



# Alternative Income Fund Quarterly Update

Q2 2023

*For Institutional Investor Use Only. Not for Public Distribution.*

*The Variant Alternative Income Fund is a continuously-offered, non-diversified, registered closed-end fund with limited liquidity. There is no guarantee the Fund will achieve its objective. An investment in the Fund should only be made by investors who understand the risks involved, who are able to withstand the loss of the entire amount invested and who can bear the risks associated with the limited liquidity of Shares.*

# Disclosures

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

*An investment in the Fund is speculative, involves substantial risks, including the risk that the entire amount invested may be lost, and should not constitute a complete investment program. The Fund may leverage its investments by borrowing, use of swap agreements, options or other derivative instruments. The Fund is a newly-organized closed-end management investment company that has limited operating history and no public trading of its shares. The Fund is a non-diversified management investment company, meaning it may be more susceptible to any single economic or regulatory occurrence than a diversified investment company. In addition, the fund is subject to investment related risks of the underlying funds, general economic and market condition risk.*

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

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

Foreside Fund Services, LLC, distributor.



# Disclosures continued

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Bloomberg U.S. Treasury Bills: 1-3 Months Index tracks the market for Treasury bills issued by the U.S. government with remaining maturities of 1 to 3 months.

Bloomberg U.S. Aggregate Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable rate mortgage pass-through securities), commercial mortgage-backed securities (agency and non-agency) and asset-backed securities.

Bloomberg U.S. High Yield Index measures the U.S. dollar-denominated, High Yield, fixed-rate corporate bond market. Securities are classified as High Yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. Hedge Fund Research, Inc. (HFR) utilizes a UCITSIII compliant methodology to construct the HFRX Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe. HFRX Indices utilize state-of-the-art quantitative techniques and analysis; multi-level screening, cluster analysis, Monte-Carlo simulations and optimization techniques ensure that each Index is a pure representation of its corresponding investment focus.

The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 1,400 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

The S&P 500® Index is a market-value weighted index of equity securities.

# Q2 firm updates

AUM closed the quarter at **\$2.8 billion**

- **NICHX** - \$2.7 billion
- **IMPCX** - \$38.3 million

New relationship **waitlist** to steady **AUM growth**

**Funded all** redemptions without proration

Hired **new resources** to join the team

- Robert Thomas – Associate, Investor Relations
- Lily Perryman – Associate, Investments

Audited **Annual Report** completed

The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost.

<sup>1&2</sup>Inception date is October 2, 2017. Returns are net total returns. Between October 2017 and September 2018, performance is quoted for the Variant Alternative Income Fund LP, the predecessor private fund that converted into the interval fund. The predecessor fund was, in all material respects, equivalent to the interval fund. The private fund track record was adjusted to reflect the interval fund's estimated expenses and expense limitations. Specifically, it reflects a management fee of 0.95% and fund expenses capped at 0.50%. The track record uses geometric returns and reflects the reinvestment of earnings. Results audited through April 30, 2023. Gross expense ratio: 1.63%

"IG bonds" & "BBG Agg" refer to the Bloomberg U.S. Aggregate Index, which is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. "High yield" & "BBG HY" refer to the Bloomberg U.S. High Yield Index, which measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

"Hedge funds" & "HFRXGL" refer to the HFRX Global Hedge Fund Index, which is designed to be representative of the overall composition of the hedge fund universe.

Please note: The referenced indices are shown for general market comparisons. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or transaction costs. Reference indices are provided for illustrative purposes only. There are no known published benchmarks or indices comparable to the investment strategies of the Fund.

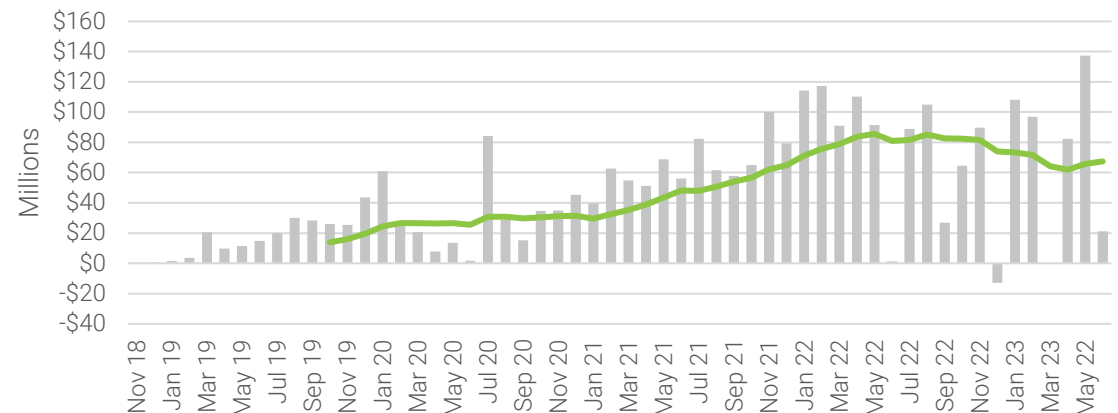
For more about risks, see the disclosures at the beginning of the presentation.

