



RENN Fund, Inc.

Annual Report

December 31, 2020

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank if you hold your shares through such an institution. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report. If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action.

You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by calling (877) 749-4980 if you hold your shares directly with RENN Fund, Inc., or, if you hold your shares through a financial intermediary, by contacting your financial intermediary. You may elect to receive all future reports in paper copies free of charge. You can inform the Funds or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by (877) 749-4980 if you hold your shares directly with RENN Fund, Inc., or, if you hold your shares through a financial intermediary, by contacting your financial intermediary.

RENN FUND, INC.

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RENN FUND, INC.

SHAREHOLDER LETTER

DECEMBER 31, 2020 (UNAUDITED)

Dear Shareholders,

We are pleased to present the RENN Fund, Inc. (“Fund”) Annual Report Commentary for the 12-month period ended December 31, 2020. The portfolio companies were all impacted in unique ways by the travel restrictions and business closures throughout the year; however, we believe that many of the companies began 2021 in a superior competitive positioning as compared to a year earlier. The market has yet to price this into the current share prices, which resulted in challenging performance for the year. However, as we will discuss in further detail below, we are extremely optimistic about the potential for the year(s) ahead.

The Fund’s largest individual holding, Apyx Medical Corporation (“APYX”), continues to build out its Advanced Energy business lines following the sale of its legacy Bovie electrosurgical equipment business in 2018. The sale capitalized the company with cash required to develop its helium plasma technology business. The business was performing well, with approval for various applications in cosmetic surgery procedures. However, these elective procedures were suspended or curtailed throughout most of the first half of the year. Regardless, the company achieved approval for hydrogen plasma applications in Australia, Israel, Taiwan, Thailand, and Brazil (the second largest cosmetic surgery market in the world) during the year. During the second half of the year, cosmetic procedure volumes recovered, and the company commenced Phase II trials for applications in skin laxity procedures on the neck and surrounding area. The company pre-announced fourth quarter results in early January, noting 30-35% annual revenue growth, highlighted by 39-43% growth in the Advanced Energy segment. We believe that adoption in additional domestic and international markets will facilitate a long runway of growth, which may be supplemented by further approvals for surgical applications.

The second largest position in the Fund is Texas Pacific Land Corp (“TPL”), which completed its conversion from a trust into a corporation early in January 2021. We believe that this will facilitate advancements in corporate governance and transparency consistent with an enterprise of its size. Operationally, TPL maintained profitability throughout the nadir of the energy market, including the brief period when certain oil contracts traded at negative values. Despite continued weak energy prices in the third quarter, TPL earned nearly an 80% adjusted operating profit margin, while many other energy companies experienced sharp operating losses and wrote down asset values. The global energy supply is increasingly going to become reliant upon the state of Texas, particularly as many multinational energy companies divert reinvestment into unproven renewable sources. The combination of higher energy prices, production volumes, and land use will benefit TPL for decades to come.

FitLife Brands (“FTLF”) continues its turnaround, optimizing its product mix, distribution, and expense management. The pandemic-related restrictions resulted in the bankruptcy of the largest retailer of nutrition supplements (GNC Holdings); however, that company is reorganizing and will remain operational. In spite of the physical retail environment, the 3rd quarter of 2020 was the best in the history of FitLife, particularly with direct-to-consumer sales growing 96% year-over-year and rising to 17% of total revenue. This higher margin direct sales business also bolstered operating margins, which exceeded 23% for the quarter. The company currently trades at less than 5x operating income on an annualized basis, excluding further growth.

The Fund holds a legacy position in PetroHunter Energy at zero value, as the Colorado based energy exploration and production company had filed for Chapter 7 (liquidation) bankruptcy in 2016. The liquidation resulted in approximately \$180,000 of proceeds being received thus far.

The largest positions in the Fund, APYX and TPL generated returns of approximately (-15%) and (-7%) respectively for 2020 which was the primary driver to the underperformance relative to the S&P 500 Index. Fitlife Brands return of approximately (+52%), and the liquidation proceeds of PetroHunter Energy partially offset the laggard performance of the top two positions. We believe that market conditions in 2020 were not supportive of these businesses despite their fundamental strength, hence believe that over a longer time period their performance will be reconciled with the broader market.

Portfolio activity was minimal throughout the year given the heightened volatility and economic uncertainty, coupled with elevated asset prices. We remain constructive on “hard asset” companies with finite, tangible asset bases and limited capital intensity. Our thesis is partially derived from continued government stimulus efforts, resulting in extremely low interest rates and record setting money supply growth. As a result, positions in royalty companies Franco Nevada, Wheaton Precious Metals, and Mesabi Trust appreciated considerably as gold, silver, and iron ore appreciated 19%, 43%, and 70%, respectively, for 2020. These positions are likely to benefit from future inflation above trend levels, which we see as a mounting risk to financial markets.

Horizon Kinetics Asset Management LLC

RENN FUND, INC.
CONSOLIDATED SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2020

| Shares or Principal Amount | Company | Cost | Value | Shares or Principal Amount | Company | Cost | Value |
|---|---|-------------|--------------|--|---|--------------|--------------|
| MONEY MARKET FUNDS – 39.35% | | | | COMMON EQUITIES – 60.94% (Continued) | | | |
| 83,493 | Fidelity Government Cash Reserves Portfolio - Institutional Class, 0.01% . | \$ 83,493 | \$ 83,493 | <i>Oil and Gas – 12.18%</i> | | | |
| 4,583,020 | Fidelity Investment Money Market Funds Government Portfolio - Institutional Class, 0.01% .. | 4,583,020 | 4,583,020 | 808,445 | PetroHunter Energy Corporation ⁽¹⁾⁽²⁾⁽⁵⁾ | \$ 101,056 | \$ — |
| Total Money Market Funds ... | | | | 7,200 | PrairieSky Royalty Ltd. ⁽⁴⁾ | 51,846 | 57,074 |
| | | 4,666,513 | 4,666,513 | 1,908 | Texas Pacific Land Trust | 1,079,739 | 1,387,116 |
| CONVERTIBLE BONDS – 0.00% | | | | | | 1,232,641 | 1,444,190 |
| <i>Oil and Gas – 0.00%</i> | | | | <i>Other Financial Investment Activities – 0.00%</i> | | | |
| 1,000,000 | PetroHunter Energy Corporation 8.50% Maturity 12/31/2014 ⁽¹⁾⁽²⁾⁽⁵⁾ | 818,264 | — | 1 | Morgan Group Holding Co. ⁽²⁾ | 16 | 7 |
| Total Convertible Bonds | | | | <i>Securities and Commodity Exchanges – 0.23%</i> | | | |
| | | 818,264 | — | 240 | Intercontinental Exchange, Inc. | 22,252 | 27,670 |
| COMMON EQUITIES – 60.52% | | | | <i>Securities, Commodity Contracts, and Other Financial Investments and Related Activities – 1.48%</i> | | | |
| <i>Accommodations – 0.41%</i> | | | | 5,460 | Grayscale Bitcoin Trust ⁽²⁾ | 66,830 | 174,720 |
| 3,500 | Civeo Corp. ⁽²⁾ | 112,727 | 48,650 | <i>Surgical & Medical Instruments & Apparatus – 37.34%</i> | | | |
| <i>Aerospace & Defense – 0.04%</i> | | | | 615,000 | Apyx Medical Corp. ⁽²⁾ | 1,470,958 | 4,428,000 |
| 20 | Boeing Co. | 2,892 | 4,281 | <i>Technology Services – 1.17%</i> | | | |
| <i>Asset Management – 0.02%</i> | | | | 558 | CACI International, Inc. – Class A. ⁽²⁾ | 112,974 | 139,126 |
| 50 | Associated Capital Group, Inc. - Class A | 2,922 | 1,756 | Total Common Equities | | | |
| <i>Diversified Financial Services – 0.13%</i> | | | | | | 12,529,263 | 7,175,742 |
| 1,800 | Galaxy Digital Holdings Ltd. ⁽²⁾⁽⁴⁾ | 11,355 | 15,414 | EXCHANGE TRADED FUNDS – 0.04% | | | |
| <i>Marine Shipping – 0.06%</i> | | | | 124 | ProShares Short VIX Short-Term Futures ETF ⁽²⁾ | 4,195 | 5,138 |
| 200 | Clarkson PLC ⁽⁴⁾ | 7,293 | 7,384 | Total Exchange Traded Funds | | | |
| <i>Metal Mining – 4.00%</i> | | | | | | 4,195 | 5,138 |
| 560 | Franco-Nevada Corp. | 49,869 | 70,185 | PREFERRED STOCKS – 0.42% | | | |
| 12,150 | Mesabi Trust | 264,608 | 340,807 | 8,333 | Diamond Standard, Inc. ⁽¹⁾⁽²⁾⁽³⁾ | 50,000 | 50,000 |
| 1,516 | Wheaton Precious Metals Corp. | 40,238 | 63,278 | Total Preferred Stocks | | | |
| | | 354,715 | 474,270 | | | 50,000 | 50,000 |
| <i>Medicinal Chemicals and Botanical Products – 3.46%</i> | | | | TOTAL INVESTMENTS – 100.33% | | | |
| 19,307 | FitLife Brands, Inc. ⁽²⁾ | 9,131,688 | 410,274 | | | \$18,068,235 | 11,897,393 |
| | | | | LIABILITIES LESS OTHER | | | |
| | | | | ASSETS – (0.33%) | | | |
| | | | | NET ASSETS | | | |
| | | | | \$11,858,128 | | | |

