fees	<u>6,245,969</u>
Revolving credit facility fees	50,326

Net Expenses	<u>6,296,295</u>
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Net Investment Income	<u>36,900,578</u>
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Realized and Unrealized Gain (Loss)

Net realized gain (loss) on:	
Investments	492,833
Futures contracts	<u>2,410,627</u>
Net realized gain	<u>2,903,460</u>
Net change in unrealized appreciation (depreciation) on:	
Investments	26,574,020
Foreign currency translations	(31,482)
Futures contracts	<u>(1,339,365)</u>
Net change in unrealized appreciation (depreciation)	<u>25,203,173</u>
Net realized and unrealized gain (loss)	<u>28,106,633</u>

Net Increase in Net Assets resulting from Operations	<u>\$ 65,007,211</u>
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The accompanying notes are an integral part of these Financial Statements.

Variant Alternative Income Fund

Statements of Changes in Shareholders' Equity

	For the Six Months Ended October 31, 2021 (Unaudited)	For the Year Ended April 30, 2021
Increase (decrease) in Net Assets from:		
Operations:		
Net investment income	\$ 36,900,578	\$ 35,806,727
Net realized gain (loss)	2,903,460	(2,638,628)
Net change in unrealized appreciation (depreciation)	25,203,173	17,198,882
Net increase in net assets resulting from operations	65,007,211	50,366,981
Distributions to Shareholders:		
Distributions:		
Institutional Class	(20,672,342)	(21,822,499)
Investor Class	(29,665)	(86,089)
From return of capital:		
Institutional Class	(11,377,697)	(13,246,095)
Investor Class	(16,327)	(59,549)
Total distributions to shareholders	(32,096,031)	(35,214,232)
Capital Share Transactions:		
Institutional Class Shares		
Net proceeds from shares sold:	366,622,215	500,962,754
Exchange from Investor Class	4,086,999	—
Reinvestment of distributions:	6,080,758	6,201,223
Cost of shares repurchased:	(16,858,603)	(53,720,257)
Net increase in net assets from Institutional Class Shares capital transactions ...	359,931,369	453,443,720
Investor Class Shares¹		
Net proceeds from shares sold:	1,582,939	1,023,041
Exchange to Institutional Class	(4,086,999)	—
Reinvestment of distributions:	5,367	19,289
Cost of shares repurchased:	(291,152)	(892,038)
Net increase in net assets from Investor Class Shares capital transactions ...	(2,789,845)	150,292
Net increase in net assets resulting from capital transactions	357,141,524	453,594,012
Total increase in net assets	390,052,704	468,746,761
Net Assets:		
Beginning of period	849,228,192	380,481,431
End of period	<u>\$ 1,239,280,896</u>	<u>\$ 849,228,192</u>

¹ On September 17, 2021, Investor Class Shares were converted into Institutional Class Shares, and Investor Class Shares as a class of Shares of the Fund was terminated.

Variant Alternative Income Fund

Statements of Changes in Shareholders' Equity (Continued)

	For the Six Months Ended October 31, 2021 (Unaudited)	For the Year Ended April 30, 2021
Share Transactions:		
Institutional Class Shares		
Issued	54,010,565	18,800,786
Exchange from Investor Class	145,429	—
Reinvested	220,787	234,266
Repurchased	(41,233,964)	(2,002,794)
Change in Institutional Class Shares	13,142,817	17,032,258
Investor Class Shares¹		
Issued	57,269	38,221
Exchange to Institutional Class	(145,429)	—
Reinvested	196	731
Repurchased	(155,974)	(33,184)
Change in Investor Class Shares	(243,938)	5,768

¹ On September 17, 2021, Investor Class Shares were converted into Institutional Class Shares, and Investor Class Shares as a class of Shares of the Fund was terminated.

