

**ALPHA QUEST FUNDS SICAV p.l.c.**

**Interim Combined Financial Statements**

**For the period from 01 January 2018 to 30 June 2018**

Company Registration Number: SV 430

# ALPHA QUEST FUNDS SICAV p.l.c.

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## Directors, Officers and other information

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Directors	Dr. Frank Chetcuti Dimech Mr. Joseph Xuereb Mr. Michal Kosac (appointed on 11 September 2017) Mr. Adrian Galea (resigned on 30 September 2017)
Registered Office	Level 1 Blue Harbour Business Centre Ta' Xbiex Yacht Marina Ta' Xbiex XBX 1027 Malta
Company Registration Number	SV430
Administrator and Registrar	Amicorp Fund Services Malta Limited Level 1 Blue Harbour Business Centre Ta' Xbiex Yacht Marina Ta' Xbiex XBX 1027 Malta
Company Secretary	Amicorp Services Limited Level 1 Blue Harbour Business Centre Ta' Xbiex Yacht Marina Ta' Xbiex XBX 1027 Malta
Investment Committee	Mr. Joseph Xuereb Mr. Michal Kosac (appointed on 11 September 2017) Mr. Joseph Formosa Mr. Mark L. Zammit (resigned on 11 September 2017)
Custodian	Bank of Valletta p.l.c. BOV Centre Cannon Road Santa Venera SVR9030 Malta
Statutory Auditors	KPMG Portico Building Marina Street Pieta PTA 9044 Malta

# Alpha Quest Funds SICAV p.l.c.

## Statement of Financial Position

As at 30 June 2018

		Alpha Quest Funds SICAV p.l.c. 30.06.18 EUR	Alpha Quest Balanced Fund 30.06.18 EUR	Alpha Quest Opportunity Fund 30.06.18 EUR
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	(1,502,242)	772,174	(2,709,163) 434,747
Financial assets at fair value through profit or loss	11	13,387,569	-	6,690,404 6,697,165
Due from sub-funds		2,578,287	2,191,021	387,266
Management and performance fee receivable		893,369	893,369	-
Restitution points	12	66,507,678	-	49,949,091 16,558,587
Loan receivable		1,154,601	-	1,154,601
Interest receivable		226,915	-	175,088 51,827
Receivable from Government of Romania		6,054,111	6,054,111	-
Receivable from "A" Class Shareholders		454,396	454,396	-
<b>Total assets</b>		<b>89,754,684</b>	<b>10,365,071</b>	<b>55,647,287 23,742,326</b>
<b>Equity and Liabilities</b>				
<b>Share Capital and Reserves</b>				
Share capital	6	1,100	1,100	-
<b>Total equity</b>		<b>1,100</b>	<b>1,100</b>	<b>-</b>
<b>Current liabilities</b>				
Bonds issued and interest payable	13	39,466,459	-	39,466,459
Administration fees payable	14	10,418	-	3,959 6,459
Audit fees payable		5,454	-	2,727 2,727
Management fees payable	14	628,979	-	285,539 343,440
Performance fees payable	14	2,004,477	-	1,287,504 716,973
Other payables	14	92,507	5,280	27,391 59,836
Due to sub-funds		10,745,957	10,358,691	387,266
Due to SICAV		6,993,409	-	4,876,221 2,117,188
<b>Total liabilities</b>		<b>59,947,660</b>	<b>10,363,971</b>	<b>45,949,800 3,633,889</b>
<b>Net assets attributable to holders of redeemable shares</b>	7	<b>29,805,924</b>	<b>-</b>	<b>9,697,487 20,108,437</b>
<b>Total Equity and Liabilities</b>		<b>89,754,684</b>	<b>10,365,071</b>	<b>55,647,287 23,742,326</b>

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 12 to 30 were approved and authorised for issue by the Board of Directors on 25 September 2018 and were signed on its behalf by:



Mr. Michal Kosac  
Director



Dr. Frank Chetcuti Dimech  
Director

**Alpha Quest Funds SICAV p.l.c.**  
**Statement of Comprehensive Income**

**For the period from 1 January 2018 to 30 June 2018**

		Alpha Quest Funds SICAV p.l.c. 30.06.18 EUR	Alpha Quest Balanced Fund 30.06.18 EUR	Alpha Quest Opportunity Fund 30.06.18 EUR
	Note	Combined 30.06.18 EUR	EUR	EUR
<b>Income</b>				
Net gains/(losses) on financial assets at fair value through profit or loss		691,285	-	774,612
Net gains on restitution points		4,848,172	-	1,341,457
Net loss on foreign exchange		369,737	-	(288,242)
Interest income	15	58,047	-	2,367
Income from management and performance fees	14	-	-	-
<b>Net investment income</b>		<b>5,967,241</b>	<b>-</b>	<b>1,830,194</b>
<b>Expenditure</b>				
Administration fees	14	(13,918)	-	(6,959)
Audit fees		(27,318)	-	(13,659)
Directors and investment committee fees	8	(14,876)	-	(7,438)
Performance fees	14	(1,498,588)	-	(356,783)
Professional fees		(66,858)	-	(58,429)
Management fees	14	(320,439)	-	(147,012)
Interest expense	16	(939,337)	-	-
Other operating expenses	17	(611,414)	-	(146,200)
<b>Total operating expenses</b>		<b>(3,492,748)</b>	<b>-</b>	<b>(736,480)</b>
<b>Profit for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in net assets attributable to holders of redeemable shares</b>		<b>2,474,493</b>	<b>-</b>	<b>1,093,714</b>

The accompanying notes are an integral part of these financial statements.