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) AS OF DECEMBER 31, 2020

| Shares or Principal Amount | Company | Proceeds | Value |
|--|--|-------------------|-----------------|
| SECURITIES SOLD SHORT – (0.01)% | | | |
| EXCHANGE TRADED FUNDS – (0.01)% | | | |
| (12) | Direxion Daily Gold Miners Index Bear 2X Shares ETF | \$ (202) | \$ (239) |
| (12) | Direxion Daily Junior Gold Miners Index Bear 2X Shares ETF | (123) | (117) |
| (30) | ProShares Ultra VIX Short- Term Futures ETF ⁽²⁾ | (1,015) | (319) |
| | Total Exchange Traded Funds ... | <u>(1,340)</u> | <u>(675)</u> |
| TOTAL SECURITIES | | | |
| | SOLD SHORT – (0.01)% ... | <u>\$ (1,340)</u> | <u>\$ (675)</u> |

(1) See Note 5 - Fair Value Measurements.

(2) Non-Income Producing.

(3) Diamond Standard, Inc. is currently a private company. The security is illiquid and valued at fair value.

(4) Foreign security denominated in U.S. Dollars.

(5) The PetroHunter Energy Corporation (“PetroHunter”) securities are in bankruptcy. The securities are valued at fair value.

RENN FUND, INC.

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) AS OF DECEMBER 31, 2020

| Security Type/Sector | Percent of Total Net Assets |
|--|--------------------------------|
| Money Market Funds | 39.35% |
| Convertible Bonds | 0.00% |
| Common Equities | |
| Accommodations | 0.41% |
| Aerospace & Defense | 0.04% |
| Asset Management | 0.02% |
| Diversified Financial Services | 0.13% |
| Marine Shipping | 0.06% |
| Metal Mining | 4.00% |
| Medicinal Chemicals and Botanical Products | 3.46% |
| Oil and Gas | 12.18% |
| Other Financial Investment Activities | 0.00% |
| Securities and Commodity Exchanges | 0.23% |
| Securities, Commodity Contracts and Other Financial Investments and Related Activities | 1.48% |
| Surgical & Medical Instruments & Apparatus | 37.34% |
| Technology Services | 1.17% |
| Total Common Equities | 60.52% |
| Exchange Traded Funds | 0.04% |
| Preferred Stocks | 0.42% |
| Total Investments | 100.33% |
| Liabilities Less Other Assets | (0.33%) |
| Total Net Assets | 100.00% |

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2020

ASSETS

| | |
|---|-------------------|
| Investments in securities, at value (cost \$18,068,235) | \$ 11,897,393 |
| Cash | 32,843 |
| Cash held at broker | 5,664 |
| Dividends and interest receivable | 320 |
| Prepaid expenses and other assets | 3,165 |
| Total assets | <u>11,939,385</u> |

LIABILITIES

| | |
|--|---------------|
| Securities sold short, at value (proceeds \$1,340) | 675 |
| Payables: | |
| Auditing fees | 33,000 |
| Printing and postage | 14,797 |
| Legal expense | 9,837 |
| Investment securities purchased | 10,731 |
| Fund administration and accounting fees | 5,399 |
| Custody fees | 4,516 |
| Transfer agent fees and expenses | 1,713 |
| Accrued other expenses | 589 |
| Total liabilities | <u>81,257</u> |

NET ASSETS **\$ 11,858,128**

Paid-in-capital 31,406,951

Total accumulated deficit (19,548,823)

NET ASSETS **\$ 11,858,128**

Shares outstanding no par value (unlimited shares authorized) **5,951,956**

Net asset value, offering and redemption price per share **\$ 1.99**

Market Price Per Common Share **\$ 1.71**

Market Price (Discount) to Net Asset Value Per Common Share **(14.07)%**

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

INVESTMENT INCOME

Income

| | |
|---|---------------|
| Dividends (net of withholding tax of \$236) | \$ 54,431 |
| Interest | <u>18,089</u> |
| Total investment income | <u>72,520</u> |

Expenses

| | |
|---|------------------|
| Fund accounting and administration fees | 73,039 |
| Shareholder reporting fees | 42,195 |
| Professional fees | 38,608 |
| Transfer agent fees and expenses | 25,521 |
| Custody fees | 21,328 |
| Stock exchange listing fees | 17,500 |
| Insurance fees | 11,128 |
| Miscellaneous expenses | 10,305 |
| Interest on line of credit | 543 |
| Interest on securities sold short | <u>49</u> |
| Total expenses | <u>240,216</u> |
| Net investment loss | <u>(167,696)</u> |

Net Realized and Unrealized Loss:

Net realized gain (loss) on:

| | |
|-------------------------------------|-------------|
| Short-term investments | 74 |
| Investments | (3,956) |
| Securities sold short | (17,367) |
| Foreign currency transactions | <u>(27)</u> |
| Net realized loss | (21,276) |

Net change in unrealized appreciation/depreciation on:

| | |
|--|------------------|
| Investments | (309,475) |
| Securities sold short | 665 |
| Foreign currency translations | <u>(219)</u> |
| Net change in unrealized appreciation/depreciation | <u>(309,029)</u> |
| Net realized and unrealized loss | <u>(330,305)</u> |

| | |
|---|---------------------|
| Net Decrease in Net Assets from Operations | <u>\$ (498,001)</u> |
|---|---------------------|