Variant Alternative Income Fund

Statement of Cash Flows

For the Six Months Ended October 31, 2021 (Unaudited)

Cash flows from operating activities:

Net Increase in net assets resulting from Operations	\$ 65,007,211
Adjustments to reconcile Net Increase in net assets resulting from Operations to net cash used in operating activities: Net realized gain (loss) on:	
Investments	(492,833)
Futures contracts	(2,410,627)
Net change in unrealized appreciation (depreciation) on:	
Investments	(26,574,020)
Futures contracts	1,339,365
Purchases of long-term investments	(398,555,205)
Proceeds from long-term investments sold	156,116,920
Purchase of short-term investments, net	(108,848,890)
Changes in operating assets and liabilities:	
Interest receivable	(12,669,335)
Investments sold	3,102,639
Other assets	(570,466)
Due to Investment Manager	335,793
Audit fees payable	19,905
Legal fees payable	(74,138)
Accounting and administration fees payable	99,047
Custody fees payable	16,211
Chief Compliance Officer fees payable	(83)
Interest received not yet earned	(216,802)
Other liabilities	131,914
Net cash used in operating activities	(324,243,394)

Cash flows from financing activities:

Proceeds from shares sold, net of receivable for fund shares sold	370,794,662
Payments for shares repurchased	(17,149,755)
Distributions to shareholders, net of reinvestments	(26,009,906)
Net cash provided by financing activities	327,635,001

Net Increase in Cash and Restricted Cash	3,391,607
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Cash and Restricted Cash:

Beginning of period	4,358,252
End of period ^(a)	\$ 7,749,859

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

Supplemental disclosure of cash flow information:

Non-cash financing activities not included consist of reinvestment of dividends and distributions of \$6,086,125.

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

Variant Alternative Income Fund

Financial Highlights Institutional Class

Per share operating performance.

For a capital share outstanding throughout each year/period.

	For the Six Months Ended October 31, 2021 (Unaudited)	For the Year Ended April 30, 2021	For the Year Ended April 30, 2020	For the Period Ended April 30, 2019 ¹
Net asset value, beginning of year/period	\$ 26.96	\$ 26.32	\$ 25.79	\$ 25.00
Income from Investment Operations:				
Net investment income ²	0.98	1.66	1.33	0.97
Net realized and unrealized gain (loss)	0.80	0.59	0.79	0.69
Total from investment operations	1.78	2.25	2.12	1.66
Less Distributions:				
From net investment income	(0.53)	(0.99)	(1.59)	(0.87)
From return of capital	(0.30)	(0.62)	—	—
From net realized gains	—	—	—	—
Total distributions	(0.83)	(1.61)	(1.59)	(0.87)
Net asset value, end of year/period	\$ 27.91	\$ 26.96	\$ 26.32	\$ 25.79
Total return ³	6.53% ⁴	8.81%	8.38%	6.29% ⁴
Ratios and Supplemental Data:				
Net assets, end of period (in thousands)	\$ 1,239,281	\$ 846,571	\$ 378,040	\$ 62,603
Ratio of expenses to average net assets: (including interest and revolving credit facility expense)				
Before fees waived/recovered ⁶	1.19% ⁵	1.21%	1.53%	3.05% ⁵
After fees waived/recovered ⁶	1.19% ⁵	1.28%	1.50%	1.60% ⁵
Ratio of expenses to average net assets: (excluding interest and revolving credit facility expense)				
Before fees waived/recovered ⁶	1.18% ⁵	1.20%	1.48%	2.90% ⁵
After fees waived/recovered ⁶	1.18% ⁵	1.27%	1.45%	1.45% ⁵
Ratio of net investment income to average net assets: (including interest and revolving credit facility expense)				
Before fees waived/recovered ⁶	7.00% ⁵	6.28%	4.96%	5.13% ⁵
After fees waived/recovered ⁶	7.00% ⁵	6.21%	4.99%	6.58% ⁵
Ratio of net investment income to average net assets: (excluding interest and revolving credit facility expense)				
Before fees waived/recovered ⁶	7.01% ⁵	6.29%	5.01%	5.28% ⁵
After fees waived/recovered ⁶	7.01% ⁵	6.22%	5.04%	6.73% ⁵
Portfolio turnover rate	17% ⁴	52%	21%	21% ⁴
Senior Securities				
Total borrowings (000's omitted)	—	—	—	—
Asset coverage per \$1,000 unit of senior indebtedness ⁷	—	—	—	—

¹ For the period October 1, 2018 (commencement of operations) to April 30, 2019. See Note 12 "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.

⁷ Calculated by subtracting the Fund's total liabilities (not including borrowings) from the Fund's total assets and dividing this by the total number of senior indebtedness units, where one unit equals \$1,000 of senior indebtedness.

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

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited)

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 on 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 Board of Trustees ("Board") of the Fund approved the closure of the Fund's Investor Class Shares to new investors effective August 27, 2021. On September 17, 2021, all Investor Class Shares of the Fund were converted into Institutional Class Shares, and Investor Class Shares as a class of Shares of the Fund was terminated.