as of June 30, 2023<sup>1</sup>

	YTD	1 yr	3 yr	5 yr	SI <sup>2</sup>
Variant   NICHX	4.21%	8.89%	9.67%	9.48%	8.90%
IG bonds   BBG Agg	2.09%	-0.94%	-3.96%	0.77%	0.45%
High yield   BBG HY	5.38%	9.06%	3.13%	3.36%	3.02%
Hedge funds   HFRXGL	0.63%	1.31%	2.49%	1.71%	1.59%
Equity   S&P 500	16.88%	19.56%	14.58%	12.29%	12.36%

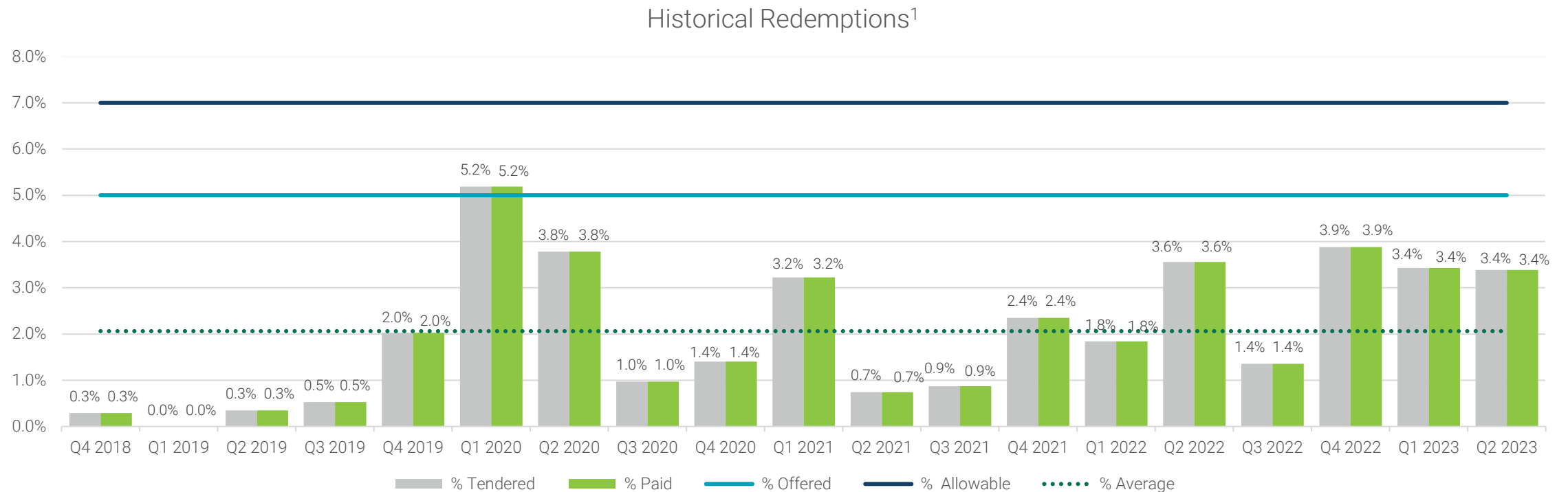
Past performance is not indicative of future results

AUM gain & 12-month average (\$ per month)