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 |
|---|---|---|
| INCREASE (DECREASE) IN NET ASSETS FROM | | |
| Operations | | |
| Net investment loss | \$ (167,696) | \$ (106,856) |
| Net realized gain (loss) on investments, securities sold short, foreign currency transactions, and affiliated issuers | (21,276) | 8,794 |
| Net change in unrealized appreciation/depreciation on investments, securities sold short, and foreign currency translations | (309,029) | 1,790,843 |
| Net increase (decrease) resulting from operations | <u>(498,001)</u> | <u>1,692,781</u> |
| Capital Transactions | | |
| Proceeds from shares issued | — | 2,187,343 |
| Net increase resulting from capital transactions | — | 2,187,343 |
| Total increase (decrease) in net assets | <u>(498,001)</u> | <u>3,880,124</u> |
| Net Assets | | |
| Beginning of period | 12,356,129 | 8,476,005 |
| End of period | <u>\$ 11,858,128</u> | <u>\$ 12,356,129</u> |
| Capital Share Activity | | |
| Shares issued | — | 1,487,989 |
| Net increase in capital shares | <u>—</u> | <u>1,487,989</u> |

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

Increase/(Decrease) in Cash:

Cash flows provided by (used for) operating activities:

| | | |
|---|----|-----------|
| Net decrease in net assets resulting from operations | \$ | (498,001) |
| Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities: | | |
| Sale of short-term investment | | 1,247,790 |
| Change in money market funds, net | | 332,337 |
| Purchase of investment securities | | (442,913) |
| Proceeds from sale of investment securities | | 7,828 |
| Proceeds from securities sold short | | 6,470 |
| Cover short securities | | (22,497) |
| Return of capital received | | 181,736 |
| Decrease in dividends and interest receivable | | 6,088 |
| Decrease in prepaid expenses and other assets | | 9,380 |
| Increase in investment securities purchased payable | | 10,731 |
| Increase in accrued expenses | | 11,630 |
| Net change in unrealized appreciation/depreciation on securities | | 309,029 |
| Net realized loss on investments and securities sold short | | 21,249 |
| Net amortization on investments | | (265) |

Net cash provided by operating activities 1,180,592

Cash flows used for financing activities:

| | | |
|--|--|--------------------|
| Payments on margin account | | <u>(1,247,184)</u> |
| Net cash used for financing activities | | <u>(1,247,184)</u> |

Net decrease in cash (66,592)

Cash and cash equivalents

| | | |
|---|----|----------------------|
| Beginning cash balance | | 182 |
| Beginning cash held at broker | | <u>104,917</u> |
| Total beginning cash and cash equivalents | | <u>105,099</u> |
| Ending cash balance | | 32,843 |
| Ending cash held at broker | | <u>5,664</u> |
| Total ending cash and cash equivalents | \$ | <u><u>38,507</u></u> |

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.

CONSOLIDATED FINANCIAL HIGHLIGHTS⁽⁵⁾

For a capital share outstanding throughout each period

| | For the Year Ended December 31, | | | | |
|---|---------------------------------|-----------------------|----------|------------------------|-------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Net asset value, beginning of period | \$ 2.08 | \$ 1.90 | \$ 1.47 | \$ 1.64 | \$ 1.37 |
| Income from Investment Operations: | | | | | |
| Net investment loss ⁽¹⁾ | (0.03) | (0.02) | (0.04) | (0.08) | (0.17) |
| Net realized and unrealized gain (loss) on investments | (0.06) | 0.40 | 0.47 | (0.09) | 0.44 |
| Total from investment operations | (0.09) | 0.38 | 0.43 | (0.17) | 0.27 |
| Capital Share Transactions | | | | | |
| Dilutive effect of rights offering | — | (0.20) ⁽²⁾ | — | — | — |
| Net asset value, end of period | \$ 1.99 | \$ 2.08 | \$ 1.90 | \$ 1.47 | \$ 1.64 |
| Per-share market value, end of period | \$ 1.71 | \$ 1.64 | \$ 1.49 | \$ 1.50 | \$ 1.22 |
| Total net asset value return ⁽³⁾ | (4.33%) | 9.47% | 29.25% | (10.37%) | 19.71% |
| Total market value return ⁽³⁾ | 4.25% | 10.07% | (0.93%) | 22.95% | 35.56% |
| Ratios and Supplemental Data | | | | | |
| Net assets, end of period (in thousands) | \$ 11,858 | \$ 12,356 | \$ 8,476 | \$ 6,546 | \$ 7,339 |
| Ratio of expenses to average net assets | 2.35% | 2.03% | 2.89% | 5.99% ⁽⁴⁾ | 12.16% ⁽⁴⁾ |
| Ratio of net investment loss to average net assets | (1.64%) | (0.98%) | (2.06%) | (5.60%) ⁽⁴⁾ | (12.01%) ⁽⁴⁾ |
| Portfolio turnover rate | 1% | 1% | 12% | 7% | 72% |

⁽¹⁾ Based on average shares outstanding for the period.

⁽²⁾ Represents the impact of the Fund's rights offering of 1,487,989 common shares in February 2019 at a subscription price based on a formula. See Note 10 for more information.

⁽³⁾ Total net asset value return measures the change in net asset value per share over the period indicated. Total market value return is computed based upon the Fund's unrounded New York Stock Exchange market price per share and excludes the effects of brokerage commissions. Dividends and distributions are assumed, for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.

⁽⁴⁾ Average net assets have been calculated based on monthly valuations.

⁽⁵⁾ Consolidated for the years ended December 31, 2020, 2019 and 2018 only.

See accompanying Notes to Consolidated Financial Statements.

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

Note 1 – Organization

RENN Fund, Inc. (the “Fund”), is a registered, non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”).

The Fund, a Texas corporation, was organized and commenced operations in 1994 and is registered under and pursuant to the provisions of Section 8(a) of the 1940 Act.

The investment objective of the Fund is to provide shareholders with above-market rates of return through capital appreciation and income by a long-term, value oriented investment process that invests in a wide variety of financial instruments, including but not limited to, common stocks, fixed income securities including convertible and non-convertible debt securities or loans, distressed debt, warrants and preferred stock, exchange traded funds and exchange traded notes, and other instruments. In addition, the Fund may sell short stocks, exchange traded funds and exchange traded notes.

Horizon Kinetics Asset Management LLC (“Horizon” or the “Investment Advisor”), a registered investment adviser and wholly owned subsidiary of Horizon Kinetics LLC* (“Horizon Kinetics”), serves as the Fund’s investment manager and is responsible for the Fund’s investment portfolio, subject to the supervision of the Board of Directors.

* Kinetics Asset Management LLC and Kinetics Advisers LLC reorganized into Horizon Asset Management LLC in April of 2019. Horizon Asset Management LLC was then renamed Horizon Kinetics Asset Management LLC. Kinetics Asset Management LLC and Kinetics Advisers LLC and Horizon Asset Management LLC were all wholly owned subsidiaries of Horizon Kinetics LLC and Horizon Kinetics Asset Management LLC remained a wholly owned subsidiary.

Note 2 – Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 “Financial Services-Investment Companies”.

