

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

**ANNUAL REPORT**

**For the year ended 31 December 2019**

# ALPHA QUEST FUNDS SICAV p.l.c.

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# ALPHA QUEST FUNDS SICAV p.l.c.

## Directors, Officers and other information

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<b>Directors</b>	Dr. Frank Chetcuti Dimech Mr. Joseph Xuereb Mr. Michal Kosac
<b>Registered Office</b>	Central North Business Centre Level 1, Sqaq il-Fawwara Sliema SLM 1670 Malta
<b>Company Registration Number</b>	SV430
<b>Administrator and Registrar</b>	Apex Fund Services (Malta) Limited Central North Business Centre Level 1, Sqaq il-Fawwara Sliema SLM 1670 Malta
<b>Company Secretary</b>	Apex Corporate & Advisory Services Ltd Central North Business Centre Level 1, Sqaq il-Fawwara Sliema SLM 1670 Malta
<b>Investment Committee</b>	Mr. Joseph Xuereb Mr. Michal Kosac Mr. Joseph Formosa
<b>Statutory Auditors</b>	KPMG 92 Marina Street Pieta PTA 9044 Malta

# ALPHA QUEST FUNDS SICAV p.l.c.

## Report of the Directors

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The directors present their report and the audited financial statements of Alpha Quest Funds SICAV p.l.c. (the "Company"), covering the financial year ended 31 December 2019.

### **Incorporation and principal activities**

The Company was incorporated on 28 November 2016. The Company is licensed and regulated by the Malta Financial Services Authority ("MFSA") under the Investment Services Act (CAP. 370, Laws of Malta) as a Professional Investor Fund which targets Qualifying Investors as set out in the relevant Offering Supplement.

### **Review of business**

The licensed sub-funds as at the end of the year were as follows:

- Alpha Quest Balanced Fund (PIF/430A); and
- Alpha Quest Opportunity Fund (PIF/430 B).

During the year under review, there were no subscriptions and redemptions in Alpha Quest Balanced Fund and Alpha Quest Opportunity Fund.

The Company continued to purchase Romanian restitution points and is currently one of the largest owners of these points on the Romanian market holding roughly 295 million points (having nominal value of RON 1 per point) as at 31 December 2019.

### **Results**

The results for the year under review are shown in the statement of comprehensive income.

### **Dividends and reserves**

A dividend amounting to EUR 3,570,350 has been declared to the 'A' Class Shareholders during the year. Retained earnings of the Company at end of year amounted to EUR Nil.

### **Currency**

The financial statements are drawn up in Euro (€), which is the currency in which the Company's share capital is denominated, in terms of section 187 of the Companies Act, 1995.

### **Principal risks and uncertainties**

The activities of the Company expose it to a variety of risks. The successful management of risk is essential to enable the Company to achieve its objectives. The ultimate responsibility for risk management rests with the Company's directors, who evaluate the Company's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the Company are included below.

The Company defines risk as the probability of a permanent loss of capital. The risk management effort targets the minimization of the probability of a permanent loss of invested capital within its investment objective. At the same time, it is also understood that the risk cannot be completely eliminated. Risk is considered acceptable by the Board of Directors if its sources are understood and within appetite and tolerance levels set by the Board of Directors after consulting the Investment Committee. It is important to understand the sources of risk and carry risk only if there is adequate compensation in the form of return.

The Company carries the risk of losses due to non-compliance with legal requirements towards the Maltese regulator and other regulators in whose jurisdiction the Company may conduct its business or other potential institutions.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Report of the Directors (continued)

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### Principal risks and uncertainties (continued)

The internal compliance function of the Company is carried out by experienced personnel. The Company is subject to numerous laws and regulations covering a wide range of matters. Failure to comply could have financial or reputational implications and could materially affect the Company's ability to operate. The Company has embedded operating policies and procedures to ensure compliance with existing legislation.

The Company's investments in the points awarded under indemnification decisions issued by the Romanian Government need to be sourced from individual beneficiaries of such points and acquired through public deeds registered in Romania. There is no guarantee that the Company will manage to source such points, or a particular number of points. The Company may also be exposed to changes in the Romanian Government's interpretation of the points system and/or to changes in the applicable laws. Romania has undergone a long period of economic transition to a market economy, which has not been smooth. An extensive programme of economic reforms included the privatisation of several state-owned enterprises and the restructuring of Romania's energy, mining and industrial sector. Externally, a slowdown in global trade may have a high impact on Romania's growth, mainly due to its reliance on other EU economies as trading partners. Geopolitical tensions, combined with the increase in the US Federal Reserve's key-interest rate could lead to increased investor caution, capital outflows and depreciation of the local currency (RON).

The exposure of the above risks, the way these risks arise, and how the Company manages these risks are further disclosed in detail in note 9 to these financial statements and in the Offering Documentation of the Company and the respective Sub-Fund.

### Subsequent events

Since the start of January 2020, the outbreak of the coronavirus pandemic, evolved rapidly with an adverse impact on global commercial activities. The prevailing situation remains fluid and precludes any precise prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.

The Directors of the Company have followed the latest developments on a regular basis and believe that as at the reporting date of these financial statements, no further disclosure in or adjustment to the financial statements are required at this point as a result of COVID-19.

### Directors

The Directors of the Company who served during the year were:

Dr. Frank Chetcuti Dimech

Mr. Joseph Xuereb

Mr. Michal Kosac.

In accordance with the Company's Articles of Association, the directors will remain in office.

### Compliance with Standard Licence Conditions

During the year under review, there were no breaches of the Standard Licence Conditions and no breaches of regulatory requirements, which were subject to any administrative penalty or regulatory sanction.