## Alpha Quest Funds SICAV p.l.c.

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

For the period from 1 January 2018 to 30 June 2018

	Alpha Quest Balanced Fund 30.06.18 EUR	Alpha Quest Opportunity Fund 30.06.18 EUR
<b>Net assets as at the beginning of the period attributable to holders of redeemable shares</b>	<b>8,316,708</b>	<b>24,173,884</b>
Issue of redeemable shares during the period	-	638,952
Redemption of redeemable shares during the period	-	(5,798,113)
<b>Transactions with holders of redeemable shares</b>	<b>-</b>	<b>(5,159,161)</b>
 (Decrease)/increase in net assets attributable to holders of redeemable shares	 <b>1,380,779</b>	 <b>1,093,714</b>
<b>Net assets as at the end of the period attributable to holders of redeemable shares</b>	<b>9,697,487</b>	<b>20,108,437</b>

The accompanying notes are an integral part of these financial statements.

**Alpha Quest Funds SICAV p.l.c.**  
**Statement of Changes in Equity**

**For the period from 1 January 2018 to 30 June 2018**

	<b>Share Capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>30.06.18</b>	<b>30.06.18</b>	<b>30.06.18</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Balance as at the beginning of the period	<u>1,100</u>	-	<u>1,100</u>
<b>Transaction with owners</b>			
Issue of share capital	-	-	-
<b>Comprehensive income</b>			
Profit for the period	-		-
Dividends declared	-		-
<b>Balance as at the end of the period</b>	<u><u>1,100</u></u>	<u><u>-</u></u>	<u><u>1,100</u></u>

The accompanying notes are an integral part of these financial statements.

**Alpha Quest Funds SICAV p.l.c.**  
**Statement of Cash Flows**  
**For the period from 1 January 2018 to 30 June 2018**

	Combined 06.30.18 EUR	Alpha Quest Funds SICAV p.l.c. 06.30.18 EUR	Alpha Quest Balanced Fund 06.30.18 EUR	Alpha Quest Opportunity Fund 06.30.18 EUR
<b>Cash flows from operating activities</b>				
Operating expenses paid	(887,995)	-	(563,299)	(324,696)
Performance fee and management fee received from sub-funds	-	-	-	-
Interest received	-	-	-	-
Received from SICAV	472,053	-	-	472,053
Paid for other sub fund & SICAV	-	-	-	-
Purchase of investments	(32,046,462)	-	(14,873,005)	(17,173,457)
Sale of investments	12,308,204	-	3,857,551	8,450,653
<b>Net cash (outflows)/inflows from operating activities</b>	<b>(20,154,200)</b>	<b>-</b>	<b>(11,578,753)</b>	<b>(8,575,447)</b>
<b>Cash flows from financing activities</b>				
Issue of share capital	-	-	-	-
Redemption paid	-	-	-	(5,750,588)
Proceeds from issue of bonds	7,839,149	-	7,839,149	-
Loan Issued	-	-	(1,153,113)	-
Interest paid	(12,590)	-	(12,590)	-
Amounts received on subscription of shares	1,531,436	-	940,169	591,267
Dividend paid	-	-	-	-
<b>Net cash inflows from financing activities</b>	<b>9,357,995</b>	<b>-</b>	<b>7,613,615</b>	<b>(5,159,321)</b>
Net increase in cash and cash equivalents	(17,699,906)	-	(3,965,138)	(13,734,768)
Cash and cash equivalents at beginning of period	16,129,453	772,174	1,221,304	14,135,975
Effect of exchange rate fluctuations in cash and cash equivalents	68,211	-	34,671	33,540
<b>Cash and cash equivalents at end of period</b>	<b>(1,502,242)</b>	<b>772,174</b>	<b>(2,709,163)</b>	<b>434,747</b>

The accompanying notes are an integral part of these financial statements.



# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 1 Reporting entity

Alpha Quest Funds SICAV p.l.c. (the “Company”) is organized under the laws of Malta as an investment company with variable share capital (SICAV) incorporated in accordance with the terms of the Companies Act, 1995 (Chapter 386, Laws of Malta) on 28 November 2016, with registration number SV430. The Company is licensed and regulated by the Malta Financial Services Authority (“MFSA”) under the Investment Services Act (Chapter 370, Laws of Malta) as a Professional Investor Fund which targets Qualifying Investors as set out in the relevant Offering Supplement.

As at reporting date, the Company has constituted two sub-funds, the Alpha Quest Balanced Fund and the Alpha Quest Opportunity Fund (the “Sub-funds”), which were both licensed on 30 November 2016. The Sub-funds are not separate legal entities. During the period Alpha Quest Balanced Fund has issued bond which is listed on Prague Stock Exchange.

Collectively, the Company and the Sub-funds are referred to as the “Fund”.

### 2 Basis of preparation

#### 2.1 Statement of compliance

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) (the “applicable framework”). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU.