(a) Consolidation of Subsidiary

On December 5, 2017, The Renn Fund, Inc. (Cayman) (the “Subsidiary”) was organized as a limited liability company, and is a wholly owned subsidiary of the Fund. The consolidated Schedule of Investments, Statement of Assets and Liabilities, Statement of Operations, Statements of Changes in Net Assets, Statement of Cash Flows and Financial Highlights of the Fund include the accounts of the Subsidiary. All inter-company accounts and transactions have been eliminated in the consolidation for the Fund. The Subsidiary is advised by Horizon and acts as an investment vehicle in order to effect certain investments consistent with the Fund’s investment objectives and policies specified in the Fund’s prospectus and statement of additional information. As of December 31, 2020 total assets of the Fund were \$11,939,385, of which \$292,823, or approximately 2.45%, represented the Fund’s ownership of the Subsidiary.

The Fund can invest up to 25% of its total assets in its Subsidiary. The Subsidiary acts as an investment vehicle in order to invest in commodity-linked and bitcoin linked instruments consistent with the Fund’s investment objectives and policies. By investing in its Subsidiary, the Fund is indirectly exposed to the risks associated with the Subsidiary’s investments. The investments held by the Subsidiary are generally similar to those that are permitted to be held by the Fund and are subject to the same risks that apply to similar investments if held directly by the Fund. The Subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. However the Fund wholly owns and controls its Subsidiary, making it unlikely that the Subsidiary will take action contrary to the interests of the Fund. The Subsidiary will be subject to the same investment restrictions and limitations, and follow the same compliance policies and procedures, as the Fund.

The Subsidiary is an exempted Cayman investment company and as such is not subject to Cayman Islands taxes at the present time. For U.S. income tax purposes, the Subsidiary is a Controlled Foreign Corporation (“CFC”) not subject to U.S. income taxes. As a wholly-owned CFC, however, the Subsidiary’s net income and net capital gains will be included each year in the Fund’s investment company taxable income.

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

(b) Valuation of Investments

All investments are stated at their estimated fair value, as described in Note 5.

(c) Investment Transactions, Investment Income and Expenses

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Withholding taxes on foreign dividends, if applicable, are paid (a portion of which may be reclaimable) or provided for in accordance with the applicable country's tax rules and rates and are disclosed in the consolidated Statement of Operations. Withholding tax reclaims are filed in certain countries to recover a portion of the amounts previously withheld. The Fund records a reclaim receivable based on a number of factors, including a jurisdiction's legal obligation to pay reclaims as well as payment history and market convention. Discounts or premiums on debt securities are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.

(d) Federal Income Taxes

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income and any net realized gains to its shareholders. Therefore, no provision is made for federal income or excise taxes. Due to the timing of dividend distributions and the differences in accounting for income and realized gains and losses for financial statement and federal income tax purposes, the fiscal year in which amounts are distributed may differ from the year in which the income and realized gains and losses are recorded by the Fund.

The Fund follows the provisions of Accounting Standards Codification ASC 740, *Accounting for Uncertainty in Income Taxes* (the "Income Tax Statement"), which requires an evaluation of tax positions taken (or expected to be taken) in the course of preparing a Fund's tax returns to determine whether these positions meet a "more-likely-than-not" standard that, based on the technical merits, have a more than fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the "more-likely-than-not" recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statement of Operations.

The Income Tax Statement requires management of the Fund to analyze tax positions taken in the prior three open tax years, if any, any tax positions expected to be taken in the Fund's current tax year, as defined by the IRS statute of limitations for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of and during the open tax years ended December 31, 2017 through 2020, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

(e) Distributions to Shareholders

The Fund will make distributions of net investment income and capital gains, if any, at least annually. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

The character of distributions made during the year from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain (loss) items for financial statement and tax purposes.

(f) Short Sales

Short sales are transactions under which the Fund sells a security it does not own in anticipation of a decline in the value of that security. To complete such a transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. When a security is sold short a decrease in the value of the security will be recognized as a gain and an increase in the value of the security will be recognized as a loss, which is potentially limitless. Until the security is replaced, the Fund is required to pay the lender amounts equal to dividend or interest that accrue during the period of

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

the loan which is recorded as an expense. To borrow the security, the Fund also may be required to pay a premium or an interest fee, which are recorded as interest expense. Cash or securities may be segregated for the broker to meet the necessary margin requirements. The Fund is subject to the risk that it may not always be able to close out a short position at a particular time or at an acceptable price.

(g) Short-Term Investments

The Fund invested a significant amount (38.65% of its net assets as of December 31, 2020) in the Fidelity Investment Money Market Government Portfolio Fund (“FIGXX”). FIGXX normally invests at least 99.5% of assets in U.S. government securities and repurchase agreements for those securities. FIGXX invests in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, and diversification of investments. An investment in FIGXX is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although FIGXX seeks to preserve the value of investment at \$1.00 per share, it is possible to lose money by investing in FIGXX.

FIGXX files complete Semi-Annual and Annual Reports with the U.S. Securities and Exchange Commission for semi-annual and annual periods of each fiscal year on Form N-CSR. The Forms N-CSR are available on the website of the U.S. Securities and Exchange Commission at www.sec.gov, and may also be viewed and copied at the Commission’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The net expense ratio per the March 31, 2020 annual report of Fidelity Investment Money Market Government Portfolio Fund was 0.18%.

Note 3 – Principal Investment Risks

Investing in common stocks and other equity or equity-related securities has inherent risks that could cause you to lose money. Some of the principal risks of investing in the Fund are listed below and could adversely affect the net asset value (“NAV”), total return and value of the Fund and your investment. These are not the only risks associated with an investment in the Fund. Rather, the risks discussed below are certain of the significant risks associated with the investment strategy employed by the Fund. The below does not discuss numerous other risks associated with an investment in the Fund, including risks associated with investments in non-diversified, closed-end registered investment funds generally, other business, operating and tax risks associated with an investment in the Fund, and economic and other risks affecting investment markets generally, all of which are beyond the scope of this discussion.

Liquidity Risks: The Investment Advisor may not be able to sell portfolio securities at an optimal time or price. For example, if the Fund is required or the advisor deems it advisable to liquidate all or a portion of a portfolio security quickly, it may realize significantly less than the value at which the investment was previously recorded.

Private Issuer Risks: In addition to the risks associated with small public companies, limited or no public information may exist about private companies, and the Fund will rely on the ability of our Investment Advisor to obtain adequate information to evaluate the potential returns from investing in these companies. If the Investment Advisor is unable to uncover all material information about these companies, the Fund may not make a fully informed investment decision and may lose money on the investment.

Interest Rate Risk: When interest rates increase, any fixed-income securities held by the Fund may decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities. The negative impact on fixed-income securities from the resulting rate increases for that and other reasons could be swift and significant.

Leveraging Risks: Investments in derivative instruments may give rise to a form of leverage. The Investment Advisor may engage in speculative transactions which involve substantial risk and leverage. The use of leverage by the Investment Advisor may increase the volatility of the Fund. These leveraged instruments may result in losses to the Fund or may adversely affect the Fund’s NAV or total return, because instruments that contain leverage are more sensitive to changes in interest rates. The Fund may also have to sell assets at inopportune times to satisfy its obligations in connection with such transactions.