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.

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

October 31, 2021 (Unaudited) (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.

Any direct equities held by the Fund in private investment or operating companies are valued using (a) readily available market quotations or (b) market value for securities with similar characteristics or (c) fair value methodologies approved by the Board in a manner that seeks to reflect the market value of the security on the valuation date based on considerations determined by the Valuation Committee.

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. The credit facilities the Fund invests in generally does not have a readily available external price. Under these circumstances, the Valuation Committee determined in good faith that cost is the best fair value for such securities. 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 private investment companies or special purpose vehicles ("Underlying Fund(s)"), 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.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

2. Accounting Policies (continued)

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 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.

Futures

The Fund may enter into futures contracts in U.S. domestic markets or on exchanges located outside the United States. Foreign markets may offer advantages such as trading opportunities or arbitrage possibilities not available in the United States. Foreign markets, however, may have greater risk potential than domestic markets. For example, some foreign exchanges are principal markets so that no common clearing facility exists and an investor may look only to the broker for performance of the contract. In addition, any profits that might be realized in trading could be eliminated by adverse changes in the exchange rate, or a loss could be incurred as a result of those changes. Transactions on foreign exchanges may include both commodities which are traded on domestic exchanges and those which are not. Unlike trading on domestic commodity exchanges, trading on foreign commodity exchanges is not regulated by the Commodity Futures Trading Commission.

Engaging in these transactions involves risk of loss, which could adversely affect the value of the Fund's net assets. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and potentially subjecting the Fund to substantial losses.

Federal Income Taxes

The Fund intends to continue 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 2020 and 2021 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 October 31, 2021.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

3. Principal Risks

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.

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.

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

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

3. Principal Risks (continued)

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 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. Although vaccines for COVID-19 are becoming more widely available, it is unknown how long circumstances related to the pandemic will persist, whether they will reoccur in the future, whether efforts to support the economy and financial markets will be successful, and what additional implications may follow from the pandemic. The impact of these events and other epidemics or pandemics in the future could adversely affect Fund performance.

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

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

4. Fair Value of Investments (continued)

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 NAV's 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.

At October 31, 2021, the Fund had private investment companies of \$35,587,842 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 six months ended October 31, 2021, 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 Credit Facilities

The Fund has invested in credit facilities that are either secured by the borrower's assets or are unsecured in nature. The credit facilities have been made directly or through participation with private investment or operating companies. The investments in 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 credit facilities generally at cost although some are above or below cost as of October 31, 2021. Investments in credit facilities are categorized in Level 3 of the fair value hierarchy.

Investments in Direct Equities

As a part of some of the credit facilities, the Fund receives direct equity in the private investments or operating companies of the borrower via common stock shares, warrants, or profit sharing instruments. The Fund has determined to value its investments in direct equities through a discounted cash flow or market approach method as of October 31, 2021. Investments in direct equities are categorized in Level 3 of the fair value hierarchy.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

4. Fair Value of Investments (continued)

(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 October 31, 2021. 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
Investments					
Private Investment Companies ..	\$ —	\$ —	\$ 35,587,842	\$ 303,000,968	\$ 338,588,810
Credit Facilities	—	—	527,409,329	—	527,409,329
Special Purpose Vehicles	—	—	700,000	159,217,080	159,917,080
Direct Equities	—	—	1,502,540	—	1,502,540
Short-Term Investments	180,753,061	—	—	—	180,753,061
Total Assets	\$ 180,753,061	\$ —	\$ 565,199,711	\$ 462,218,048	\$ 1,208,170,820

Liabilities

Other Financial Instruments¹

Futures Contracts	\$ 1,144,120	\$ —	\$ —	\$ —	\$ 1,144,120
Total Liabilities	\$ 1,144,120	\$ —	\$ —	\$ —	\$ 1,144,120

¹ Other financial instruments are derivative instruments such as futures contracts, forward contracts and swap contracts. Futures contracts, forward contracts and swap contracts are valued at the unrealized appreciation (depreciation) on the instrument.