# Redemption update

## 100% of client redemptions paid throughout history

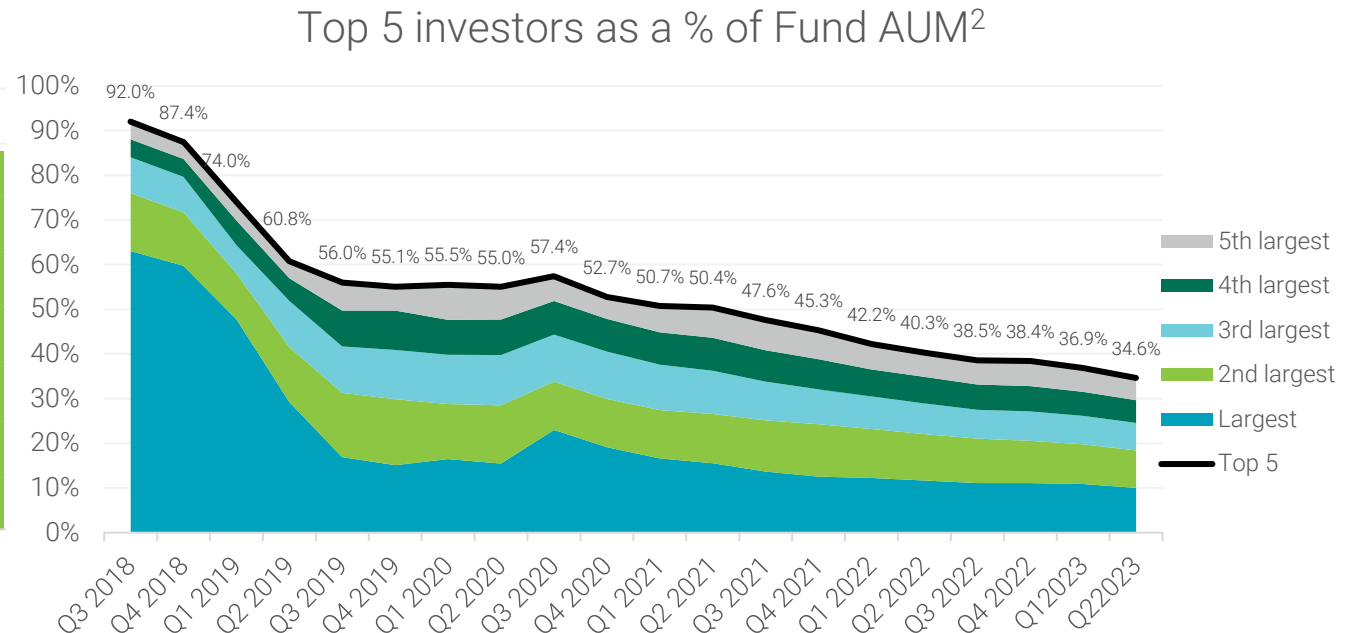
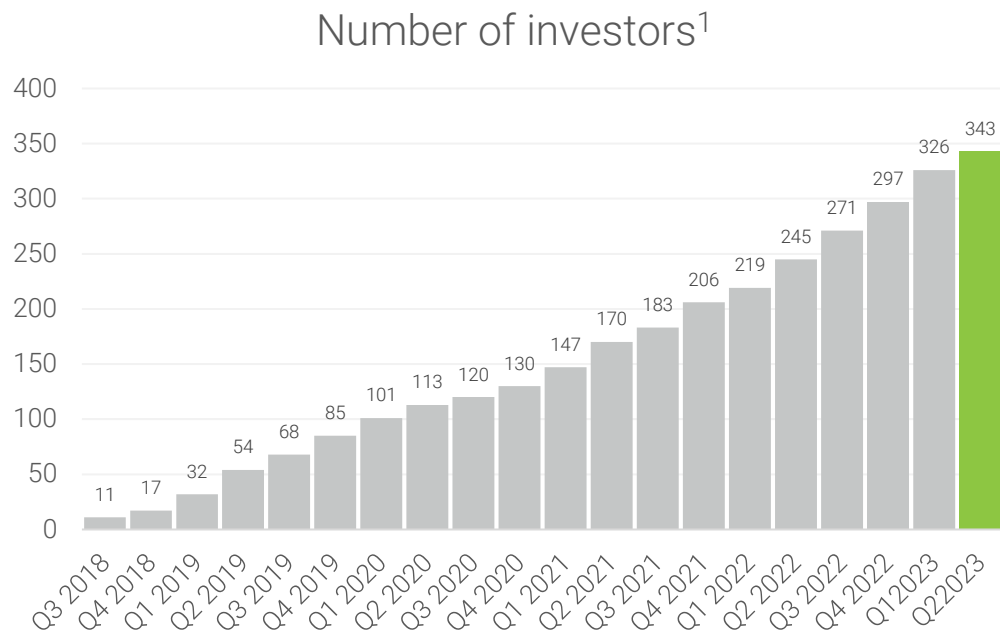


There can be no assurance that these objectives will be met going forward.