Distressed Debt Risks: An investment in distressed debt involves considerable risks, including a higher risk of nonpayment by the debtor. The Fund may incur significant expenses seeking recovery upon default or attempting to negotiate new terms. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, a bankruptcy court might re-characterize the debt held by the Fund and subordinate all or a portion of the Fund’s claim to claims of other creditors, even, in some cases, if the investment is structured as senior secured debt. The bankruptcy process has a number of significant inherent risks, including substantial delays and the risk of loss of all or a substantial portion of the Fund’s investment in the bankrupt entity.

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

Bitcoin Risk: The value of the Fund's investment in the Grayscale Bitcoin Trust is subject directly to fluctuations in the value of bitcoins. The value of bitcoins is determined by the supply of and demand for bitcoins in the global market for the trading of bitcoins, which consists of transactions on electronic bitcoin exchanges ("Bitcoin Exchanges"). Pricing on Bitcoin Exchanges and other venues can be volatile and can adversely affect the value of the Grayscale Bitcoin Trust. Currently, there is relatively small use of bitcoins in the retail and commercial marketplace in comparison to the relatively large use of bitcoins by speculators, thus contributing to price volatility that could adversely affect the Fund's direct investment in the Grayscale Bitcoin Trust. Bitcoin transactions are irrevocable, and stolen or incorrectly transferred bitcoins may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect the value of the Fund's direct or indirect investment in the Grayscale Bitcoin Trust. Shares of the Grayscale Bitcoin Trust may trade at a premium or discount to the net asset value of the Grayscale Bitcoin Trust.

Short-Selling Risk: The Fund can sell securities short to the maximum extent permitted under the Investment Company Act of 1940 (the "1940 Act"). A short sale by the Fund involves borrowing a security from a lender which is then sold in the open market. At a future date, the security is repurchased by the Fund and returned to the lender. While the security is borrowed, the proceeds from the sale are deposited with the lender and the Fund may be required to pay interest and/or the equivalent of any dividend payments paid by the security to the lender. If the value of the security declines between the time the Fund borrows the security and the time it repurchases and returns the security to the lender, the Fund makes a profit on the difference (less any expenses the Fund is required to pay the lender). There is no assurance that a security will decline in value during the period of the short sale and make a profit for the Fund. If the value of the security sold short increases between the time that the Fund borrows the security and the time it repurchases and returns the security to the lender, the Fund will realize a loss on the difference (plus any expenses the Fund is required to pay to the lender). This loss is theoretically unlimited as there is no limit as to how high the security sold short can appreciate in value, thus increasing the cost of buying that security to cover a short position. The Fund may incur expenses in selling securities short and such expenses are investment expenses of the Fund.

Investments in Leveraged/Inverse ETFs and ETNs: The Fund may invest long or short in leveraged/inverse ETFs and ETNs. Leveraged/inverse ETFs and ETNs are designed for investors who seek leveraged long or leveraged inverse exposure, as applicable, to the daily performance of an index. These instruments do not guarantee any return of principal and do not pay any interest during their term. In general, investors will be entitled to receive a cash payment, upon early redemption or upon acceleration, as applicable, that will be linked to the performance of an underlying index, plus a daily accrual and less a daily investor fee. Investors should be willing to forgo interest payments and, if the index on which the ETF or ETN is based declines or increases, as applicable, be willing to lose up to 100% of their investment. In many instances a leveraged or inverse ETF or ETN will seek to provide an investor with a corresponding multiple of the index it tracks (e.g., a three times leveraged long ETF that tracks the S&P 500 Index seeks to provide investors with three times the positive rate of return of the S&P 500 Index on a daily basis). Such ETFs and ETNs are very sensitive to changes in the level of their corresponding index, and returns may be negatively impacted in complex ways by the volatility of the corresponding index on a daily or intraday basis.

Note 4 – Investment Advisory Agreement

The Fund entered in to an Investment Advisor Agreement (the "Agreement") with Horizon. Under the Agreement, Horizon is not paid an advisory fee on net assets less than \$25 million and thereafter will charge a management fee of 1.0% on net assets above \$25 million. Horizon performs certain services, including certain management, investment advisory and administrative services necessary for the operation of the Fund.

Note 5 – Fair Value Measurements

Investments are carried at fair value, as determined in good faith by Horizon, subject to the approval of the Fund's Board of Directors. The fair values reported are subject to various risk including changes in the equity markets, general economic conditions, and the financial performance of the companies. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the accompanying financial statements could change materially in the near term.

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

The Fund generally invests in common securities, preferred securities, convertible and nonconvertible debt securities, and warrants. These securities may be unregistered and thinly-to-moderately traded. Generally, the Fund negotiates registration rights at the time of purchase and the portfolio companies are required to register the shares within a designated period, and the cost of registration is borne by the portfolio company.

On a daily basis, as is necessary, Horizon prepares a valuation to determine fair value of the investments of the Fund. The Board of Directors approves the valuation on a quarterly basis. Interim board involvement may occur if material issues arise before quarter end. The valuation principles are described below.

Unrestricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price on the date of valuation. Thinly traded unrestricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price on the date of valuation, less a marketability discount as determined appropriate by the Fund Managers and approved by the Board of Directors.

Restricted common stock of companies listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued based on the quoted price for an otherwise identical unrestricted security of the same issuer that trades in a public market, adjusted to reflect the effect of any significant restrictions.

The unlisted preferred stock of companies with common stock listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market is valued at the closing price of the common stock into which the preferred stock is convertible on the date of valuation.

Debt securities are valued at fair value. The Fund considers, among other things, whether a debt issuer is in default or bankruptcy. It also considers the underlying collateral. Fair value is generally determined to be the greater of the face value of the debt or the market value of the underlying common stock into which the instrument may be converted.

The unlisted in-the-money options or warrants of companies with the underlying common stock listed on an exchange, such as the NYSE or NASDAQ, or in the over-the-counter market are valued at fair value (the positive difference between the closing price of the underlying common stock and the strike price of the warrant or option). An out-of-the money warrant or option has no value; thus the Fund assigns no value to it.

Investments in privately held entities are valued at fair value. If there is no independent and objective pricing authority (i.e., a public market) for such investments, fair value is based on the latest sale of equity securities to independent third parties. If a private entity does not have an independent value established over an extended period of time, then the Investment Advisor will determine fair value on the basis of appraisal procedures established in good faith and approved by the Board of Directors.

The Fund follows the provisions of Accounting Standards Codification ASC 820, Fair Value Measurements, under which the Fund has established a fair value hierarchy that prioritizes the sources (“inputs”) used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1 inputs); observable inputs based on corroboration with available market data (Level 2 inputs); and unobservable inputs based on uncorroborated market data or a reporting entity’s own assumptions (Level 3 inputs).