(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 six months ended October 31, 2021:

	Private Investment Companies	Credit Facilities	Special Purpose Vehicles	Direct Equities
April 30, 2021	\$ 42,805	\$ 409,848,148	\$ 700,000	\$ 1,485,207
Realized gains (losses)	—	—	—	—
Unrealized gains (losses)	17,167,769	(2,302,493)	—	17,333
Transfers Into Level 3	18,420,073	—	—	—
Transfers Out of Level 3	(42,805)	—	—	—
Purchases	—	238,784,973	—	22
Sales	—	(118,921,299)	—	(22)
October 31, 2021	\$ 35,587,842	\$ 527,409,329	\$ 700,000	\$ 1,502,540

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

4. Fair Value of Investments (continued)

(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 October 31, 2021.

Investments	Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Private Investment Companies	\$ 35,587,842	Market Approach	Allocation % Market Valuation	2.94% - 3.18% \$451,075,575 - \$615,386,042
Credit Facilities	527,409,329	Cost Discounted Cash Flow	Recent transaction price Interest rate Discount rate	N/A 7.00% - 24.00% 10.00%
Special Purpose Vehicles	700,000	Cost	Recent transaction price	N/A
Direct Equities	1,502,540	Discounted Cash Flow Market Approach	Discount Rate Ownership % Probability Weighting 3rd Party Market Valuation	15.00% - 30.00% 0.40% - 7.50% 75.00% \$600,000 - \$80,000,000

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 futures and options contracts for the six months ended October 31, 2021.

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 October 31, 2021, by risk category are as follows:

Statement of Assets and Liabilities	Derivatives not designated as hedging instruments	Asset Derivatives Liability Derivatives	
		Value	Value
Unrealized appreciation/depreciation on open futures contracts	Equity Contracts	\$ —	\$ 1,144,120

The effects of derivative instruments on the Statement of Operations for the six months ended October 31, 2021, are as follows:

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

Derivatives not designated as hedging instruments	Futures Contracts	Purchased Options Contracts	Written Options Contracts
Equity contracts	\$ 2,410,627	\$ —	\$ —
Total	\$ 2,410,627	\$ —	\$ —

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

5. Derivative and Hedging Disclosure (continued)

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

Derivatives not designated as hedging instruments	Futures Contracts	Purchased Options Contracts	Written Options Contracts	Total
Equity contracts	\$ (1,339,365)	\$ —	\$ —	\$ (1,339,365)
Total	\$ (1,339,365)	\$ —	\$ —	\$ (1,339,365)

The number of contracts is included on the Schedule of Investments. The quarterly average volumes of derivative instruments as of October 31, 2021, are as follows:

Derivative	Quarterly Average	Amount
Options Contracts - Purchased	Average Notional Value	\$ —
Options Contracts - Written	Average Notional Value	\$ —
Futures	Average Notional Value	\$ (42,351,249)

6. Capital Stock

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 Fund currently offers one class of Shares: Institutional Class Shares. The Fund may offer additional classes of Shares in the future. The minimum initial investment in Institutional Class Shares by any investor is \$1 million. However, the Fund, in its sole discretion, may accept investments below this minimum. 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 requirement.

Institutional Class Shares are not 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.

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 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

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

6. Capital Stock (continued)

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
Commencement Date	May 25, 2021	August 25, 2021
Repurchase Request Deadline	June 15, 2021	September 15, 2021
Repurchase Pricing Date	June 15, 2021	September 15, 2021
Net Asset Value as of Repurchase Offer Date		
Institutional Class	\$ 27.63	\$ 28.08
Investor Class	\$ 27.62	\$ 28.08
Amount Repurchased		
Institutional Class	\$ 6,795,102	\$ 10,063,501
Investor Class	\$ 288,821	\$ 2,331
Percentage of Outstanding Shares Repurchased		
Institutional Class	0.72%	0.87%
Investor Class	8.82%	100.0%

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) as of each month-end, subject to certain adjustments.

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-2), expenses incurred in connection with any merger or reorganization, and extraordinary expenses, such as litigation expenses) do not exceed 1.45% of the average daily net assets of Institutional Class Shares (the "Expense Limit").

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 Limitation. The Expense Limitation and Reimbursement Agreement is in effect until October 31, 2021 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.

Foreside 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.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

7. Investment Management and Other Agreements (continued)

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.

A trustee and an officer of the Fund are employees of the Administrator. The Fund does not compensate the trustee or officer affiliated with the Administrator. For the six months ended October 31, 2021, the Fund's allocated fees incurred for trustees and advisory board member are reported on the Statement of Operations.