<sup>1</sup> The 5% offered repurchase amount is the stated amount the Fund is required to offer on a redemption day. The 7% allowable repurchase amount represents the flexible amount the Fund can offer on a redemption day without board approval.

# Investor base

## Expansion of new relationships over the quarter



<sup>1</sup>For purposes of calculating the number of investors, an “investor” is considered to be any independent decision-making entity. For example, a registered investment advisor (RIA) would be counted as one investor although that one RIA may represent many individual investors and investing entities. Likewise, a family office may have multiple investing entities, but is only counted once in the tally.

<sup>2</sup>For purposes of calculating the top 5 investors, the investment amounts for the both the institutional and investor share classes are combined.

The information displayed above represents a “best efforts” basis to identify and tabulate the number of Fund investors and the associated dollar amounts. The investor data is reported to Variant from a combination of sources, including the Fund’s administrator and various custodial platforms. Each entity identifies investors in different ways, provides the information in different formats and requires subjective assessments in performing the calculations and determining the “investor types”. The data above should be considered indicative only and there can be no assurance that the data above accurately reflects the Fund’s investor base.

# Since inception performance

## Monthly net returns<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017										0.12	0.19	0.42	0.73
2018	0.63	0.31	0.11	0.48	0.62	0.87	0.84	0.44	0.47	0.64	0.87	0.74	7.26
2019	0.48	0.59	1.98	0.82	1.05	1.07	1.35	1.07	0.52	0.76	0.64	1.24	12.22
2020	1.17	0.48	-0.50	-0.27	0.87	0.34	0.76	0.08	0.56	0.72	0.45	1.06	5.87
2021	1.10	0.94	0.92	0.90	1.59	0.96	1.72	0.72	0.65	0.72	0.72	0.72	12.29
2022	0.68	0.60	0.72	0.86	0.49	0.63	0.57	0.88	0.77	0.81	0.49	0.89	8.71
2023	0.77	0.69	0.61	0.59	0.76	0.71							4.21

as of June 30, 2023	YTD	1 yr	3 yr	5 yr	SI <sup>2</sup>
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### Past performance is not indicative of future results

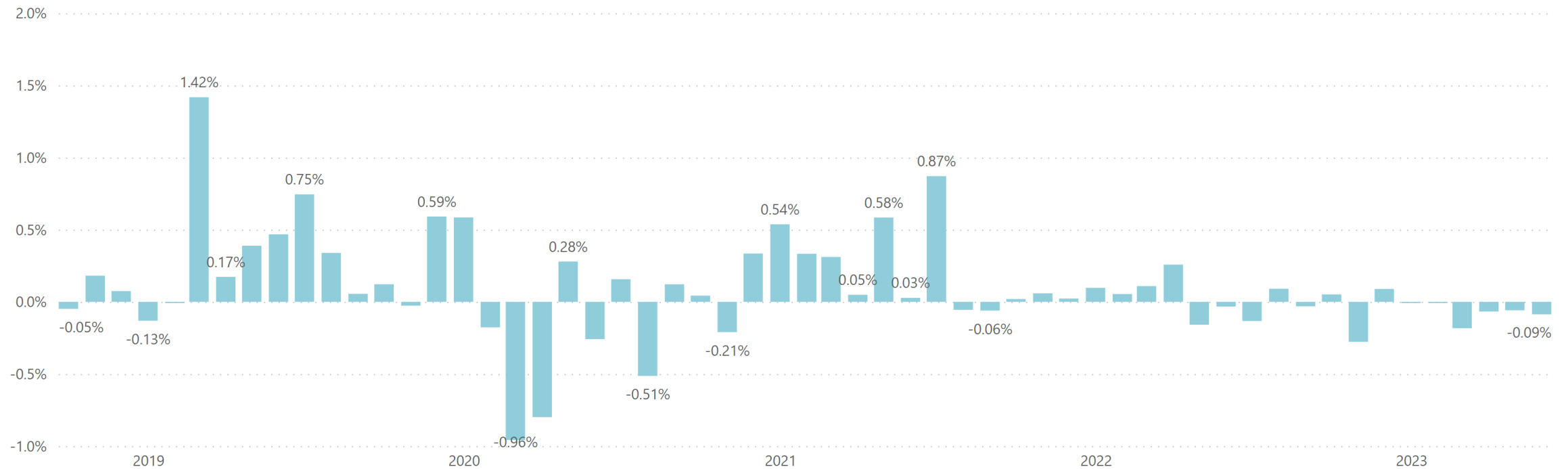
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<sup>1</sup> Returns are net total returns. Between October 2017 and September 2018, performance is quoted for the Variant Alternative Income Fund LP, the predecessor private fund that converted into the interval fund. The predecessor fund was, in all material respects, equivalent to the interval fund. The private fund track record was adjusted to reflect the interval fund's estimated expenses and expense limitations. Specifically, it reflects a management fee of 0.95% and fund expenses capped at 0.50%. The track record uses geometric returns and reflects the reinvestment of earnings. Results audited through April 30, 2022.