The following table shows a summary of investments measured at fair value on a recurring basis classified under the appropriate level of fair value hierarchy as of December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|----------------------|-------------|------------------|----------------------|
| Assets | | | | |
| Convertible Bonds | \$ — | \$ — | \$ — | \$ — |
| Common Equities | 7,175,742 | — | — | 7,175,742 |
| Exchange Traded Funds | 5,138 | — | — | 5,138 |
| Money Market Funds | 4,666,513 | — | — | 4,666,513 |
| Preferred Stocks | — | — | 50,000 | 50,000 |
| Total Investments | <u>\$ 11,847,393</u> | <u>\$ —</u> | <u>\$ 50,000</u> | <u>\$ 11,897,393</u> |

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|---------------|-------------|-------------|---------------|
| Liabilities | | | | |
| Securities Sold Short | | | | |
| Exchange Traded Funds | \$ 675 | \$ — | \$ — | \$ 675 |
| Total Liabilities | <u>\$ 675</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 675</u> |

Following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining value:

| | Value |
|--|------------------|
| Beginning balance December 31, 2019 | \$ — |
| Transfers into Level 3 during the period | — |
| Change in unrealized appreciation/(depreciation) | (181,736) |
| Total realized gain/(loss) | — |
| Purchases | 50,000 |
| Sales | — |
| Return of capital distributions | 181,736 |
| Transfers out of Level 3 during the period | — |
| Ending balance December 31, 2020 | <u>\$ 50,000</u> |

Investments in portfolio companies are being classified as Level 3. At December 31, 2020, Petrohunter Energy Corporation was valued at \$0 due to bankruptcy proceedings and thus qualifies as a Level 3 security. Also at December 31, 2020, Diamond Standard, Inc., was valued at \$50,000 given that the company is a private company and shares are illiquid, thus qualifying as a Level 3 security. The following table summarizes the valuation techniques and significant unobservable inputs used in determining fair value measurements for these investments classified as Level 3 as of December 31, 2020:

Quantitative Information about Level 3 Fair Value Measurements

| Portfolio Investment Company | Valuation Technique | Unobservable Input | Input Range | Valuation Weighted Average of Input | Value at 12/31/20 | Impact to Valuation from an Increase in Input* |
|--------------------------------|---------------------|-----------------------|-------------|-------------------------------------|-------------------|--|
| Petrohunter Energy Corporation | | | | | | |
| Convertible Bond | Asset Approach | Bankruptcy Recovery | \$ 0.00 | \$ 0.00 | \$ 0 | Increase |
| Common Stock | Asset Approach | Bankruptcy Recovery | \$ 0.00 | \$ 0.00 | \$ 0 | Increase |
| Diamond Standard, Inc. | | | | | | |
| Common Stock | Asset Approach | Precedent Transaction | \$ 6.00 | \$ 6.00 | \$ 50,000 | Increase |

* This column represents the directional change in the fair value of the Level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect.

The Fund has adopted a policy of recording any transfers of investment securities between the different levels in the fair value hierarchy as of the end of the year unless circumstances dictate otherwise.

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

Note 6 – Federal Income Tax Information

At December 31, 2020, gross unrealized appreciation and depreciation on investments and securities sold short, based on cost for federal income tax purposes were as follows:

| | |
|--|----------------|
| Cost of investments | \$ 18,077,088 |
| Gross unrealized appreciation | \$ 3,673,444 |
| Gross unrealized depreciation | (9,853,814) |
| Net unrealized depreciation on investments | \$ (6,180,370) |

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to investments in passive foreign investment companies (PFICs).

GAAP requires that certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended December 31, 2020, permanent differences in book and tax accounting have been reclassified to paid-in capital and distributable earnings/(deficit) as follows:

| Increase (Decrease) | |
|---------------------|--------------------------------|
| Paid-in Capital | Distributable Earnings/Deficit |
| \$ (157,997) | \$ 157,997 |

As of December 31, 2020, the components of accumulated earnings/(deficit) on a tax basis were as follows:

| | |
|--|-----------------|
| Undistributed ordinary income | \$ — |
| Undistributed long-term capital gains | — |
| Tax accumulated earnings | — |
| Accumulated capital and other losses | (13,368,455) |
| Net unrealized depreciation on investments | (6,180,370) |
| Net unrealized appreciation on foreign currency translations | 2 |
| Total accumulated deficit | \$ (19,548,823) |

As of December 31, 2020, the Fund had accumulated capital loss carryforwards as follows:

Not subject to expiration:

| | |
|------------------|---------------|
| Short-term | \$ 184,411 |
| Long-term | 13,160,229 |
| | \$ 13,344,640 |

To the extent that a fund may realize future net capital gains, those gains will be offset by any of its unused capital loss carryforward. Future capital loss carryforward utilization in any given year may be subject to Internal Revenue Code limitations.

There were no distributions during the years ended December 31, 2020 and 2019.

Note 7 – Investment Transactions

For the year ended December 31, 2020, purchases and sales of investments, excluding short-term investments, were \$442,913 and \$7,828, respectively. Securities sold short and short securities covered were \$6,470 and \$22,497, respectively, for the same period.

RENN FUND, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2020

Note 8 – Borrowings

The Fund has entered into a margin agreement with Fidelity Brokerage Services, LLC, which allows the Fund to borrow money. The margin agreement is not made for any specific term or duration but is due and payable at the brokerage firm's discretion. The Fund has a policy allowing it to borrow not more than 33% of the Fund's Net Asset Value as of the time of borrowing for purposes of taking advantage of investments deemed to be in the best interest of the Fund or to borrow such amounts as deemed necessary and prudent as a temporary measure for extraordinary or emergency purposes. Federal regulations under the 1940 Act require that the Fund maintain asset coverage in relation to any borrowed amount.

The average interest rate, average loan balance, maximum outstanding and amount recorded as interest expense for the Fidelity Brokerage Services LLC margin account for the 6 days the Fund had outstanding borrowings were 2.61%, \$1,247,184, \$1,247,184 and \$543, respectively. At December 31, 2020 the Fund had no outstanding borrowings under the margin account.

Note 9 – Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

Note 10 – Capital Share Transactions

On February 14, 2019, the Fund issued 1,487,989 new common shares in connection with a rights offering. Stockholders of record date December 28, 2018 were issued non-transferable rights for every share owned on that date. The rights entitled the stockholders to purchase one new common share for every three rights held, not including additional subscription privileges.

The subscription price was equal to lesser of (i) 105% of average closing NAV per share over the three days of trading leading up to and including the expiration of the expiration Date and (ii) 90% of the average closing market price per share over the three days of trading leading up to and including the expiration Date. The final subscription price was \$1.47 per share, which resulted in proceeds to the Fund of \$2,187,343. Horizon paid all expenses relating to the offering.

Note 11 – COVID-19 Risks

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. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund, including political, social and economic risks. Any such impact could adversely affect the Fund's performance, the performance of the securities in which the Fund invests and may lead to losses on your investment in the Fund. The ultimate impact of COVID-19 on the financial performance of the Fund's investments is not reasonably estimable at this time.

Note 12 – Events Subsequent to the Fiscal Period End

The Fund has adopted financial reporting rules regarding subsequent events which require an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. Management has evaluated the Fund's related events and transactions that occurred through the date of issuance of the Fund's financial statements. There were no events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements.

RENN FUND, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
of RENN Fund, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of RENN Fund, Inc. (the “Fund”), including the consolidated schedule of investments, as of December 31, 2020, the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, the consolidated statement of cash flows for the year then ended, and the consolidated financial highlights for each of the four years in the period then ended (consolidated for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 only), and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Fund as of December 31, 2020, the consolidated results of its operations for the year then ended, the consolidated changes in its net assets for each of the two years in the period then ended, the consolidated cash flows for the year then ended, and the consolidated financial highlights for each of the four years in the period then ended (consolidated for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 only), in conformity with accounting principles generally accepted in the United States of America. The financial highlights for the year ended December 31, 2016 have been audited by other auditors, whose report dated February 28, 2017 expressed an unqualified opinion on such financial highlights.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund’s auditor since 2017.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and brokers or through other appropriate audit procedures where replies from brokers were unable to be obtained. We believe that our audits provide a reasonable basis for our opinion.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 1, 2021

RENN FUND, INC.