The first financial period-end of the Company in accordance with the terms of the Companies Act, 1995 (Chapter 386, Laws of Malta) is 31 December 2017.

Financial information of the Sub-funds is reported along with financial information of the Company in form of financial statements. “Combined” means that financial information of the Company and each Sub-fund stated separately is added together in another column of the combined financial statements and all intra-fund transactions and balances are not eliminated.

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, which are measured at their fair value.

#### 2.3 New standards and interpretations

A number of new standards, amendments to standards and interpretations have not yet become effective or have not yet been adopted by the EU for beginning of current reporting period and have thus not been applied in the preparation of these financial statements:

*IFRS 9 – Financial Instruments* (effective for accounting period beginning on or after 1 January 2018, to be applied retrospectively) issued in November 2009 contains new requirements regarding the classification and the measurement of financial assets. An amendment from October 2010 contains new requirements regarding the classification and the measurement of financial liabilities and derecognition. An amendment from November 2013 contains a new hedge accounting model. The final version of the standard was issued in June 2014. The key requirements are summarised below:

- In line with the IFRS 9 requirements regarding the classification and measurement, all recognised financial assets that currently fall under IAS 39 *Financial Instruments: Recognition and Measurement* will be subsequently measured either at amortised cost or at fair value. Specifically:
  - A debt instrument that is (i) held within a business model whose objective is to collect contractual cash flows, and (ii) that has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at amortised book value (less any impairments), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 2 Basis of preparation (Continued)

#### 2.3 New standards and interpretations (Continued)

- A debt instrument that is (i) held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) whose contractual terms of the financial asset on specified dates give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI) unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at fair value through profit or loss.
- Impairment requirements are based on the expected credit losses model (ECL), which replaces the incurred losses model under IAS 39.

The Fund has adopted IFRS 9 in the statutory financial statements for the reporting year beginning on 1 January 2018. The Directors assess that no significant impact is expected on the financial statements of the Fund as a result of adopting IFRS 9.

#### 2.4 Functional and presentation currency

The financial statements are presented in Euro (EUR), which is the functional currency of the Company, rounded to the nearest unit.

#### 2.5 Use of assumptions, estimates and judgements

The preparation of financial statements in conformity with IFRS requires the directors to make judgments, estimates and assumptions that affect both the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 *Presentation of Financial Statements*.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently throughout the period.

#### 3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income.

#### 3.2 Interest income and interest expense

Interest income comprises interest income on debt instruments. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Interest expense comprises interest expense on borrowings.

#### 3.3 Fees and commission expenses

Fees and commission expenses are recognised in the statement of comprehensive income as the related services are performed.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 3 Significant accounting policies (Continued)

#### 3.4 Restitution points

Investments in restitution points are measured initially at cost. For subsequent measurement on each valuation date, the discounted value approach was used as this was deemed to be the only applicable approach given the characteristics of the assets and the sub-fund's intention to enjoy the economic benefits from the assets by way of redeeming them through forward claims against the Romanian State which will be compensated in cash, over the next five years in equal tranches of 20% of the total number of points it owns. To estimate the discounted value of the assets, the discounted cash flow method was applied. To derive the present value of the cash flows arising from the compensation of the points, it was considered that the appropriate discount rate should be the effective interest rate.

#### 3.5 Financial instruments

##### 3.5.1 *Non-derivative financial assets*

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset. Other financial assets and financial liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when the Fund has a current legal enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### ***Derecognition***

A financial asset (or, where applicable a part of a financial asset) is derecognized where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

##### ***Classification***

The Fund classifies its financial assets and financial liabilities as mentioned below in accordance with IAS 39.

Financial assets at fair value through profit or loss:

- Designated at fair value through profit or loss upon initial recognition – debt instruments and mutual funds

Financial assets at amortised cost:

- Cash and cash equivalents and receivables.

Cash and cash equivalents comprise cash at bank with a contractual maturity of three months or less.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### **3 Significant accounting policies (Continued)**

#### **3.5 Financial instruments (Continued)**

##### **3.5.1 Non-derivative financial assets (Continued)**

Financial liabilities at amortised cost:

- Bond issued
- Other liabilities – other payables.

##### **3.5.2 Non-derivative financial liabilities**

The Fund initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

#### **3.6 Net gain/loss from financial instruments at fair value through profit or loss**

Net gain/loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

Net realised gain/loss from financial instruments at fair value through profit or loss is calculated using the average cost method.

#### **3.7 Redeemable shares**

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Sub-funds issue redeemable shares on every dealing day defined as 31 December of each year, which are redeemable at the holder's option on every dealing day as defined above. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Sub-funds at any time for cash equal to a proportionate share of the Sub-funds' net asset value attributable to the share class. The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Sub-funds.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Sub-funds' net asset value per share at the time of issue or redemption. The Sub-funds' net asset value per share is calculated by dividing the net assets attributable to the holders of each redeemable share with the total number of outstanding redeemable shares. In accordance with the provisions of the Sub-funds' regulations, investment positions are valued annually on 31 December based on the latest available dealing price for the purpose of determining the net asset value per share for subscriptions and redemptions.