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 October 31, 2021, the Investment Manager and its affiliates owned \$34,732,009 (or 2.80% of net assets) of the Fund.

9. Federal Income Taxes

At October 31, 2021, gross unrealized appreciation and depreciation on investments and short securities, based on cost for federal income tax purposes were as follows:

Cost of investments	<u>\$ 1,132,513,329</u>
Gross unrealized appreciation	\$ 96,995,465
Gross unrealized depreciation	<u>\$ (21,337,974)</u>
Net unrealized appreciation on investments	<u>\$ 75,657,491</u>

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.

As of October 31, 2021, 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	<u>75,657,491</u>
Total distributable earnings	<u>\$ 75,657,491</u>

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

9. Federal Income Taxes (continued)

The tax character of distributions paid during the tax years ended October 31, 2021 and October 31, 2020 were as follows:

	2021	2020
Distribution paid from:		
Ordinary income	\$ 51,746,661	\$ 10,043,592
Net long-term capital gains	1,833,663	621,856
Return of capital	11,394,024	12,564,056
Total distributions paid	<u>\$ 64,974,348</u>	<u>\$ 23,229,504</u>

10. Investment Transactions

For the six months ended October 31, 2021, purchases and sales of investments, excluding short-term investments, were \$398,555,205 and \$153,267,644, respectively.

11. Credit Facility

The Fund maintains a credit facility (the "Revolving Credit Facility" or "Facility") with a maximum borrowing amount of up to \$100,000,000. When in use, the Facility is secured by certain underlying investments of the Fund. The Facility bears an initial interest rate of 3.5% plus the then applicable 30-day average Secured Overnight Financing Rate ("SOFR"), which has a floor rate of 0.5%. Interest and fees incurred for the six months ended October 31, 2021 are disclosed in the accompanying Statement of Operations. For the six months ended October 31, 2021, the Fund did not utilize the Facility. The Facility matures on August 20, 2024. At October 31, 2021, the principal balance outstanding was \$0.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

12. 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 shares were issued with an initial NAV of \$25.00.

13. 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 October 31, 2021, the Fund had unfunded loan commitments to senior credit facilities of \$262,260,410.

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 October 31, 2021:

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Aero Capital Solutions Feeder Fund III, LP	Private LPs ⁽²⁾	\$ 14,205,981	\$ 8,095,828	None	N/A
Aero Capital Solutions Fund II, LP ...	Private LPs ⁽²⁾	45,428,622	—	None	N/A
Aero Capital Solutions Fund, LP	Private LPs ⁽²⁾	2,650,901	656,479	None	N/A
American Rivers Fund, LLC	Private LPs ⁽²⁾	7,701,656	15,046,438	Annually (December)	Subject to a 3 year lock up period from initial funding. Redemptions are permitted in December every year paid out 25% per quarter.
Armadillo Financial Fund LP	Private LPs ⁽¹⁾	49,215	—	None	N/A
Bay Point Capital Partner II, LP	Private LPs ⁽⁴⁾	8,538,302	—	Quarterly	Beginning 12 months from the origination date of each the contribution, 25% withdrawals are permitted on the last day of any calendar quarter provided that a 30 days written notice is submitted.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