<sup>2</sup> "Return" reflects the annualized net return of the fund since launch on October 2, 2017 through the as of date listed on the table.

# Historical Surprise Chart

## Continued trend of limited Fund level valuation surprise

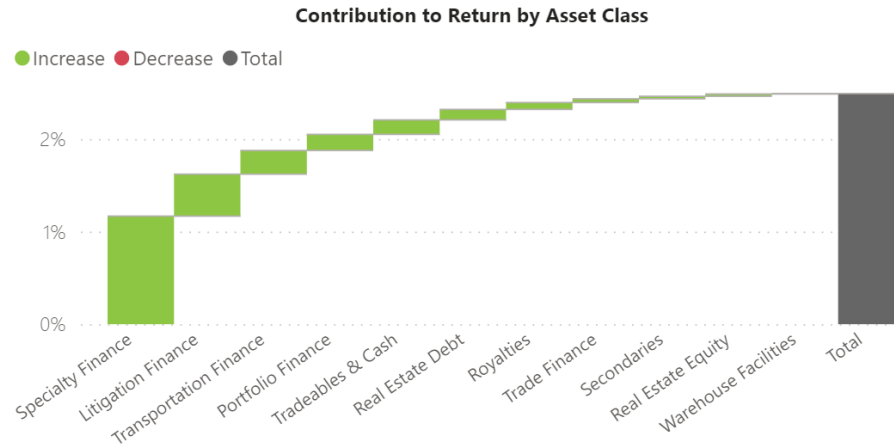


The data represents the estimated contribution to gross monthly returns less the accrual rate which is the percentage interest rate applied to each underlying holding to determine its daily change in value, absence of new information, as part of the overall Fund. This information is derived by different accounting entries used in the valuation process from October 2018 through the most recent month end. It should be considered an estimate only. There can be no assurance that the data accurately or completely captures all entries. Accounting entries are subject to reversal and procedures and policies may change over time. The data should not be relied upon for tax planning purposes. Please consult your tax advisor. Returns shown are gross of fees and expenses for calculation purposes. Please use the Fund's since inception net performance track record provided in this presentation to assess the return history of the Fund from an investor's perspective. The Past performance is not indicative of future results.



# Attribution by asset class – Q2 2023

Asset Class	Current %	Contrib %	Surprise %
Specialty Finance	40.77%	1.17%	-0.05%
Litigation Finance	15.55%	0.45%	-0.07%
Transportation Finance	5.47%	0.26%	0.10%
Portfolio Finance	5.43%	0.17%	0.02%
Tradeables & Cash	8.66%	0.16%	0.01%
Real Estate Debt	6.66%	0.11%	-0.04%
Royalties	7.51%	0.07%	-0.17%
Trade Finance	5.90%	0.04%	-0.00%
Secondaries	1.08%	0.03%	0.01%
Real Estate Equity	2.85%	0.02%	-0.01%
Warehouse Facilities	0.13%	0.01%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>2.49%</b>	<b>-0.21%</b>



**Litigation finance:** Senior loans or advances to law firms and individuals backed by the receivables from litigation claims

**Portfolio finance:** Bespoke financing solutions to private funds secured by a diversified portfolio of fund assets

**Real estate debt:** Privately-negotiated limited-term bridge loans secured by commercial properties, including senior living, multi-family and office

**Royalties:** Financing future royalty streams in both music (song and performance recordings) and commodities (oil and gas).