#### **3.8 Taxation**

In terms of current Maltese fiscal legislation, collective investment schemes are classified as either 'prescribed' or 'non-prescribed' funds for income tax purposes. A collective investment scheme which declares that the value of its assets situated in Malta is less than eighty-five per cent of the value of its total assets is treated as a non-prescribed fund. On this basis, the Company qualifies as a non-prescribed fund for Maltese income tax purposes.

Accordingly, the Company should not be subject to Maltese income tax in respect of the income or gain derived by it, except in respect of any income from immovable property situated in Malta, if any. Capital gains, dividends, interest and any other income from foreign investments held by the Company may nonetheless be subject to tax imposed by the country of origin concerned and any such taxes may not be recoverable by the Company or by the members under Maltese domestic tax law. The sub-funds are not a legal personality, so taxation is applied on the Company, which includes also the sub-funds.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 3 Significant accounting policies (Continued)

#### 3.8 Taxation (Continued)

##### *Members resident in Malta*

Capital gains realised by Maltese resident investors on the redemption, liquidation or cancellation of units may be subject to a 15% withholding tax. However, the Maltese resident investors may request the Company not to effect the deduction of the said 15% withholding tax in which case the investor would be required to declare the gains in his income tax return and will be subject to tax at the normal rates of taxes.

##### *Members not resident in Malta*

Any gains accruing to members not resident in Malta upon the transfer of shares (including a redemption) or upon a distribution on a winding-up of the Company should not be subject to tax in Malta subject to certain conditions being satisfied.

The transfer of shares (including a redemption) and any distribution on a winding-up of the Company may result in a tax liability for the non-Maltese members according to the tax regime applicable in their respective countries of incorporation, establishment, residence, citizenship, nationality, domicile, or other relevant jurisdiction.

### 4 Format of the financial statements

In terms of Section 3(3) of the Third Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta) the layout, nomenclature and terminology of the items in these unaudited financial statements were adapted to the special nature of the Company. The profit and loss is referred to as the Statement of Comprehensive Income.

### 5 Cash and cash equivalents

Cash and cash equivalents as disclosed in the Statement of Cash Flows comprise cash at bank as follows:

In EUR	30.06.2018	31.12.2017
Alpha Quest Fund SICAV p.l.c.	772,174	772,174
Alpha Quest Balanced Fund	(2,709,163)	1,221,304
Alpha Quest Opportunity Fund	434,737	14,135,975

### 6 Share capital

The Company's share capital is represented by the Founder Shares. The Founder shares were issued at EUR 1 each and carry the right to one vote each and shall be the only share classes in the Company carrying voting rights.

As at period end, the Company had EUR 1,100 issued share capital comprising of 1,100 fully paid-up shares being subscribed as follows:

- Joseph Xuereb 1,000 Voting Founder shares.
- Fraternity Capital 50 'A' Ordinary shares
- Ovidiu Fer. 50 'A' Ordinary shares

### 7 Redeemable shares

Redeemable shares outstanding are represented by "Investor Shares" issued for each of the Sub-funds separately. The Investor shares do not carry any voting rights.

The maximum number of authorised investor shares of the Fund is five billion (5,000,000,000) shares without any nominal value assigned to them, which may be issued as shares of any class representing the Sub-funds.

The Redeemable shares of the Sub-funds as at 30 June 2018 are as follows:

Name of Sub Fund	No. of Shares	Redeemable shares value
Alpha Quest Balanced Fund	8,067.0303	9,697,487
Alpha Quest Opportunity Fund	16,129.5596	20,108,437

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 7 Redeemable shares (continued)

The Redeemable shares of the Sub-funds as at 31 December 2017 are as follows:

Name of Sub Fund	No. of Shares	Redeemable shares value
Alpha Quest Balanced Fund	7,954.466	EUR 8,316,708
Alpha Quest Opportunity Fund	20,466.073	EUR 24,173,884

These shares resulted from subscriptions during the period and there were no redemptions during the period.

### 8 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

#### *Identity of related parties*

The Company has a related party relationship with its founder shareholder and director, Mr. Joseph Xuereb, who is also part of the Investment Committee of the Fund. The Company and the sub-funds have also entered into transactions between themselves during the period.

#### *Related party transactions and balances*

The related party transactions entered during the period 1 January 2018 to 30 June 2018 are mentioned below:

- Alpha Quest Balanced Fund and Alpha Quest Opportunity Fund have paid directors and investment committee fees of EUR 7,438 each.
- Alpha Quest Opportunities Fund has received 112 shares of Alpha Quest Balanced Funds due to Equalization.
- Alpha Quest Balanced Fund incurred Management fees of EUR 173,427, which is yet to be paid. The Fund also incurred Performance fees of EUR 1,141,805, which is yet to be paid.
- Alpha Quest Opportunity Fund incurred Management fees of EUR 147,012, which is yet to be paid. The Fund also incurred Performance fees of EUR 356,783, which is yet to be paid.

Reference is also to be made to the Statement of Changes in Equity for transactions with founder shareholders and note 6.

### 9 Investment risk management

The Company is established as an investment company with variable share capital (SICAV) which implies that financial instruments are extensively used in the course of its routine business. The type of financial instruments in which the Fund may invest is regulated by its Offering Memorandum and Offering Supplements investments restrictions.