OTHER INFORMATION

DECEMBER 31, 2020 (UNAUDITED)

Quarterly Reports

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-PORT. A copy of each such Form N-PORT is available on the SEC’s website at www.sec.gov.

Proxy Voting Policies and Procedures

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, upon request by calling collect (646) 495-7330. You may also obtain the description on the Fund’s website at www.horizonkinetics.com

Portfolio Proxy Voting Records

The Fund’s record of proxy voting regarding portfolio securities is presented each year for the 12-month period ended June 30. It is filed with the SEC on Form N-PX and is available by calling collect (646) 495-7330 and on the SEC’s website at www.sec.gov.

Matters Submitted for Shareholder Votes

During the year covered by this report, issues were presented to the shareholders for their vote at a Meeting of Shareholders on September 15, 2020.

The record date for determination of shareholders entitled to vote was July 24, 2020. As of the record date there were outstanding 5,951,956 shares of the Fund’s Common Stock, constituting all of the outstanding voting securities of the Fund. Each such share was entitled to one vote. At the Meeting, the holders of 4,210,712 shares, or 70.75%, of the Fund’s Common Stock were represented in person or by proxy, constituting a quorum.

For all Proposals, percentages shown are based on the number of the outstanding voting securities of the Fund. The issues presented and the results of the voting thereon are as follows:

Proposal One - At the Annual Meeting, a vote by ballot was taken to elect Alice C. Brennan as a Class One Director of the Fund, who is to hold office for a term of three (3) years or until her successor is elected and qualified. The Inspector of Elections conducted the voting and counted and determined the number of shares of Common Stock voted in the election of the director and do hereby declare and certify that votes cast in the election of the director were as follows:

Nominee: Alice C. Brennan

Votes For
4,052,946.103 (68.09%)

Votes
Against
53,512 (0.90%)

Votes
Abstaining
104,253 (1.75%)

Broker
Non-Votes
0

RENN FUND, INC.

OTHER INFORMATION (CONTINUED)

DECEMBER 31, 2020 (UNAUDITED)

Proposal Two - At the Annual Meeting, a vote by ballot was taken to elect Eric Sites as a Class One Director of the Fund, who is to hold office for a term of three (3) years or until his successor is elected and qualified. The Inspector of Elections conducted the voting and counted and determined the number of shares of Common Stock voted in the election of the director and do hereby declare and certify that votes cast in the election of the director were as follows:

Nominee: Eric Sites

Votes For
3,561,712.103 (59.84%)

Votes
Against
544,744 (9.15%)

Votes
Abstaining
104,253 (1.75%)

Broker
Non-Votes
0

Proposal Three - At the Annual Meeting, a vote by ballot was taken for the ratification of the appointment by the Fund's Board of Directors of Tait, Weller & Baker LLP, as the auditor of the Fund for the fiscal year ended December 31, 2020. The Inspector of Elections conducted the voting and counted and determined the number of shares of Common Stock voted with respect to the proposal and do hereby declare and certify that the votes cast for the ratification of the appointment by the Fund's Board of Directors of Tait, Weller & Baker LLP, as the auditor of the Fund for the fiscal year ended December 31, 2020 were as follows:

Votes For
4,134,095.103 (69.46%)

Votes Against
1,477 (0.02%)

Votes
Abstaining
75,139 (1.26%)

Dividend Reinvestment Plan

Pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a stockholder whose shares are registered in his or her own name will be deemed to have elected to have all dividends and distributions automatically reinvested in Fund shares unless he or she elects otherwise on a current basis. Stockholders whose shares are held in nominee names will likewise be treated as having elected to have their dividends and distributions reinvested. You may elect to receive cash distributions, net of withholding tax, by requesting an election form from the Fund's Plan Agent, American Stock Transfer & Trust Co. You may terminate participation by notifying the Plan Agent in writing. If notice is received by the Plan Agent not less than 10 days prior to any dividend or distribution it will be effective immediately. Information regarding income tax consequences should be directed to your tax consultant – the Plan will furnish information by January 31 following the year of distribution as to the category of income that the distributions represent. Your questions regarding the Plan should be directed to the Fund's Plan Agent, American Stock Transfer & Trust Company, LLC., whose telephone number is (718) 921-8200 extension 6412 and whose address is 6201 15th Ave, Brooklyn, NY 11219-5498.

RENN FUND, INC.

OTHER INFORMATION (CONTINUED)

DECEMBER 31, 2020 (UNAUDITED)

Consideration of the Investment Advisory Agreement

At a meeting of the Board of Directors held on June 16, 2020, the Directors, by a unanimous vote (including a separate vote of those Directors who are not “interested persons” (as the term is defined in the 1940 Act), approved the Investment Advisory Agreement (“Advisory Agreement”) for the Renn Fund, Inc.

In approving the Advisory Agreement, the Fund’s Board of Directors reviewed certain materials furnished by Horizon Kinetics Asset Management LLC (“Horizon Kinetics”), which included information on Horizon Kinetics’ investment approach, including the strategy for the Fund. In approving the Advisory Agreement, the Board of Directors considered a number of factors, including those described below. In light of the broad scope of factors and information considered, the Directors did not find it practicable to quantify or assign relative weights to the specific factors. The approval determinations were made on the basis of each Director’s business judgment after consideration of all the factors taken as a whole, although individual directors may have given different weights to certain factors and assigned various degrees of materiality to factors considered. Among other things, the Board considered the following matters and reached the following conclusions:

Nature, Extent and Quality of Investment Advisory Services. The Board, including the independent Directors, considered the nature, extent and quality of investment advisory services to be provided by Horizon Kinetics to the Fund. The Board reviewed the personnel and resources of Horizon Kinetics, including the education and experience of its investment professionals, and concluded that the services to be provided by Horizon Kinetics are appropriate and that the Fund is likely to benefit from the same.

Investment Performance. The Board reviewed the historical performance of the Fund and compared such prior performance with the performance of comparable advisers and investment companies. Although Horizon Kinetics does not currently manage any investment funds similar in size and scope to the Fund, the Board concluded that the favorable performance of Horizon Kinetics demonstrated by such comparisons was an important factor in their evaluation of the quality of services expected to be provided by Horizon Kinetics under the Advisory Agreement.

Costs of the Services Provided to the Fund. The Board considered comparative data from publicly available information with respect to services rendered and the advisory fees paid to investment advisors of other investment companies with similar investment objectives. The Board also considered the Fund’s operating expenses and expense ratio compared to such other companies, as well as how those might change as a result of the Advisory Agreement. Based on its review, the Board concluded that the fee structure under the Advisory Agreement was extremely favorable for shareholders given that the Fund does not pay any management fee on net assets less than \$25 million. As of December 31, 2019, the Fund’s net assets were approximately \$12.3 million. The Board also considered whether any indirect benefits would be expected to be realized by Horizon Kinetics from its relationship with the Fund. Although the terms of the proposed Investment Advisory Agreement contemplate that Horizon Kinetics may enter into “soft dollar” arrangements with non-affiliate brokers or dealers, as is typical in the industry, Horizon Kinetics has informed the Board that its current policies do not permit Horizon Kinetics to enter into such arrangements.