### Directors' Confirmation

We the undersigned are responsible for the preparation of the Annual Report of the Company for the financial year ended 31 December 2019 and confirm that to the best of our knowledge, it is complete and accurate in all material respects and conforms with the MFSA's requirements in terms of the Company's License Conditions and any disclosures of the Company's past performance are accurate and in conformity with the MFSA's applicable requirements.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Report of the Directors (continued)

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### **Auditors**

The auditors, KPMG, have expressed their willingness to continue in office and a resolution proposing their reappointment and authorizing the directors to fix their remuneration will be put before the members at the next general meeting.

Approved by the Board of Directors on 11 June 2020 and signed on its behalf by:



**Mr. Michal Kosac**  
Director



**Mr. Joseph Xuereb**  
Director

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of Directors' responsibilities

The Directors are required by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") to prepare the financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and the results for that year.

In preparing the financial statements, the Directors are responsible for:

- i. Selecting and applying appropriate accounting policies;
- ii. Ensuring the financial statements have been drawn up in accordance with International Financial Reporting Standards adopted by the EU;
- iii. Making accounting estimates that are reasonable in the circumstances; and
- iv. Ensuring that financials statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Act. The Directors are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are being properly safeguarded and that fraud and other irregularities will be prevented and detected.



**Mr. Michal Kosac**  
Director



**Mr. Joseph Xuereb**  
Director

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES

### Information about the Issuer

The name of the Company is Alpha Quest Funds SICAV p.l.c. (the “Company”).

The registered office of the Company is situated at Level 1, Central North Business Centre, Sqaq il-Fawwara, Sliema SLM 1670, Malta.

The Company was incorporated on 28 November 2016. The Company is organised as a multi-fund limited liability investment company with variable share capital under the laws of the Republic of Malta and licensed by the Malta Financial Services Authority (MFSA) with Licence Number SV 430 under the Investment Services Act (Chapter 370 of the Laws of Malta) as a Professional Investor Fund targeting Qualifying Investors.

The Company may establish a number of Sub-funds. Currently the Company has established two Sub-funds: the Alpha Quest Balanced Fund and the Alpha Quest Opportunity Fund. Pursuant to Legal Notice 241 of 2006, the assets and liabilities of each individual Fund comprised in the Company shall constitute a patrimony separate from that of each other Sub-fund of the Company so that the assets of one Sub-fund shall be available exclusively for the creditors and holders of Shares in that Sub-fund.

LEI code: 213800JHGGP7KI184U67

ISIN: CZ0000000856

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The Company is not part of any group and, therefore, is not dependent upon any entities.

### Principal activity and investments

The Company is an investment company with variable share capital, the sole object of which is the collective investment of its funds in securities and other movable or immovable property, or in any of them, with the aim of spreading investment risks and giving Members the benefits of the results of the management of its funds.

The investment objective of both Sub-funds is to achieve capital appreciation primarily through investments in restitution 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 Authority for Property Restitution (“ANRP”) 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 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. No Points will be acquired from any of the members of the Investment Committee and/ or any related parties to the Company.



# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### **Principal activity and investments (continued)**

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-fund 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. Further information are disclosed in the notes to the financial statements.

During the current and comparative period, one of the sub-funds of the Company issued subordinated unsecured yield bond with maturity date on 22.12.2021 with a yield of 4.5% p.a. in the nominal value of CZK 100,000 per bond, ISIN CZ0000000856 (the "Bond"). Bonds represents debt obligations issued in the Czech Republic in accordance with Czech legal regulations. Bonds are traded at the Prague Stock Exchange, a.s. Issued Bonds as at 31 December 2019 amounted to CZK 1,000 million.

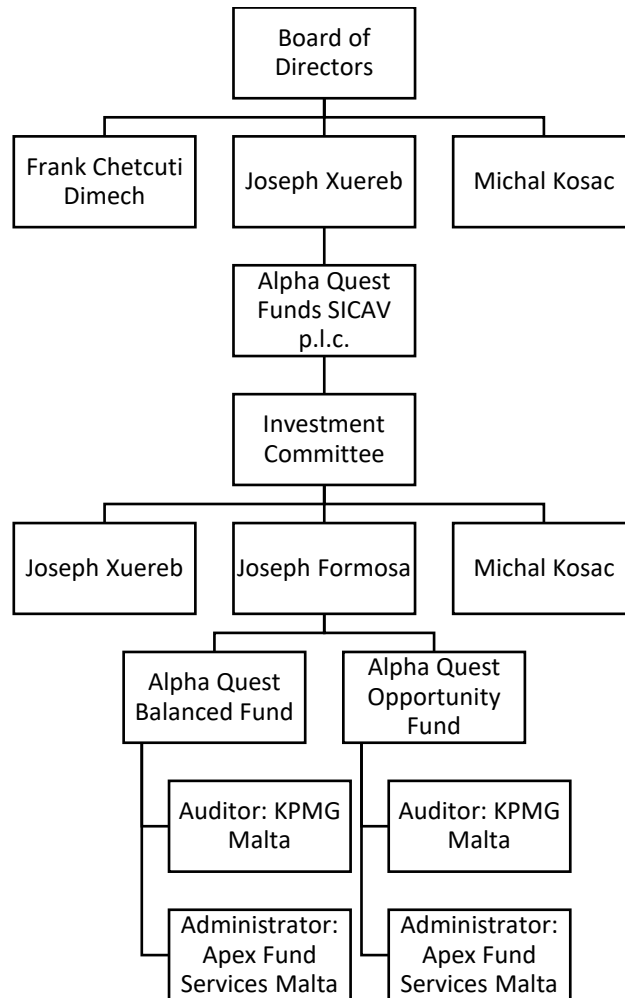
As at 31 December 2019, neither the Bond nor the sub-Fund had a credit rating.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### Functionaries and Officials as at 31 December 2019