The Company is an investment vehicle designed to specifically achieve different investment objectives through its sub-funds.

#### **Investment objective**

The investment objective of both Sub-Funds is to achieve capital appreciation primarily through investments in points representing entitlement to immovable property located in Romania with the purpose of redeeming the points so acquired into cash or re-selling the immovable property so acquired. Such investments are derived from indemnification decisions issued by the Romanian Government – National Commission for Real Estate Indemnifications, based on Law no. 165/2013 (“the Romanian Law”) regarding the measures for the completion of the restitution process, in kind or in equivalent, of the properties unlawfully seized during the Romanian communist regime, as subsequently amended. The Romanian law provides that where restitution in kind to the former owners is not possible, the restitution request is settled by granting compensation in the form of points (hereinafter “Points”), with each point having a value of one Romanian Leu (RON 1). Starting from 1 January 2017, persons obtaining such points may use them in order to acquire immovable property

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 9 Investment risk management (continued)

from a National Fund by public auction or, for a period of five (5) years, to redeem them into cash up to a maximum of 20% of the nominal value of Points per annum. There is no time-limit for utilizing Points to acquire immovable property by public auction. The Points will be acquired on the secondary market from existing owners through a notarial deed executed and registered in Romania.

If Points are redeemed at public auctions, the Sub-fund will not enter into any co-ownership deal and will only acquire individual properties in their entirety. Nonetheless, the objective of the sub-funds is to redeem points for cash. No Points will be acquired from any of the members of the Investment Committee and/ or any related parties to the Company.

The Sub-funds may also invest in government and corporate bonds in developed markets.

The Sub-funds may also enter into agreements with third party banks that desire to issue fixed income products linked to the Sub-fund's underlying assets and issue fixed income securities. The Sub-funds may from time to time invest unutilized cash in bonds and currency swaps. Such investments may be with various entities in various markets or industries and in different geographical locations, without limitation. Depending on market conditions, the Sub-fund may also from time to time invest in cash or money market instruments for liquidity purposes.

The Sub-funds are also exposed to market, credit and liquidity risks. This note presents information about the sub-fund's exposure to these risks, the objectives, policies and process for measuring and managing risk and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

### 9.1 Market risk

Market risk arises when changes in foreign exchange rates or equity prices affect the positions held by the Fund. The Fund does not regard either interest rate or commodity risks as material in its case. The Fund invests neither in securities that exhibit direct interest rate sensitivity nor in commodities.

#### *Price risk*

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting financial instruments traded in the market. All securities present a risk of loss of capital.

The Sub-funds are not exposed to market price risk arising from their investments in the Romanian restitution points and fund investments. Alpha Quest Balanced Fund invests in restitution points which are not subject to market risk. Alpha Quest Opportunity Fund invests in restitution points and in Alpha Quest Balanced Fund. Since Alpha Quest Balanced fund is not subject to market risk, same applies to Alpha Quest Opportunity fund.

#### *Currency risk*

The Fund invests in assets, which can be denominated in currencies other than the Euro, its functional currency.

The Fund is exposed to risks that the exchange rate of the Euro against other currencies may change in a manner that has an adverse effect on its Net Asset Value.

The Fund's total net exposure to foreign currency exchange rates at the reporting date was as follows:

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

### 9 Investment risk management (continued)

#### 9.1 Market risk (continued)

**All amounts stated in EUR for the Alpha Quest Balanced Fund:**

30 June 2018	Cash and Cash equivalents	Restitution points/ (Bonds)	Intercompany Balances	Total net exposure	+/- 5% of exposure
Romanian Leu	172,841	49,949,091	(1,806,301)	<b>48,315,632</b>	<b>2,415,782</b>
Czech Koruna	(1,101,537)	4,932,071	(2,665,884)	<b>1,164,650</b>	<b>58,233</b>
United States Dollar	(1,795,008)	1,758,333	-	<b>(36,675)</b>	<b>(1,834)</b>

31 December 2017	Cash and Cash equivalents	Restitution points/ (Bonds)	Intercompany Balances	Total net exposure	+/- 5% of exposure
Romanian Leu	2,030	37,446,509	359,576	<b>37,808,115</b>	<b>1,890,406</b>
Czech Koruna	718,306	(31,358,955)	84,188	<b>(30,556,461)</b>	<b>(1,527,823)</b>

**All amounts stated in EUR for the Alpha Quest Opportunity Fund:**

30 June 2018	Cash and Cash equivalents	Restitution points	Intercompany Balances	Total net exposure	5% of exposure
Romanian Leu	121,302	16,558,587	(2,241,373)	<b>14,438,516</b>	<b>721,926</b>
Czech Koruna	185,228	2,246,515	263,626	<b>2,695,369</b>	<b>134,768</b>

  

31 December 2017	Cash and Cash equivalents	Restitution points	Intercompany Balances	Total net exposure	5% of exposure
Romanian Leu	2,059,896	391,452	7,136,546	<b>9,587,894</b>	<b>479,395</b>
Czech Koruna	1,346,044	-	587,360	<b>1,933,404</b>	<b>96,670</b>