**Secondaries in private credit:** Acquisition of pre-existing investor commitments to private credit funds where the underlying assets are purchased at a discount to NAV

**Specialized real estate equity:** Equity opportunities with strong cash flows in niche real estate sectors, including self-storage and specialized care facilities

**Specialty finance:** Senior credit facilities provided to other lenders and originators of risk assets, secured by diversified pools of their origination

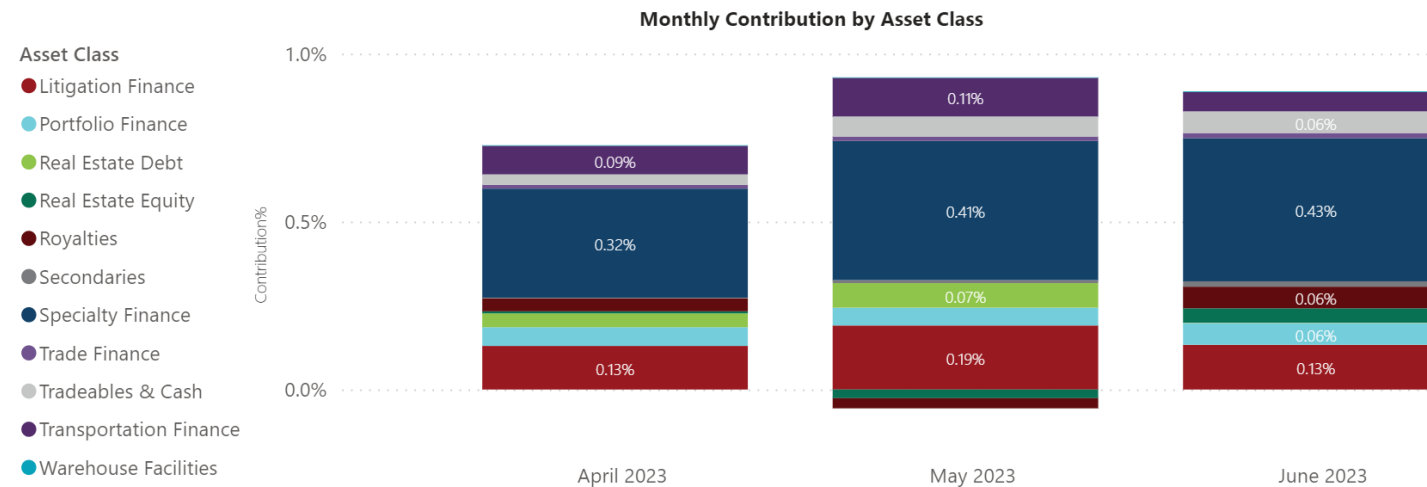
**Trade finance:** Financing the acquisition and transportation of goods from buyer to end seller

**Tradeable securities & cash:** Public securities held for liquidity management purposes, including MLPs, BDCs and preferred stocks

**Transportation finance:** Equity and debt investments in aviation, shipping, rail, containers and other transportation sectors

**Warehouse facilities:** Short-term financing provided to an originator pending distribution to end investors

Please note: Each of these specialty assets have their own set of investment characteristics and risks to consider before investing. Please read the prospectus for more about these risks.



# Attribution by strategy – Q2 2023

## Largest investment contributors and detractors (> 5 basis point impact) on quarterly Fund performance

Investment Strategy	Position Size - 6/30/2023	Contribution %	Asset Class	Vehicle Type
Aero Capital Solutions Funds	3.07%	0.16%	Transportation Finance	Private LPs
Kerberos Law Firm Lending Facility	4.20%	0.15%	Litigation Finance	Credit Facilities
Coromandel Specialty Finance Facility	3.88%	0.13%	Specialty Finance	Credit Facilities
B.E. Blank Equal Access Justice Fund	3.30%	0.12%	Litigation Finance	Private LPs
Lendable Emerging Market Specialty Finance	5.33%	0.12%	Specialty Finance	SPVs
Argonaut Credit Facility	3.21%	0.11%	Royalties	Credit Facilities
Delgatto Diamond Fund	3.45%	0.10%	Portfolio Finance	Credit Facilities
C Cubed Law Firm Lending	2.36%	0.10%	Litigation Finance	Credit Facilities
Montreux Healthcare Fund	3.63%	0.09%	Real Estate Debt	Private LPs
Accial Emerging Market Specialty Finance	2.97%	0.09%	Specialty Finance	Credit Facilities
Stratford Cresson Credit Facility	2.31%	0.08%	Litigation Finance	Credit Facilities
Oceana Australian Small Business Lending Facility	2.44%	0.07%	Specialty Finance	Credit Facilities
Raistone Tax Credit Factoring Program	1.56%	0.07%	Specialty Finance	Credit Facilities
Pier Specialty Finance Facilities	1.74%	0.07%	Specialty Finance	Credit Facilities
Star Strong Specialty Finance Facility	2.66%	0.06%	Specialty Finance	Credit Facilities
Wallace Finance Consumer Lending	1.52%	0.06%	Specialty Finance	Credit Facilities
Arcadia Specialty Finance	1.08%	0.05%	Portfolio Finance	Credit Facilities
CoVenture Specialty Finance	2.48%	0.05%	Specialty Finance	Private LPs
Spouting Rock Specialty Finance	1.34%	0.05%	Specialty Finance	Credit Facilities
American Rivers Funds	1.02%	0.05%	Transportation Finance	Private LPs
MEP Capital Partners Funds	1.67%	0.05%	Royalties	Private LPs
All other positions	42.27%	0.86%	Various	Various
Virage Recovery Fund	0.81%	-0.08%	Litigation Finance	Private LPs
ARC Royalties Financing Facility	1.73%	-0.13%	Royalties	Credit Facilities