*Organizational chart*



# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### Functionaries and Officials as at 31 December 2019 (continued)

#### *Directors*

The affairs of the Company are managed by a Board of Directors. The judicial and legal representation of the Company shall be vested in any two directors acting jointly. The Company's Board of Directors is composed of three Directors approved by the MFSA and appointed by the holders of Founder Shares upon incorporation of the Company. Each Director shall have one vote. The Board of Directors was at 31 December 2019 composed of the following:

#### Frank Chetcuti Dimech

Dr. Frank Chetcuti Dimech co-founded CDF Advocates in Malta in 1993. He practices financial services, company, taxation and international law. He holds a Doctorate of Laws and a Masters in Financial Services from the University of Malta and an International Investment Advice Certificate from the Securities and Investment Institute, London.

#### Joseph Xuereb

Mr. Joseph Xuereb ACIB, IFS Associate is a Maltese national and a Banker by profession. He joined the Central Bank of Malta in 1979 occupying various roles at the dealing and investment department. In 1995 he joined APS Bank as Senior Manager Treasury Unit where he was responsible for all currency dealing, all investment portfolios and asset liability management. In 2000 he was appointed Head of the Asset Management of the Bank, responsible for the Treasury Unit, the Investment Services Unit and the Portfolio Management Unit. He was also a member of investment committees outside the banking sector, including insurance and airline companies. He currently sits on the investment committees of other Maltese funds.

#### Michal Kosac

Mr. Michal Kosac is working as a partner at Astone finance, s.r.o., a financial boutique regulated by the Czech National Bank. His primary responsibility lies in creating investment strategies for the company's clients. Michal started his career at Merrill Lynch in New London and Boston where he worked as an analyst in a private wealth management team. He then continued his career at WOOD & Company s.a. in Prague where he was responsible for the initial set up of the WOOD & Company Funds SICAV plc (an MFSA regulated entity) as well as administering its sub-funds and later co-managing the WOOD & Company Central & Eastern European Equity Fund as well as the WOOD Textiles Fund. He is also a member of the Investment Committee of IJC Funds SICAV plc which is regulated by the MFSA. Michal received his degree with honors from Connecticut College, Connecticut, United States.

#### *Investment Committee*

The Board of Directors of the Company shall appoint an Investment Committee for each Fund. The Investment Committee consists of three members, who are individuals. The Investment Committee of Company shall meet at least four times a year with the majority of meetings to be held in Malta, and shall be responsible for the day-to-day management of the Sub-funds, including amongst others the following:

- to monitor and review the investment policy and performance of a Sub-fund;
- to establish and review guidelines for investment by a Sub-fund;
- to issue rules for financial instrument selection and set the portfolio structure and asset allocation;
- to make recommendations to the Board of Directors.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### Functionaries and Officials as at 31 December 2019 (continued)

#### *Investment Committee (continued)*

The Investment Committee shall report to the Board of Directors on its activities and the performance of a Sub-fund at least four times a year. The Investment Committee is conducting the day-to-day management of the assets of the sub-Funds and ensure that the assets of the sub-Funds are managed within the investment objectives, policies and restrictions of that sub-Fund. The Board of Directors may from time to time appoint advisers to the Investment Committee. Such advisers shall only provide guidance to the Investment Committee on the availability of assets and their relative prices and all investment decisions shall be undertaken solely by the Investment Committee.

Investment Committee was as at 31 December 2019 composed of the following voting members:

Joseph Xuereb  
Joseph Formosa  
Michal Kosac

#### Joseph Formosa

Mr Formosa has occupied a number of executive and managerial positions at Bank of Valletta p.l.c., Malta and for the last three years of his career with the bank occupied the post of Chief Officer, where he made a significant contribution to the growth and development of the Bank particularly in relation to its mortgage related business. Mr Formosa was also Chairman of the Banks' Card Services Ltd. This company was responsible for all of the Bank's credit card business. Mr Formosa has held the position of General Manager of Lohombus Bank Ltd, and is currently a Consultant with Middlesea Valletta Life Assurance Co focusing particularly on the areas of marketing, management and finance.

#### *Annual general meeting*

Apart from the appointment or removal of the Directors at the Company's annual general meeting in accordance with the Company's Articles, the Founder Shareholders may also at any time appoint or remove any Director or Directors at an extraordinary general meeting provided that the number of Directors always complies with the requirements prescribed in the Company's Memorandum. A Director need not be a Member.

#### *The Administrator*

Apex Fund Services (Malta) Limited has been appointed by the Company as Administrator to the Company and its Sub-funds in 2018, pursuant to an administration agreement ("The Administration Agreement"), to perform certain administrative functions in relation to the Company and the Sub-funds, including inter alia the calculation of the Net Asset Value, accounting services and transfer agency services. The Administrator may, subject to the written approval of the Company, sub-contract parts of its services to third parties.

#### *The Custodian*

Bank of Valletta p.l.c. ("BOV") has been appointed as a banker, broker and safe-keeper of the Fund. Bank of Valletta enjoys a large percentage of the Maltese banking market. The bank was incorporated in Malta as a limited liability company in 1974. It is licensed to carry on the business of banking as a credit institution in terms of the Banking Act 1994 and is a licensed custodian under the Investment Services Act. It is the parent company of the Bank of Valletta Group, which is actively involved in the provision of a comprehensive range of financial services in Malta. BOV is not the custodian for investments by the sub-funds in restitution points.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### Functionaries and Officials as at 31 December 2019 (continued)

#### *Conflicts of Interest*

The officers of the Company have disclosed the following:

1. Mr Joseph Xuereb is a Director of the Company, a member of the Investment Committee and also the holder of 100% of the Founder Shares of the Company;
2. Dr Frank Chetcuti Dimech is a Director of the Company as well as its legal advisor as to Maltese law; and
3. Mr. Michal Kosac who is the Director of the Company is also Director in Fraternity Capital Limited, who holds half of the "A" class shares in the Company.