Profitability of the Investment Adviser. The Board reviewed the financial condition of Horizon Kinetics, which it determined to be sound, and the expected profitability of Horizon Kinetics as the Fund’s investment adviser, and concluded that the lack of management fees payable to Horizon Kinetics currently and the management fees that would be payable to Horizon Kinetics if assets were to increase above \$25 million were reasonable taking into account the fees charged by other advisers for managing comparable investment companies.

Conflicts of Interest. The Board evaluated the potential for conflicts of interest and considered such matters as the experience and ability of the advisory personnel that will be assigned to the Fund; the basis of decisions to buy or sell securities for the Fund; and the substance and administration of Horizon Kinetics’ Code of Ethics. The Board concluded that Horizon Kinetics’ standards and practices relating to the identification and mitigation of possible conflicts of interests were satisfactory and reasonable in light of its business.

Based on the information provided to the Board and its evaluation thereof, the Board, including a majority of independent directors, voted to approve the Advisory Agreement.

RENN FUND, INC.
DIRECTORS AND OFFICERS
DECEMBER 31, 2020 (UNAUDITED)

Interested Directors and Officers:

| Name, Age and Address | Positions Held | Term of Office⁽¹⁾ and Length of Service | Position(s) Held with the Fund, Principal Occupation(s) Current Portfolios in Fund During Past 5 Years, and Other Directorships |
|--|---|---|---|
| Murray Stahl 470 Park Avenue South, New York, New York 10016 Age: 67 | Class Three Director of the Fund, President, Chief Executive Officer, Chairman of the Board | Since July 2017 | Chairman, Chief Executive Officer and Chief Investment Strategist of Horizon Kinetics LLC (including Horizon Asset Management LLC since 1994; Kinetics Asset Management LLC and Kinetics Advisers, LLC since 2000) (Principal occupation). <i>Other Directorships:</i> Director, MSRH, LLC (2013-Present); Chairman, the FRMO Corp. (OTC Pink: FRMO) (2001 – Present); Director, Kinetics Mutual Funds, Inc. (2000 – Present); Director, Bermuda Stock Exchange (2014 – Present); Chairman, Minneapolis Grain Exchange (2013-Present); Director, Winland Electronics, Inc. (2015-2020); Director, IL&FS Securities Services Ltd (2008-2020); Director, Texas Pacific Land Corporation (2021-Present). |
| Russell Cleveland ¹ 11520 North Central Expressway, Suite 162, Dallas, Texas 75243. Age: 82 | Class Three Director of the Fund | Since 1994 | Director of AnchorFree, Inc. (2012 – 2018); Director of iSatori, Inc., formerly a Portfolio company (Nutraceutical Preparations) (2003 – 2015); Director of Cover-All Technologies, Inc., a non- portfolio public company (Insurance Software Licensing and Maintenance) (2003 – 2015); Director of Access Plans, Inc. (Direct Mail and Advertising) (2008-2009); Director of BPO Management Services, Inc. (Business Process Outsourcing) (2006-2011); Director of CaminoSoft (Systems Software) (2004-2011) Director, RENN Universal Growth Investment Trust, PLC (1994-2015). |
| Eric Sites 470 Park Avenue South, New York, New York 10016 Age: 42 | Class One Director of the Fund | Since July 2017 | Portfolio Manager, Horizon Kinetics LLC (including Horizon Asset Management LLC, Kinetics Asset Management LLC and Kinetics Advisers, LLC) (Principal occupation) (2004-Present); Director, Bermuda Stock Exchange (2016-Present); Director, IL&FS Securities LTD (2020-Present). |

Independent Directors

| Name, Age and Address | Positions Held | Term of Office⁽¹⁾ and Length of Service | Principal Occupation(s) During Past 5 Years |
|---|--------------------------------------|---|---|
| Alice C. Brennan 470 Park Avenue South, New York, New York 10016 Age: 68 | Class One Director of the Fund | Since July 2017 | Independent Consultant (legal and compliance risk oversight) (2014-Present); Associate General Counsel, Chief Compliance Officer & Chief Trademark and Copyright Counsel, Verizon Wireless (2000-2014). |

RENN FUND, INC.

DIRECTORS AND OFFICERS (CONTINUED)

DECEMBER 31, 2020 (UNAUDITED)

| Name, Age and Address | Positions Held | Term of Office⁽¹⁾ and Length of Service | Principal Occupation(s) During Past 5 Years |
|---|--------------------------------------|---|---|
| Herbert M. Chain 470 Park Avenue South, New York, New York 10016 Age: 68 | Class Two Director of the Fund | Since July 2017 | Senior Director, Marks Paneth (2020-present); Assistant Professor and Executive Director, Center for Executive Education, St. John's University (2017-2020); Founder and Managing Member, HMC Business Consulting LLC (financial reporting and controls) (2015-Present); Adjunct Professor, St. John's University (2011-2017; 2020-present); Adjunct Instructor, New York University (2015-2016); Audit Partner, Deloitte & Touche LLP (1988-2015). |

Other Officers

| Name, Age and Address | Positions Held | Term of Office⁽¹⁾ and Length of Service | Principal Occupation(s) During Past 5 Years |
|---|---|---|---|
| Jay Kesslen 470 Park Avenue South, New York, New York 10016 Age: 48 | Vice-President, Chief Compliance Officer | Since July 2017 | General Counsel, Horizon Kinetics LLC (including Horizon Asset Management LLC, Kinetics Asset Management LLC and Kinetics Advisers, LLC, each a SEC registered investment adviser) (Principal occupation) (2011-Present); Chief Compliance Officer, Horizon Kinetics LLC (2015-2016). General Counsel, the FRMO Corp. (OTC Pink: FRMO) (2014-Present). |
| Hugh Ross 470 Park Avenue South, New York, New York 10016 Age: 53 | Treasurer | Since July 2017 ⁽²⁾ | Chief Operating Officer, Horizon Kinetics LLC (including Horizon Asset Management LLC, Kinetics Asset Management LLC and Kinetics Advisers, LLC, each a SEC registered investment adviser) (Principal occupation) (2011-Present). |
| Russell Grimaldi 470 Park Avenue South, New York, New York 10016 Age: 41 | Secretary | Since July 2017 | Chief Compliance Officer, Horizon Kinetics LLC (including Horizon Asset Management LLC, Kinetics Asset Management LLC and Kinetics Advisers, LLC, each a SEC registered investment adviser) (Principal occupation) (2017-Present); Associate General Counsel, Horizon Kinetics LLC (2011-Present). |

⁽¹⁾ Mr. Cleveland is currently considered an "interested person" of the Fund as defined by Section 2(a)(19) of the 1940 Act by virtue of being a Director and limited partner in the Cleveland Family Limited Partnership, which owns more than 5% of the Fund's securities.

⁽²⁾ Subsequent to period end on January 31, 2021, Mr. Ross resigned from his position.

RENN FUND, INC.

SERVICE PROVIDERS

DECEMBER 31, 2020 (UNAUDITED)

Corporate Offices

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New York, NY 10016
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Website: www.rencapital.com

Registrar and Transfer Agent

American Stock Transfer &
Trust Company, LLC
6201 15th Ave.
Brooklyn, NY 11219
Phone: (877) 749-4980 extension 6412

Fund Administrator

UMB Fund Services
235 W. Galena Street
Milwaukee, WI 53212-3949
Phone: (414) 299-2200

Independent Registered Public Accounting Firm

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