13. Commitments (continued)

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Blue Elephant Financing Fund I, L.P.	Private LPs ⁽⁷⁾	\$ 935,287	\$ —	None	N/A
CoVenture - Amzn Credit Opportunities Fund LP	Private LPs ⁽⁷⁾	17,099,291	3,084,351	Quarterly	At least a 90 day written notice to the general partner prior to each calendar quarter-end.
CoVenture - Clearbanc Special Assets Fund LP	SPVs ⁽⁷⁾	1,513,356	—	Quarterly	Subject to a 12 month lock up with 90 days written notice to the general partner.
CoVenture - No1 Credit Opportunities Fund LLC	Private LPs ⁽⁷⁾	1,012,355	—	Quarterly	After 36 months of funding, or additional funding date, limited partners may withdraw any portion of their capital account with 90 days' notice as of the end of any calendar quarter.
CoVenture - No1 Credit Opportunities Fund LLC (A-2 Series)	Private LPs ⁽⁷⁾	3,034,009	—	Quarterly	After 36 months of funding, or additional funding date, limited partners may withdraw any portion of their capital account with 90 days' notice as of the end of any calendar quarter.
CoVenture - No1 Credit Opportunities Fund LLC (A-3 Series)	Private LPs ⁽⁷⁾	2,989,108	4,540,431	Quarterly	After 36 months of funding, or additional funding date, limited partners may withdraw any portion of their capital account with 90 days' notice as of the end of any calendar quarter.
CoVenture Credit Opportunities Partners Fund LP	Private LPs ⁽⁷⁾	20,217,733	—	Quarterly	Withdrawals are permitted quarterly, subject to a 1-year "soft" lockup period, with capital proceeds returned as and when they are realized. Withdrawal notification is 90 days
Crestline Portfolio Financing Fund II (US), L.P.	Private LPs ⁽³⁾	1,107,660	3,954,867	None	N/A
Crestline Portfolio Financing Fund Offshore B, L.P. and Subsidiary	Private LPs ⁽³⁾	862,480	711,070	None	N/A
Crestline Praeter, L.P. - Zoom	Private LPs ⁽³⁾	2,944,900	1,415,842	None	N/A
CX Alexandria Depositor, LLC	SPVs ⁽⁵⁾	8,544,452	—	None	N/A
CX EOS Orlando Depositor, LLC	SPVs ⁽⁵⁾	5,994,144	—	None	N/A
CX Heritage Depositor, LLC	SPVs ⁽⁵⁾	4,659,534	—	None	N/A
CX Highland Depositor, LLC	SPVs ⁽⁵⁾	7,619,167	—	None	N/A
CX Multifamily Portfolio Depositor, LLC	SPVs ⁽⁵⁾	2,992,263	—	None	N/A
CX Riverstone Depositor, LLC	SPVs ⁽⁵⁾	4,141,808	—	None	N/A
CX Texas Industrial Depositor, LLC ..	SPVs ⁽⁵⁾	4,672,849	—	None	N/A

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

13. Commitments (continued)

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
DelGatto Diamond Fund QP, LP	Private LPs ⁽⁷⁾	\$ 21,459,236	\$ —	Monthly	Upon fully called committed capital, redemptions are permitted at the end of each calendar month with at least a 90 day notice. Any redemption made within 1 year of subscription is subject to a 5% early redemption penalty
EAJF Leveraged Feeder LP	Private LPs ⁽³⁾	6,352,129	24,000,000	Quarterly	After 36 months of lock up, each limited partner may provide a written notice 60 days prior to each calendar quarter-end to withdraw any portion of it's capital account balance
Hudson Transport Real Asset Fund LP	Private LPs ⁽²⁾	1,440,463	—	Quarterly	Subject to a 2 year lock up period. Subsequently, can submit a withdrawal of interest form effective as of the last day of any calendar quarter upon not less than 90 days prior written notice. Request must be greater than \$100k.
Leaf II SPC	Private LPs ⁽⁷⁾	40,067	—	None	N/A
Marathon Structured Product Strategies Fund, LP	Private LPs ⁽¹⁾	749,400	15,000	None	N/A
Monticello Funding, LLC Series BTH 3	SPVs ⁽⁴⁾	120,819	500,000	None	N/A
Monticello Funding, LLC Series BTH 30	SPVs ⁽⁴⁾	202,018	500,000	None	N/A
Monticello Funding, LLC Series BTH 31	SPVs ⁽⁴⁾	303,060	35,556	None	N/A
Monticello Funding, LLC Series BTH 33	SPVs ⁽⁴⁾	755,632	—	None	N/A
Monticello Funding, LLC Series BTH 37	SPVs ⁽⁴⁾	2,020,403	—	None	N/A
Monticello Funding, LLC Series BTH 38	SPVs ⁽⁴⁾	1,767,853	194,444	None	N/A
Monticello Funding, LLC Series BTH 41	SPVs ⁽⁴⁾	2,474,994	—	None	N/A
Monticello Funding, LLC Series BTH 43	SPVs ⁽⁴⁾	858,957	—	None	N/A
Monticello Funding, LLC Series BTH 45	SPVs ⁽⁴⁾	707,141	300,000	None	N/A
Monticello Funding, LLC Series BTH 47	SPVs ⁽⁴⁾	3,036,372	—	None	N/A
Monticello Funding, LLC Series BTH 48	SPVs ⁽⁴⁾	2,272,859	—	None	N/A
Monticello Funding, LLC Series BTH 49	SPVs ⁽⁴⁾	597,856	—	None	N/A