### Designations, Powers and Rights of Shares

#### *The Founder Shares*

The Founder Shares shall rank equally in all respects, shall carry the right to one vote each, and save as provided in Article 26.1 of the Articles of Association, shall not carry a right to participate in any dividends or other distributions of the Company or in the assets of the Company on a winding up (other than the return of the paid up capital after payment of all amounts due to the Investor Shares).

#### *The "A" Ordinary Shares*

The Company shall also have a separate class of shares with no nominal value, made up of one hundred (100) "A" Ordinary Shares but which shall not constitute a distinct fund, shall rank equally in all respects, shall not carry the right to vote, and, save as provided in Article 26.1 of the Articles of Association, shall not carry a right to participate in any dividends or other distributions of the Company, if applicable, or in the assets of the Company on a winding up, except repayment of paid up capital following settlement of any and all amounts due to the Investor Shares and Founder Shares. The Board of Directors is authorised for a period of five (5) years, to issue and allot "A" Ordinary Shares up to the maximum amount specified in this paragraph.

#### *Article 26.1 of Articles of Association*

The Directors may, as they from time to time think fit, and subject to the applicable laws, declare and pay such interim or final dividends in such currency as the Directors may deem appropriate, subject to the observance of any applicable law, on Founder Shares, "A" Ordinary Shares and Investor Shares of a Sub-Fund as appears to the Directors to be justified, subject to any policy statement in relation to dividends in the Offering Supplement of a Sub-Fund: provided that when dividends are not paid on Investor Shares, income will be accrued within the Net Asset Value of the relative Sub-Fund and provided further that distributions on "A" Ordinary Shares and Founder Shares, if any, shall be calculated in a manner that the total amount of distributions on "A" Ordinary Shares and Founder Shares shall be an amount not exceeding the aggregate of the Management Fee and the Performance Fee due under the terms of the Offering Supplement of a Sub-Fund, which amount shall in no way be restricted to the amount of income received or receivable by the Company (from investments made by the Sub-Funds) during the relevant Accounting Period.

#### *The Investor Shares (Redeemable Shares)*

The Investor Shares do not carry any voting rights. The Investor Shares rank pari passu among themselves in all respects. The Investor Shares participate in the assets of the Company and in any dividends, and distributions of the sub-Funds upon liquidation. The Investor Shares may be redeemed at the option of the holders thereof according to the Articles of Association annexed hereto and in accordance with any terms and conditions pursuant to which the Investor Shares are issued.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### Designations, Powers and Rights of Shares (continued)

#### *Classes*

With the prior approval of the MFSA, the Directors may from time to time establish a sub-Fund by the issue of separate classes of Shares of the Company on such terms as the Directors may resolve. Apart from Investor shares, the Company has issued by way of subscription:

- 1,000 Founder Shares which are fully paid up and subscribed by Joseph Xuereb;
- 50 “A” Ordinary Shares which are fully paid up and subscribed by Ovidiu Fer; and
- 50 “A” Ordinary Shares which are fully paid up and subscribed by Fraternity Capital Limited.

#### *Description of the decision making procedures of the statutory body*

Directors and Investment Committee members meet at least 4 times per year in addition to periodic phone calls. All investment decisions are thoroughly discussed and 2/3 of the votes are required to pass any decision. In order to evaluate an investment, a term sheet is prepared which is further discussed from the stand point of viability of fitness within the overall portfolio strategy. Upon diligent discussion, a vote is undertaken and an investment decision is made.

As per the Company’s Memorandum and Articles of Association sections 15 to 17, decision making is as follows:

#### 15.1 General Meetings

15.1 All general meetings of the Members in the Company enjoying a right to vote shall be held in Malta, or at such other place as the Directors may determine for any specific general meeting.

15.2 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year. Not more than fifteen (15) months shall elapse between the date of one annual general meeting of the Company and that of the next provided that so long as the Company holds its first annual general meeting within eighteen (18) months of its incorporation it need not hold it in the year of its incorporation. Subsequent annual general meetings shall be held once in each year and not more than six (6) months after the end of the Accounting Period of the Company as determined by the Directors from time to time at such time and place in Malta as may be determined by the Directors.

15.3 All general meetings (other than annual general meetings) shall be called extraordinary general meetings.

15.4 The Directors may call an extraordinary general meeting whenever they think fit and extraordinary general meetings shall be convened on such requisition, or in default may be convened by such requisitions, and in such manner as provided by the Act.

#### 16. Notice of General Meetings

16.1 At least fourteen (14) Clear Days’ notice specifying the place, the day and the time of the meeting, and in the case of special business the general nature of such business (and in the case of an extraordinary general meeting specifying the meeting as such) shall be given in the manner hereinafter mentioned to the Founder Shareholders being the holders of shares entitled to attend and vote.

16.2 The Directors and the Auditors shall also be entitled to receive notice of, and attend and speak at, any general meeting of the Company.

16.3 Every notice convening a meeting to pass an Extraordinary Resolution shall specify the intention to propose the Resolution, and in each notice calling a meeting of the Founder Shareholders, being the members entitled to attend and vote, there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a Member.