Holdings subject to change and should not be considered investment advice. Cash is included within all other positions.

Please note: Each of these specialty assets have their own set of investment characteristics and risks to consider before investing. Please read the prospectus for more about these risks.

# Portfolio review Q2 portfolio changes

## Sizable increases in existing postions

<u>Description</u>	6/30/2023		3/31/2023		Q2 Change	<u>Asset Class<sup>1</sup></u>	<u>Vehicle<sup>2</sup></u>	<u>Commitment<sup>3</sup></u>
	<u>\$ mil</u>	<u>%</u>	<u>\$ mil</u>	<u>%</u>	<u>\$ mil</u>			
Montreux Healthcare Fund	\$ 98.6	3.6%	\$ 76.1	3.1%	\$ 22.5	Real Estate Debt	Private LPs	12 - 36
Argonaut Credit Facility	\$ 87.2	3.2%	\$ 66.1	2.7%	\$ 21.1	Royalties	Credit Facilities	3 - 12
Lendable Emerging Market Specialty Finance	\$ 144.7	5.3%	\$ 131.0	5.3%	\$ 13.7	Specialty Finance	SPVs	12 - 36
Coromandel Specialty Finance Facility	\$ 105.3	3.9%	\$ 92.7	3.7%	\$ 12.6	Specialty Finance	Credit Facilities	12 - 36
Pier Specialty Finance Facilities	\$ 47.3	1.7%	\$ 37.9	1.5%	\$ 9.4	Specialty Finance	Credit Facilities	12 - 36
Raistone Tax Credit Factoring Program	\$ 42.4	1.6%	\$ 33.3	1.3%	\$ 9.0	Specialty Finance	Credit Facilities	12 - 36
Altriarch Invoice Factoring Facility	\$ 34.2	1.3%	\$ 27.1	1.1%	\$ 7.1	Specialty Finance	Credit Facilities	3 - 12
Echelon Medical Receivables	\$ 25.8	1.0%	\$ 20.7	0.8%	\$ 5.1	Litigation Finance	Credit Facilities	36+
Drip Capital Credit Facility	\$ 6.5	0.2%	\$ 1.5	0.1%	\$ 5.0	Trade Finance	Credit Facilities	0 - 3
C Cubed Law Firm Lending	\$ 64.0	2.4%	\$ 59.9	2.4%	\$ 4.1	Litigation Finance	Credit Facilities	12 - 36

Holdings subject to change and should not be considered investment advice.

<sup>1</sup> Each of these specialty assets have their own set of investment characteristics and risks to consider before investing. Please read the prospectus for more about these risks.

<sup>2</sup> Vehicle describes the legal structure of the investment.

<sup>3</sup> Commitment is the length of time until the majority of invested principal is expected to be returned or be available for liquidation.