**All amounts stated in EUR for the Alpha Quest Fund S.I.C.A.V p.l.c.:**

30 June 2018	Cash and Cash equivalents	Receivable from Government	Intercompany Balances	Total net exposure	5% of exposure
Romanian Leu	169,886	6,054,111	(9,228,748)	<b>(3,004,751)</b>	<b>(150,238)</b>
Czech Koruna	587,360	-	(587,360)	-	-

  

31 December 2017	Cash and Cash equivalents	Receivable from Government	Intercompany Balances	Total net exposure	5% of exposure
Romanian Leu	169,886	6,054,111	(9,228,748)	<b>(3,004,751)</b>	<b>(150,238)</b>
Czech Koruna	587,360	-	(587,360)	-	-

At 31 December 2017, had foreign exchange rates been 5% higher/(lower) against the Euro, with all other relevant variables held constant, the increase/(decrease) in net assets attributable to redeemable participating shareholders for the period would have been as calculated in the above table.



#### 9 Investment risk management (Continued)

##### 9.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

###### **Alpha Quest Balanced Fund**

The Sub-fund is the holder of uncontested and liquid claims against the Romanian State, in the amounts expressly provided within the Restitution Certificates and Decisions of Compensation. The Romanian law establishes deadlines for local entities to approve or reject claims for compensation. The legislation also establishes penalties for violation of the legislation including failure to meet compensation deadlines. The Sub-fund monitors on a regular basis amendments on the legislation governing the compensation process.

###### **Alpha Quest Opportunity Fund**

Alpha Quest Opportunity is also the holder of restitution points. Hence the credit risk applicable to Alpha Quest Balanced Fund applies here as well.

The cash and cash equivalents of the Sub-Funds are held with J&T Banka and Raiffeisen Romania Bank. The credit ratings for Raiffeisen Romania Bank is Baa2.

##### 9.3 Liquidity risk

Liquidity risk arises when the Company or the sub-funds encounter difficulty due to an inability to sell any of its investments quickly at close to fair value.

The Fund's liquidity position is monitored on a regular basis. Redeemable shares are redeemed on demand at the holder's option provided that the redemption request is received by the respective Sub-fund three business days before the relevant dealing day, and if accepted by the Fund, they will be dealt on every dealing day which is defined as 31 December of each year.

The Directors may limit the total number of the Investor shares, which may be redeemed on any dealing day to 10% of the outstanding Investor shares in a Fund. In the event that such a limit is reached at any point during a dealing day, the directors may defer any further redemption instruction received during that dealing day, to such time as the total number of redemption applications received on that dealing day is re-established at less than 10% of the outstanding Investor Shares in the Fund.

The balance of such Investor Shares that are not redeemed on that dealing day because of the limit established above will be redeemed on the next dealing day, subject to the directors' same power of deferral until the original redemption instruction have been satisfied. Redemption requests which are deferred to the following dealing day will be given priority over any redemption requests received in relation to the said dealing day.

###### **Alpha Quest Balanced Fund**

On 21 December 2016, the Sub-Fund offered a private placement bond of CZK 500 million. In 2016, the Sub-Fund issued CZK 460 million, out of which CZK 160 million (EUR 5,921,320) were subscribed by Alpha Quest Opportunity Fund. Alpha Quest Opportunity sold these bonds to third parties during the year 2017 and there is no balance outstanding at the end of year 2017. On 27 December 2017, the Sub-Fund further offered and issued CZK 340 million bonds. The bond's maturity date is on 22 December 2021 with fixed annual coupons of 4.5%. On 08 January 2018, the Sub-Fund further issued Bond for CZK 200 million with fixed annual coupon of 4.5%.

The Sub-Fund is the owner of Romanian Restitution Certificates ("points") issued by Romanian State. Romania, starting in January 2017 will start the pay-out of the par value of points (1 point = 1 RON) in five annual payments (20% of the par value each year, i.e. 0.20 RON per point). Proceeds of the payments made by the State will be used to satisfy the coupon payments required to be made by the issuer.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

### 9 Investment risk management (Continued)

#### 9.3 Liquidity risk (Continued)

##### Alpha Quest Opportunity Fund

Alpha Quest Opportunity is also the holder of restitution points. The Fund's liquidity position is monitored on a regular basis as mentioned in the above paragraph.

All other liabilities of the Sub-funds are due within less than one year.

### 10 Fair value information

#### Fair value hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### 30 June 2018

Sub-Funds	Currency	Collective investment schemes	Bonds	Level 1	Level 2	Level 3
Alpha Quest Balanced Fund	EUR	-	6,690,404	6,690,404	-	-
Alpha Quest Balanced Fund	EUR	-	(38,132,477)	(38,132,477)	-	-
Alpha Quest Opportunity Fund	EUR	4,450,650	2,246,515	2,246,515	4,450,650	-

#### 31 December 2017

Sub-Funds	Currency	Collective investment schemes	Bonds	Level 1	Level 2	Level 3
Alpha Quest Balanced Fund	EUR	-	(31,141,045)	(31,141,045)	-	-
Alpha Quest Opportunity Fund	EUR	3,646,738	-	-	3,646,738	-

The fair values of other financial assets and liabilities approximates their respective carrying amount.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 11. Financial Assets at fair value through profit or loss

#### Alpha Quest Opportunity Fund

On 28 December 2017, Alpha Quest Opportunity Fund has invested EUR 4 million in Alpha Quest Balanced Fund. Value of these shares as at 30 June 2018 is EUR 4,450,650.