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

13. Commitments (continued)

Security Description	Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Monticello Structured Products, LLC Series MSP-12	SPVs ⁽⁴⁾	\$ 11,351	\$ —	None	N/A
Montreux Healthcare Fund PLC	Private LPs ⁽⁵⁾	63,141,455	—	Quarterly	180 Business Days' prior written notice is required for a quarterly Valuation Day.
MV Co-Investment Feeder, LLC	Private LPs ⁽⁹⁾	2,068,188	—	None	N/A
MV Feeder, LLC	Private LPs ⁽⁹⁾	10,365,747	426,235	None	N/A
North Haven Offshore Infrastructure Partners A LP	Private LPs ⁽¹⁾	1,431,284	544,827	None	N/A
Oak Harbor Capital NPL VII, LLC	Private LPs ⁽⁴⁾	11,507,395	—	None	N/A
OHP II LP Class B	Private LPs ⁽⁷⁾	9,327,396	—	None	N/A
OHPC LP Founders Class Interest 1.25%	Private LPs ⁽⁷⁾	5,052,960	—	Quarterly	Withdraw all or any portion of its capital account attributable to a particular capital contribution as of the last day of each calendar quarter that is on or after the expiration of the lock-up period. The lock-up-period is the first anniversary of such capital contribution
Prime Storage Fund II (Cayman), LP	Private LPs ⁽⁵⁾	1,364,506	60,508	None	N/A
PSC US BADGER LLC	SPVs ⁽⁷⁾	11,461,157	14,076,000	None	N/A
PWP Asset Based Income ASP Fund	Private LPs ⁽¹⁾	1,142,673	—	None	N/A
Quiet Credit I LLC	Private LPs ⁽⁴⁾	6,314,821	—	None	N/A
Round Hill Music Carlin Coinvest, LP	SPVs ⁽⁹⁾	1,170,548	—	None	N/A
Segregated Investment Vehicle I, SP (a segregated portfolio of Lendable SPC)	SPVs ⁽⁷⁾	87,461,442	3,328,664	None	N/A
Series 4 -Virage Capital Partners LP	Private LPs ⁽³⁾	1,881,052	—	None	N/A
Series 6 - Virage Capital Partners LP	Private LPs ⁽³⁾	18,755,764	—	None	N/A
Silverpeak Special Situations Lending Onshore Fund LP	Private LPs ⁽⁷⁾	3,059,909	6,975,000	None	N/A
Thor Urban Property Fund II, Inc. ...	Private LPs ⁽⁷⁾	1,056,272	—	None	N/A
Turning Rock Fund I LP	Private LPs ⁽⁷⁾	7,712,751	2,175,909	None	N/A
Upper90 ClearFund I, SPV L.P.	SPVs ⁽⁷⁾	387,976	—	None	N/A
Windsor Hill Bridge, LLC	SPVs ⁽⁵⁾	3,469,069	—	None	N/A
Total		\$462,218,048	\$ 90,637,449		

¹ Private partnerships that are secondaries 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.

Variant Alternative Income Fund

Notes to Financial Statements

October 31, 2021 (Unaudited) (continued)

13. Commitments (continued)

- 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 invests in institutional loan 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.
- ⁹ Private partnerships and special purpose vehicles that invests in and/or purchases 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.

14. Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through the date of issuance of the financial statements included herein. There have been no subsequent events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements except for the following:

The Fund commenced a repurchase offer on November 24, 2021 as follows:

	Repurchase Offer
Commencement Date	November 24, 2021
Repurchase Request Deadline	December 15, 2021
Repurchase Pricing Date	December 15, 2021
Net Asset Value as of Repurchase Offer Date	
Institutional Class	\$ 28.26
Amount Repurchased	
Institutional Class	\$ 32,688,613
Percentage of Outstanding Shares Repurchased	
Institutional Class	2.35%

Variant Alternative Income Fund

Other Information

October 31, 2021 (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 without charge, upon request, by calling the Fund at 1-877-770-7717 or visiting the Securities and Exchange Commission's (the "SEC") 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-PORT. The Fund's Form N-PORT reports are available on the SEC's website at www.sec.gov or by calling the Fund at 1-877-770-7717.