16.4 The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive notice shall not invalidate the proceedings at any general meeting.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### Designations, Powers and Rights of Shares (continued)

*Description of the decision making procedures of the statutory body (continued)*

#### 16. Notice of General Meetings (continued)

16.5 The fourteen (14) day notice requirement may be waived if the Founder Shareholders holding not less than a majority of the total number of Founder Shares entitled to vote on all matters to be considered at the meeting have waived notice of the meeting or have agreed to a shorter notice period for the meeting.

#### 17. Proceedings at General Meetings

17.1 All business shall be deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting, with the exception of: a. the consideration of the accounts and Statement of Financial Position; b. the reports of the Directors and Auditors, c. the election of Directors in the place of those retiring or resigning or being removed and the fixing of their remuneration, d. the appointment of the Auditors and the fixing of the remuneration of the Auditors (directly or in such manner as the general meeting may determine); provided that the appointment of a new Director shall also require the approval of the MFSA.

17.2 Subject to Article 17.3 hereof, no business shall be transacted at any general meeting unless a quorum is present. Two (2) Members, having the right to vote, present either in person or by proxy, shall be a quorum for a general meeting. A representative of a corporation or company authorised pursuant to Article 18.14 to be present at any meeting of the Company shall be deemed to be a Member for the purpose of the constitution of a quorum.

17.3 If within half an hour from the time appointed for a meeting, a quorum is not present, the meeting, howsoever convened, shall proceed with such Members entitled to attend and vote as are present and they shall constitute a quorum even if there is only one member.

17.4 A Director nominated by the Directors shall preside as chairman at every general meeting of the Company, but if at any meeting none of the Directors be present within fifteen (15) minutes after the time appointed for holding the meeting, or if all the Directors present decline to take the chair, the Founder Shareholders shall choose some Member present to be chairman of the meeting.

17.5 The chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen (14) days or more, another fourteen (14) days Clear Notice at the least specifying the place, the day and the hour of the adjourned meeting, shall be given as in the case of the original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting or to attach thereto any documents already sent with a prior notice. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

17.6 At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before or upon the declaration of the result of the show of hands a poll is demanded by the chairman or by any Members present representing at least one-tenth in number or value of the shares in issue having the right to vote at the meeting. Unless a poll is so demanded, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution; provided that where a resolution requires a particular majority in value, the resolution shall not be deemed to have been carried on a show of hands by the required majority unless there be present at the meeting, whether in person or by proxy, a number of Members holding in the aggregate the required majority as aforesaid.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### **Designations, Powers and Rights of Shares (continued)**

*Description of the decision making procedures of the statutory body (continued)*

#### 17. Proceedings at General Meetings (continued)

17.7 If a poll is duly demanded, it shall be taken in such manner and at such time and place as the chairman may direct (including the use of ballot or voting papers or tickets) and the result of a poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

17.8 The chairman may, in the event of a poll, appoint scrutineers (who need not be Members) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

17.9 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

17.10 A poll demanded on the election of a chairman and a poll demanded on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the chairman directs not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded.

17.11 The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

17.12 A demand for a poll may be withdrawn and no notice need be given of a poll not taken immediately.

### **Principles of remuneration**

#### *Remuneration of Directors*

The Directors of the Company shall receive for their services such remuneration as may be determined by the Company in a General Meeting from time to time or, in relation to a particular Sub-fund, as specified in a Supplement. Each Director's remuneration shall in no case exceed €10,000 per annum. In addition, each Director may be paid reasonable travelling, hotel and other incidental expenses incurred in attending meetings of the Directors and general meetings of the Company. The amount paid from the assets of each sub-Fund shall be proportionate to the Net Asset Value of each sub-Fund when compared to the net asset value of the Company.

#### *Remuneration of Investment Committee members*

The members of the Investment Committee shall receive for their services such remuneration as may be determined by the Directors from time to time. The fee will be paid by the sub-funds. In addition, each Investment Committee member may be paid reasonable travelling, hotel and other incidental expenses incurred in attending meetings of the Investment Committee. The amount paid from the assets of each sub-Fund shall be proportionate to the Net Asset Value of each sub-Fund when compared to the net asset value of the Company.

#### *Remuneration of Founder Shareholders*

Founder Shareholders shall not be entitled to any remuneration but may be paid reasonable travelling, accommodation and other incidental expenses incurred in attending general meetings of the Company.



# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### **Principles of remuneration (continued)**

*Monetary and non-monetary benefits received by Directors and Investment Committee Members for the year*

Total monetary income of Directors of the Company for 2019 amounted to EUR 17,700. Out of total monetary income, all three directors received EUR 7,080 and all three Investment Committee Members received EUR 10,620.

Neither the Directors nor the Investment Committee Members received any non-monetary income.

### **Corporate governance and the Code**

The Issuer has not voluntarily adopted the Corporate Governance Code prepared in 2018 by Czech Institute of Directors together with Deloitte and issued in 2019. This Code is available on the website of Czech Ministry of Finance [www.mfcr.cz](http://www.mfcr.cz).

However, the Issuer's Corporate Governance is organized in accordance with the principles outlined in this document, as defined in the internal policies and statutes of the Issuer. In addition to its own policies, the corporate governance is fully in line with applicable law.

The above mentioned code has not been voluntarily adopted because in addition to the simple shareholder structure, the Issuer considers the existing policies of the corporate governance fully adequate and functional.

### **Information about internal control principles and strategies and the rules for the treatment of risks**

The Board of Directors is responsible for implementing adequate administrative and accounting procedures for the preparation of the financial statements. The Board of Directors has responsibility for the planning, management and monitoring of those processes relating, in particular, to management and accounting information flows (including the automated data processing and accounting reporting systems) and for attesting to their adequacy and effective application, as defined by the relevant laws and regulations. The Company also established a position of a compliance officer ensuring the Company complies with its outside regulatory requirements and internal policies.