Fair value of financial assets as at 30 June 2018 is as follows:

	<b>30 June 2018</b>
Alpha Quest Opportunity Fund	4,450,650

Fair value of financial assets as at 31 December 2017 is as follows:

	<b>31 December 2017</b>
Alpha Quest Opportunity Fund	3,646,738

### 12. Restitution points

The Restitution Certificates are the result of Law no. 165/2013 passed by the Romanian Parliament on April 2013, whereby it moves to a compensation in the form of issuing points that can be used to purchase auctioned property confiscated during the Communist regime or redeemed for cash. The holder of the points must undergo through a restitution process to exchange the points for the earmarked property or through a compensation process if restitution in kind is not possible.

The measurement basis chosen for the valuation of the Restitution Points held by the sub-funds was the discounted value approach, as this was deemed to be the only applicable approach given the characteristics of the assets and the sub-fund's intention to enjoy the economic benefits from the assets by way of redeeming them through forward claims against the Romanian State which will be compensated in cash, over the next five years in equal tranches of 20% of the total number of points it owns. It was also assumed that such claims shall be made at the beginning of each year, no later than 1 February of the respective year with cash received in 180 days after registering the claim with the National Authority for Property Restitution ("ANRP"), under the provisions of the Romanian Law.

To estimate the discounted value of the assets, the discounted cash flow method was applied. To derive the present value of the cash flows arising from the compensation of the points as mentioned above, it was considered that the appropriate discount rate should be effective interest rate.

During the period, the sub-funds has invested in restitution points as stated below:

#### Alpha Quest Balanced fund

Balances outstanding in this sub-funds is as below. The nominal value of outstanding points as on 30 June 2018 is RON 313,784,132 (EUR 62,280,781). Cost of these points are RON 210,738,155 (EUR 45,185,933).

#### Alpha Quest Opportunity fund

Balances outstanding in this sub-funds are as below. The nominal value of outstanding points as on 30 June 2018 is RON 109,989,954 (EUR 23,583,763). Cost of these points are RON 70,968,007 (EUR 15,216,777).

Based on the assumptions and analysis mentioned above, the discounted value of the Restitution points of Alpha Quest Balanced Fund is estimated at RON 232,952,570 (EUR 49,949,091) and for Alpha Quest Opportunity Fund is estimated at RON 77,225,937 (EUR 16,558,587) which was then converted into Euro, the base currency of the Fund, applying the exchange rate as at reporting date.

Discounted value of restitution points as at 30 June 2018 is follows:

<b>In EUR</b>	<b>30 June 2018</b>
Alpha Quest Balanced Fund	49,949,091
Alpha Quest Opportunity Fund	16,558,587

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 12. Restitution points (continued)

Discounted value of restitution points as at 31 December 2017 is follows:

In EUR	31 December 2017
Alpha Quest Balanced Fund	37,446,509
Alpha Quest Opportunity Fund	391,452

### 13 Bonds issued

On 22 December 2016, the Alpha Quest Balanced Fund offered a private placement non-collateralized bond of CZK 500 million. In 2016, the Sub-Fund issued CZK 460 million, out of which CZK 160 million (EUR 5,921,320) were subscribed by the Alpha Quest Opportunity Fund. The subscription of Alpha Quest Opportunity was fully sold during the year 2017 and there was no balance outstanding at the year 2017. The interest earned by Alpha Quest Opportunity on such transaction was CZK 3,220,750 (EUR 123,331). On 27 December 2017, Alpha Quest Balanced Fund further issued CZK 340 million bonds. The bonds' maturity date is on 22 December 2021 with fixed annual coupons of 4.5%. On 08 January 2018, the Sub-Fund further issued Bond for CZK 200 million with fixed annual coupon of 4.5%. Interest payable on bonds on 30 June 2018 is EUR 964,361.

The carrying amount of bonds issued as at 30 June 2018 and 31 December 2017 is as follows:

Particulars	Amount (EUR)	Amount (EUR)
	30.06.2018	31.12.2017
Opening Balance	31,325,867	-
Bonds Issued during the period	7,839,149	30,155,282
Unrealised exchange rate gains during the period	(662,919)	1,170,585
Interest payable	964,361	33,088
Closing balance	39,466,459	31,358,955

Alpha Quest Opportunity Fund have not issued any Bonds in the period ended 31 December 2017.

### 14 Fees and other payables

#### 14.1 Management fees

##### Alpha Quest Balanced Fund

The Company is entitled to receive a management fee of 3.5% per annum of the Sub-fund's net asset value, calculated and paid on annual basis.

The management fees for the period amounted to EUR 173,427. The fees due for the reporting period is disclosed in the statement of comprehensive income and the outstanding management fees as at 30 June 2018 amounted to EUR 285,539.

##### Alpha Quest Opportunity Fund

The Company is entitled to receive a management fee of 1.5% per annum of the Sub-fund's net asset value, calculated and paid on annual basis.