Approval of Investment Management Agreement

At a meeting of the Board held on June 2, 2021 and June 3, 2021 (the "Meeting"), by a unanimous vote, the Board, including a majority of trustees who are not "interested persons" within the meaning of Section 2(a)(19) of the Investment Company Act (the "Independent Trustees") voting separately, approved the Investment Management Agreement between the Investment Manager and the Fund.

In advance of the Meeting, the Independent Trustees requested and received materials from the Investment Manager to assist them in considering the approval of the Investment Management Agreement. The Independent Trustees reviewed reports from third parties and management about the below factors. The Board did not consider any single factor as controlling in determining whether to approve the Investment Management Agreement nor are the items described herein all-encompassing of the matters considered by the Board. Pursuant to relief granted by the SEC in light of the COVID-19 pandemic (the "Order") and a determination by the Board that reliance on the Order was appropriate due to circumstances related to the current or potential effects of COVID-19, the Meeting was held by videoconference.

The Board engaged in a detailed discussion of the materials with management of the Investment Manager. The Independent Trustees then met separately with independent counsel to the Independent Trustees for a full review of the materials. Following this session, the full Board reconvened and after further discussion determined that the information presented provided a sufficient basis upon which to approve the Investment Management Agreement.

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Investment Manager to the Fund under the Investment Management Agreement, including the selection of Fund investments. The Board also reviewed and considered the nature and extent of the non-advisory and administrative services provided by the Investment Manager to the Fund, including, among other things, providing office facilities, equipment, and personnel. The Board reviewed and considered the qualifications of the portfolio managers and other key personnel of the Investment Manager who provide the investment advisory and administrative services to the Fund. The Board determined that the Investment Manager's portfolio managers and key personnel are well-qualified by education and/or training and experience to perform the services for the Fund in an efficient and professional manner. The Board also took into account the Investment Manager's compliance policies and procedures, including the procedures used to determine the value of the Fund's investments. The Board concluded that the overall quality of the advisory and administrative services provided to the Fund was satisfactory.

Performance

The Board considered the investment performance of the Investment Manager with respect to the Fund. The Board considered the performance of the Fund, noting that the Fund had strong year to-date performance against two key indices and strong performance against its peers for the quarter-ended and year-ended March 31, 2021. Although the Board considered the Investment Manager's view that there was no representative benchmark index or directly comparable peers to the Fund given the unique private assets held by the Fund, the Board considered the overall performance of the Fund and concluded that the performance of the Fund was satisfactory.

Variant Alternative Income Fund

Other Information

October 31, 2021 (Unaudited) (continued)

Fees and Expenses Relative to Comparable Funds Managed by Other Investment Managers

The Board reviewed the advisory fee rate and total expense ratio of the Fund. The Board compared the advisory fee and total expense ratio for the Fund with various comparative data, including reports on the expenses of other comparable funds. The Board noted that the Fund's advisory fees were comparable to the fees payable by other comparable funds. In addition, the Board noted that the Investment Manager has contractually agreed to limit total annual operating expenses until assets support the expenses of the Fund. The Board concluded that the advisory fees paid by the Fund and total expense ratio were reasonable and satisfactory in light of the services provided.

Breakpoints and Economies of Scale

The Board reviewed the structure of the Fund's investment management under the Investment Management Agreement. The Board considered the Fund's advisory fees and concluded that the fees were reasonable and satisfactory in light of the services provided. The Board also determined that, given the Fund's increasing current size, the Fund is beginning to achieve economies of scale.

Profitability of Investment Manager

The Board considered and reviewed information concerning the costs incurred and profits realized by the Investment Manager from its relationship with the Fund. The Board also reviewed the Investment Manager's financial condition. The Board noted that the financial condition of the Investment Manager appeared stable. The Board determined that the advisory fees and the compensation to the Investment Manager was reasonable and the financial condition was adequate.

Ancillary Benefits and Other Factors

The Board also discussed other benefits to be received by the Investment Manager from its management of the Fund including, without limitation, the ability to market its advisory services for similar products in the future. The Board noted that the Investment Manager does not have affiliations with the Fund's transfer agent, fund accountant, custodian, or distributor and, therefore, they do not derive any benefits from the relationships these parties may have with the Fund. The Board concluded that the advisory fees were reasonable in light of the fall-out benefits.

General Conclusion

Based on its consideration of all factors that it deemed material, and assisted by the advice of its counsel, the Board concluded it would be in the best interest of the Fund and its shareholders to approve the continuance of the Investment Management Agreement.

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