The Board of Directors identifies and assesses the risks on financial information, identifies and carries out the appropriate controls, targeted at mitigating the possibility that such risks will occur, and monitors and assesses the efficiency of the controls in relation to the financial information process. The Administrator calculates the Net Asset Value ("NAV") of the Sub-funds as at the date of the statement of financial position or at the settlement date of new investors and prepares draft financial statements. NAV calculation and financial statements are approved by the Board of Directors.

Investment committee approves each new investment (at least 2 members of the Investment committee shall approve it), evaluates the performance of the investment in Sub-funds and reports to the Board of Directors on its activities and the performance of each Sub-fund at least four times a year.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### **Risk factors and uncertainties that could negatively affect issuer's business include but are not limited to:**

- Risk of newly formed company: The Company does not have long enough history to show proven track record.
- Sub-funds being economically separated entities: The assets of other sub-funds cannot be used to satisfy obligations of other sub-funds. Thus only the assets of the sub-fund issuing financial obligation can be used to repay such obligation.
- Payment titles issued by Romanian government: The major part of the sub-fund's portfolio is invested in obligations issued by the Romanian state. This instrument is not publicly traded thus it is uncertain if it can be sold at a fair price at any time in the market place. The Fund's investments in the points awarded under indemnification decisions issued by the Romanian Government need to be sourced from individual beneficiaries of such points and acquired through public deeds registered in Romania. There is no guarantee that the sub-Fund will manage to source such points, or a particular number of points. The sub-Fund may also be exposed to changes in the Romanian Government's interpretation of the points system and/or to changes in the applicable laws.
- Specific risks when investing in Romania: Although Romania is a full member of the European Union, it is still susceptible to a shaky political and economic outlook and a relatively volatile business environment in which corporate financial information is sometimes neither readily available nor sufficiently reliable. Following the collapse of communist rule in 1989, Romania has undergone a long period of economic transition to a market economy, which has not been smooth. Since 2000, there has been more progress. An extensive programme of economic reforms included the privatisation of several state-owned enterprises and the restructuring of Romania's energy, mining and industrial sector. Externally, a slowdown in global trade may have a high impact on Romania's growth, mainly due to its reliance on other EU economies as trading partners. Geopolitical tensions, combined with the increase in the US Federal Reserve's key-interest rate could lead to increased investor caution, capital outflows and depreciation of the local currency (RON).
- Market risk: Most of the assets of the sub-funds are invested in Romania which is considered an emerging market.
- Sub-fund's assets not being publicly traded: The Sub-funds invest in the Romanian instruments which are not publicly traded. Such instruments are considered risky and speculative in nature.
- Interest rates changing risk: Fixed income instruments, which can be bought as an investment by the sub-funds, have an inverse relationship with changing interest rates. Unstable interest rates environment could have a negative impact on the fixed income instruments held by the sub-funds. If the level of market interest rates rises, the prices of interest-bearing securities in the Fund's portfolio can fall substantially. This is even more the case, if the Fund holds interest-bearing securities having a longer residual term to maturity with normal return/yield.
- Liquidity risk: Since the Romanian obligations are not publicly traded, it might be hard to sell should the Romanian government start defaulting on its obligations.
- High leverage risk: Since Alpha Quest Balanced Fund is an issuer of publicly traded bonds, it is exposing itself to enormous amount of risk should its investment strategy produce negative returns.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

### **Risk factors and uncertainties that could negatively affect issuer's business include but are not limited to: (continued)**

- Inflationary risk: Rising prices can affect the value of the underlying assets of the portfolio.
- Foreign exchange risk: The functional currency of the Company and its sub-funds is the EUR while the assets of the portfolio are denominated in RON. Where the Fund holds assets denominated in foreign currency or currencies, it is exposed to a direct currency risk (provided the foreign currency positions have not been hedged). In case of RON depreciation, this will have negative effect on the underlying net asset value of the sub-funds. Conversely, the foreign exchange market also offers opportunities for gains. Besides direct risks, indirect currency risks also exist. Internationally active companies are more or less strongly dependent on the exchange rate development, which can have an indirect influence on the price development of investments.
- Concentration risk: The majority of fund's assets are invested in the Romanian restitution points. This creates a risk for the underlying net assets value should the Romanian government default on its obligations.
- Management compensation: Management have variable compensation based on the performance of the sub-funds. This can incentivize them to undertake speculative investments in order to produce extraordinary returns.
- Operating risk: It can be created in the absence of rigorous internal processes.
- Company founded under different law: The Company and its sub-funds have been incorporated under the laws of Malta. Maltese law can substantially differ from Czech laws under which the publicly traded bond has been issued.
- Political, economic and social risks: Romania is classified as an emerging and post-socialist market, which up to this date faced significant political, economic and social risk which could negatively impact the sub-funds' performance and their net asset value.

### **Key Figures of the Company for the year**

Information about profit before tax for the year can be found in the Statement of Comprehensive Income in the financial statements which forms part of Annual Report. The result corresponds to the expectation and reward attributed to the sub-Fund for the issue of the bonds.

Information about the Company's total assets and financial situation as at 31 Decemebr 2019 can be found in the Statement of Financial Position in the financial statements which form part of the Annual Report.

#### *Evaluation of the business environment during reporting year 2019*

Both sub-Funds performed very well and in line with Investment Committees' expectations, mainly due to the fact the payments from the Romanian Government are on track and on time. Both sub-Funds received the expected 20% of the nominal value of all points held well ahead of the due date. Performance of both sub-Funds was further boosted by the leverage that the Balance Fund currently has. As opposed to the previous period, RON vs EUR remained stable, so both sub-Funds further benefited from stable currency exchange rates. Lastly, both sub-Funds also gained by investing free liquidity in corporate bonds.