The management fees for the period amounted to EUR 147,012. The fees due for the reporting period are disclosed in the statement of comprehensive income and the outstanding management fees as at 30 June 2018 amounted to EUR 343,440.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 14.2 Performance fees

#### Alpha Quest Balanced Fund

Each holder of Investor Shares will be subject to a Performance Fee in respect of each calculation period. For each Calculation Period, the Performance Fee shall be equal to 50% of the said increase in the NAV per Investor Share (without any accrual for the Performance Fee then under calculation) multiplied by the number of Investor Shares in issue.

The performance fees for the period amounted to EUR 1,141,805. The fees due for the reporting period is disclosed in the statement of comprehensive income and the outstanding performance fees as at 30 June 2018 amounted to EUR 1,287,504.

#### Alpha Quest Opportunity Fund

Each holder of Investor Shares will be subject to a Performance Fee in respect of each calculation period. For each Calculation Period, the Performance Fee shall be equal to 25% of the said increase in the NAV per Investor Share (without any accrual for the Performance Fee then under calculation) multiplied by the number of Investor Shares in issue.

The performance fees for the period amounted to EUR 356,783. The fees due for the reporting period is disclosed in the statement of comprehensive income and the outstanding management fees as at 30 June 2018 amounted to EUR 716,973.

### 14.3 Administration fees

The Administrator, Amicorp Fund Services Malta Limited, is entitled to an administration fee under the terms of an agreement for each Sub-fund of the Company. The Administrator is entitled to receive the following fee on each Sub-fund:

NAV size	Administration fee
0 – EUR 50 million	EUR 10,000 p.a.
Over EUR 50 million	EUR 12,000 p.a. plus 0.03% on the amount in excess of EUR 50 million.

The administration fees for the period for each Sub-fund amounted to EUR 6,959. The fees due for the reporting period is disclosed in the statement of comprehensive income and the outstanding administration fees as at 30 June 2018 amounted to EUR 3,959 for Alpha Quest Balanced Fund and EUR 6,459 for Alpha Quest Opportunity Fund.

### 14.4 Other payables

30 June 2018	Alpha Quest SICAV p.l.c.	Alpha Quest Balanced Fund	Alpha Quest Opportunity Fund
	EUR	EUR	EUR
Annual fee payable	-	1,496	1,496
Annual financial statement fee payable	-	8,100	8,100
Reporting fee payable	-	1,309	1,309
Taxation expenses payable	-	1,496	1,496
Director fees payable	-	3,898	3,898
Set up fees payable	10,000	-	20,000
Other payable and accrued expenses	1,180	11,092	23,537
Other receivable	(5,900)	-	-
	<u>5,280</u>	<u>27,391</u>	<u>59,836</u>

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

### 14 Fees and other payables (Continued)

#### 14.4 Other payables (Continued)

31 December 2017	Alpha Quest SICAV p.l.c.	Alpha Quest Balanced Fund	Alpha Quest Opportunity Fund
	EUR	EUR	EUR
Annual fee payable	-	1,000	1,000
Annual financial statement fee payable	-	1,350	1,350
Reporting fee payable	-	875	875
Taxation expenses payable	-	1,000	1,000
Advisory fees payable	-	-	150,000
Set up fees payable	10,000	-	20,000
Other payable and accrued expenses	1,180	5,228	52,613
Other receivable	(5,900)	(3,350)	(3,350)
	5,280	1,878	223,488

### 15 Interest income

Interest income of Alpha Quest Balanced Fund consists of interest earned on bonds, commercial paper and bank deposits. Total interest income is EUR 55,680. Interest income in Alpha Quest Opportunity Fund is EUR 2,367.

### 16 Interest expense

Interest expense is incurred on bonds issued by Alpha Quest Balanced Fund, see note 13 and amounted to EUR 939,337 during the current period.

### 17 Other operating expenses

30 June 2018	Alpha Quest SICAV p.l.c.	Alpha Quest Balanced Fund	Alpha Quest Opportunity Fund
	EUR	EUR	EUR
Annual financial statements fee	-	6,750	6,750
Handling fee	-	711	711
Annual fees	-	496	496
Bank charges	335	804	64
Broker charges	531	30,548	12,390
Custodian fees	-	2,887	-
Reporting fee	-	433	433
Licence fee	-	1,600	1,600
Taxation expense	-	496	496
Legal fee	-	8,356	-
Commission and other charges	-	16,040	79,037
Other expenses	4,180	396,093	44,222
	5,046	465,214	146,200

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the interim financial statements

For the period from 1 January 2018 to 30 June 2018

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### 17 Other operating expenses (Continued)

31 December 2017	Alpha Quest SICAV p.l.c. EUR	Alpha Quest Balanced Fund EUR	Alpha Quest Opportunity Fund EUR
Annual financial statements fee	-	1,350	4,822
Advisory fees	-	-	200,000
Annual fees	-	1,000	1,000
Bank charges	335	4	1,325
Broker charges	531	-	7,444
Custodian fees	-	5,122	-
Reporting fee	-	875	875
Servicing fee	-	188,786	3,937
Taxation expense	-	1,000	1,000
Legal fee	-	-	14,279
Commission and other charges	-	13,416	273,911
Other expenses	4,180	-	55,622
	<u>5,046</u>	<u>269,715</u>	<u>564,215</u>

### 18 Subsequent events

The Fund has changed the administrator after 30 June 2018 to Apex Funds Services, Malta.