# Portfolio review Q2 portfolio changes

## New positions

<u>Description</u>	<u>6/30/2023</u>		<u>3/31/2023</u>		<u>Q2 Change</u>	<u>Asset Class</u> <sup>1</sup>	<u>Vehicle</u> <sup>2</sup>	<u>Commitment</u> <sup>3</sup>
	<u>\$ mil</u>	<u>%</u>	<u>\$ mil</u>	<u>%</u>	<u>\$ mil</u>			
Stratford Cresson Credit Facility	\$ 62.7	2.3%	\$ -	0.0%	\$ 62.7	Litigation Finance	Credit Facilities	36+
Seaport Specialty Lending Debt Collection Facility	\$ 24.8	0.9%	\$ -	0.0%	\$ 24.8	Specialty Finance	Credit Facilities	12 - 36
Post Road Specialty Finance	\$ 20.3	0.7%	\$ -	0.0%	\$ 20.3	Specialty Finance	SPVs	36+
Almavest Impact Debt Facility	\$ 5.2	0.2%	\$ -	0.0%	\$ 5.2	Specialty Finance	Credit Facilities	12 - 36
Credito Facil	\$ 2.9	0.1%	\$ -	0.0%	\$ 2.9	Specialty Finance	Credit Facilities	36+
Zanifu Credit Facility	\$ 0.2	0.0%	\$ -	0.0%	\$ 0.2	Specialty Finance	Credit Facilities	12 - 36

## Sizable decreases in existing postions

<u>Description</u>	<u>6/30/2023</u>		<u>3/31/2023</u>		<u>Q2 Change</u>	<u>Asset Class</u> <sup>1</sup>	<u>Vehicle</u> <sup>2</sup>	<u>Commitment</u> <sup>3</sup>
	<u>\$ mil</u>	<u>%</u>	<u>\$ mil</u>	<u>%</u>	<u>\$ mil</u>			
Bastion Participation	\$ 18.3	0.7%	\$ 31.3	1.3%	\$ (13.0)	Specialty Finance	Credit Facilities	12 - 36
Pollen Street Specialty Finance	\$ 5.9	0.2%	\$ 15.8	0.6%	\$ (9.9)	Specialty Finance	SPVs	12 - 36
ARC Royalties Financing Facility	\$ 47.1	1.7%	\$ 55.2	2.2%	\$ (8.1)	Royalties	Credit Facilities	12 - 36
Homelight Residential Real Estate Facility	\$ 1.8	0.1%	\$ 6.4	0.3%	\$ (4.6)	Warehouse Facilities	Credit Facilities	12 - 36
Carter 1031 Exchange Bridge Equity	\$ 60.0	2.2%	\$ 63.9	2.6%	\$ (3.9)	Real Estate Equity	SPVs	3 - 12
Atalaya Specialty Finance Funds	\$ 27.1	1.0%	\$ 30.9	1.2%	\$ (3.8)	Specialty Finance	Private LPs	12 - 36

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<sup>2</sup> Vehicle describes the legal structure of the investment.

<sup>3</sup> Commitment is the length of time until the majority of invested principal is expected to be returned or be available for liquidation.

# Fund terms<sup>1</sup>

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Fund assets:	<b>\$2.713 billion</b>
Fund structure:	<b>Interval closed-end fund</b>
Qualifications:	<b>Accredited Investor</b>
Share class launch:	<b>October 1, 2018</b>
Subscriptions / NAV:	<b>Daily</b>
Redemptions <sup>2</sup> :	<b>Quarterly 5% of Fund NAV</b>
Distributions:	<b>Quarterly</b>
Tax reporting:	<b>1099</b>
Administrator:	<b>UMB Fund Services</b>
Fund counsel:	<b>Faegre Drinker Biddle &amp; Reath LLP</b>
Auditor:	<b>Cohen &amp; Company</b>
Distributor:	<b>Foreside Fund Services, LLC</b>
Share class:	<b>Institutional</b>
Ticker:	<b>NICHX</b>
Minimum investment:	<b>\$1,000,000</b>
Management fee <sup>3</sup> :	<b>0.95%</b>
Net expense ratio <sup>4</sup> :	<b>1.63%</b>

<sup>1</sup> Please review the prospectus for a complete description of Fund terms, risks, charges and expenses.

<sup>2</sup> **The interval fund structure allows 5%-25% of Fund NAV, however for the foreseeable future, Variant plans to offer 5% of Fund NAV for redemptions on a quarterly basis. Shares are an illiquid investment. You should generally not expect to be able to sell your Shares (other than through the repurchase process), regardless of how the Fund performs. Although the Fund is required to implement a Share repurchase program only a limited number of Shares will be eligible for repurchase by the Fund.**

<sup>3</sup> "Management fee" reflects the contractual rate paid on the average daily managed assets of the Fund on an annual basis, payable monthly in arrears and determined as of month end. Use of Fund leverage will increase the actual Management fee paid to the Investment Manager.

<sup>4</sup> The Expense Limitation and Reimbursement Agreement is in effect until October 31, 2022 and will automatically renew for consecutive one-year terms thereafter.