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

## **SPECIFIC DISCLOSURES (CONTINUED)**

### **Expected economic situation in next year**

In 2020, the Company expects a very similar scenario for this year. The Company can already confirm, that the Romanian Government will pay well ahead of the 180 day due date, as the Company is to cash in roughly EUR 10 million by 15th of May 2020 on payment titles issued and received in March of 2020.

### **Remuneration charged by auditors over the accounting period**

The statutory auditor's remuneration (including VAT) for the year amounted to EUR 32,834, out of which EUR 21,064 is outstanding at year end. Other non-audit services provided by the auditors during the year comprised of tax services amounting to EUR 1,351 (including VAT).

### **Legal and arbitration proceedings**

The Company is not a party to any litigation or arbitration proceedings.

### **Major contracts and agreements executed on behalf of the Company during fiscal year 2019**

Alpha Quest Funds SICAV p.l.c. and its sub-funds, namely Alpha Quest Balanced Fund and Alpha Quest Opportunity Fund, have not entered into any major contract that would affect its regular course of business or pose any risk to its business objective.

### **Issuer's subsidiaries and branches**

The Company did not have an organizational unit located abroad in 2019.

### **Acquisition of own shares (treasury shares)**

During the year, no acquisition of own shares (treasury shares) occurred.

### **Expenses incurred in connection with research and development**

The Company did not incur any research and development expenditure during the year.

### **Investment in tangible and intangible fixed assets**

The Company did not make any significant investments in tangible and intangible fixed assets during the year.

### **Environmental and labor relations activities**

The Company complies with all legal requirements in the field of environmental protection and complies with applicable legislation in the field of labor relations.

# ALPHA QUEST FUNDS SICAV p.l.c.

## SPECIFIC DISCLOSURES (CONTINUED)

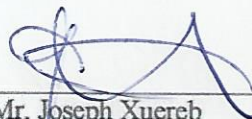
### True and fair view statement

The Board of Directors of Alpha Quest Funds SICAV p.l.c. declares that the Annual Report and financial statements provide a true and fair view of the financial position, business activities and results of the Company for the past accounting year and to the best of its knowledge, all the information and data in the Annual Report and financial statements correspond to the prospects for future financial and business performance and no significant circumstances have been omitted.

Approved by the Board of Directors on 11 June 2020 and signed on its behalf by:



Mr. Michal Kosac  
Director



Mr. Joseph Xuereb  
Director

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of financial position As at ended 31 December 2019

		The Company	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
				Alpha Quest Balanced Fund	Alpha Quest Opportunity Fund
	Note	31.12.19 EUR	31.12.19 EUR	31.12.19 EUR	31.12.19 EUR
<b>Current assets</b>					
Cash and cash equivalents	5	2,221,130	681,548	1,224,123	315,459
Financial assets at fair value through profit or loss	11	19,165,537	-	4,381,983	14,783,554
Loans and interest receivable	18	5,199,344	-	4,711,680	487,664
Due from founder shareholders	8	-	-	7,398,285	-
Due from sub-funds	8	-	3,441,839	1,626,725	-
Prepaid expenses		12,860	-	6,430	6,430
Other receivables		32,429	-	23,463	8,966
Management and performance fee receivable	14	-	3,062,705	-	-
Restitution points	12	17,913,477	-	13,753,315	4,160,162
Receivable from Government of Romania		2,962,156	-	846,825	2,115,331
Receivable from "A" Class Shareholders	8	231,208	231,208	-	-
<b>Total Current assets</b>		<b>47,738,141</b>	<b>7,417,300</b>	<b>33,972,829</b>	<b>21,877,566</b>
<b>Non-current assets</b>					
Restitution points	12	28,552,144	-	20,413,410	8,138,734
<b>Total Non-current assets</b>		<b>28,552,144</b>	<b>-</b>	<b>20,413,410</b>	<b>8,138,734</b>
<b>Total assets</b>		<b>76,290,285</b>	<b>7,417,300</b>	<b>54,386,239</b>	<b>30,016,300</b>
<b>Equity and Liabilities</b>					
<b>Share capital and Reserves</b>					
Share capital	6	1,100	1,100	-	-
Retained earnings		-	-	-	-
<b>Total equity</b>		<b>1,100</b>	<b>1,100</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Dividends payable	8	17,915	17,915	-	-
Interest payable	13	43,633	-	43,633	-
Administration fees payable	14	-	-	-	-
Audit fees payable		21,064	-	10,532	10,532
Management fees payable	14	-	-	268,669	66,430
Performance fees payable	14	-	-	1,966,759	760,847
Due to "A" Class Shareholders	8	24,012	-	1,044	22,968
Other payables	14	208,516	-	3,396	205,120
Due to sub-funds	8	-	7,398,285	-	1,626,725
Due to founder shareholders	8	-	-	-	3,441,839
<b>Total Current liabilities</b>		<b>315,140</b>	<b>7,416,200</b>	<b>2,294,033</b>	<b>6,134,461</b>
<b>Non-current liabilities</b>					
Bonds issued	13	39,323,634	-	39,323,634	-
<b>Total Non-current liabilities</b>		<b>39,323,634</b>	<b>-</b>	<b>39,323,634</b>	<b>-</b>
<b>Total liabilities</b>		<b>39,638,774</b>	<b>7,416,200</b>	<b>41,617,667</b>	<b>6,134,461</b>
<b>Net assets attributable to holders of redeemable shares</b>	7	<b>36,650,411</b>	<b>-</b>	<b>12,768,572</b>	<b>23,881,839</b>
<b>Total Equity and Liabilities</b>		<b>76,290,285</b>	<b>7,417,300</b>	<b>54,386,239</b>	<b>30,016,300</b>

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of financial position (continued)

As at 31 December 2019

	Note	The Company	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
		31.12.18 EUR	31.12.18 EUR	Alpha Quest Balanced Fund 31.12.18 EUR	Alpha Quest Opportunity Fund 31.12.18 EUR
<b>Current assets</b>					
Cash and cash equivalents	5	1,998,625	897,711	720,435	380,479
Financial assets at fair value through profit or loss	11	18,473,330	-	9,819,530	8,653,800
Loans and interest receivable	18	604,944	604,944	-	-
Due from founder shareholders	8	-	-	3,619,083	5,709
Due from sub-funds	8	-	-	-	52,375
Prepaid expenses		13,420	-	6,710	6,710
Other receivables		26,218	-	-	26,218
Management and performance fee receivable	14	-	4,925,154	-	-
Restitution points	12	14,141,552	-	10,875,731	3,265,821
Receivable from Government of Romania		482,461	-	231,408	251,053
Receivable from "A" Class Shareholders	8	588,883	-	-	588,883
<b>Total Current assets</b>		<b>36,329,433</b>	<b>6,427,809</b>	<b>25,272,897</b>	<b>13,231,048</b>
<b>Non-current assets</b>					
Restitution points	12	38,356,939	-	28,407,240	9,949,699
<b>Total Non-current assets</b>		<b>38,356,939</b>	<b>-</b>	<b>28,407,240</b>	<b>9,949,699</b>
<b>Total assets</b>		<b>74,686,372</b>	<b>6,427,809</b>	<b>53,680,137</b>	<b>23,180,747</b>
<b>Share capital and Reserves</b>					
Share capital	6	1,100	1,100	-	-
Retained earnings		-	-	-	-
<b>Total equity</b>		<b>1,100</b>	<b>1,100</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Dividends payable	8	2,801,917	2,801,917	-	-
Interest payable	13	122,401	-	122,401	-
Administration fees payable	14	8,000	-	4,000	4,000
Audit fees payable		21,064	-	10,532	10,532
Management fees payable	14	-	-	551,266	319,231
Performance fees payable	14	-	-	2,838,135	1,216,522
Due to "A" Class Shareholders	8	200,000	-	200,000	-
Other payables	14	49,861	-	18,697	31,164
Due to sub-funds	8	-	3,624,792	52,375	-
<b>Total Current liabilities</b>		<b>3,203,243</b>	<b>6,426,709</b>	<b>3,797,406</b>	<b>1,581,449</b>
<b>Non-current liabilities</b>					
Bonds issued	13	38,857,587	-	38,857,587	-
<b>Total Non-current liabilities</b>		<b>38,857,587</b>	<b>-</b>	<b>38,857,587</b>	<b>-</b>
<b>Total liabilities</b>		<b>42,060,830</b>	<b>6,426,709</b>	<b>42,654,993</b>	<b>1,581,449</b>
<b>Net assets attributable to holders of redeemable shares</b>	7	<b>32,624,442</b>	<b>-</b>	<b>11,025,144</b>	<b>21,599,298</b>
<b>Total Equity and Liabilities</b>		<b>74,686,372</b>	<b>6,427,809</b>	<b>53,680,137</b>	<b>23,180,747</b>

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

The financial statements on pages 21 to 46 were approved and authorised for issue by the Board of Directors on 11 June 2020 and were signed on its behalf by:

Mr Michal Kosac  
Director

Mr Joseph Xuereb  
Director

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of comprehensive income For the year ended 31 December 2019

		The Company	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
	Note	31.12.19 EUR	31.12.19 EUR	Alpha Quest Balanced Fund 31.12.19 EUR	Alpha Quest Opportunity Fund 31.12.19 EUR
<b>Income</b>					
Net gain/(loss) on financial assets at fair value through profit or loss		965,146	-	(20,971)	986,117
Income from restitution points		10,242,366	-	7,257,672	2,984,694
Net (loss)/gain on foreign exchange		(1,394,355)	369,615	(1,275,331)	(488,639)
Interest income calculated using the effective interest method	15	735,381	4,452	479,623	251,306
Income from management and performance fees	14	3,197,144	3,197,144	-	-
<b>Total investment income</b>		<b>13,745,682</b>	<b>3,571,211</b>	<b>6,440,993</b>	<b>3,733,478</b>
<b>Expenditure</b>					
Administration fees	14	(26,000)	-	(13,000)	(13,000)
Audit fees	14	(32,834)	-	(16,417)	(16,417)
Directors and investment committee fees	8	(17,700)	-	(8,850)	(8,850)
Performance fees	14	(2,539,594)	-	(1,797,690)	(741,904)
Professional fees		(312,000)	-	(311,000)	(1,000)
Management fees	14	(657,550)	-	(533,268)	(124,282)
Other operating expenses	17	(874,819)	(861)	(328,474)	(545,484)
<b>Total operating expenses</b>		<b>(4,460,497)</b>	<b>(861)</b>	<b>(3,008,699)</b>	<b>(1,450,937)</b>
<b>Operating profit before finance costs</b>		<b>9,285,185</b>	<b>3,570,350</b>	<b>3,432,294</b>	<b>2,282,541</b>
Interest expense	16	(1,688,866)	-	(1,688,866)	-
<b>Total finance costs</b>		<b>(1,688,866)</b>	<b>-</b>	<b>(1,688,866)</b>	<b>-</b>
<b>Profit for the year</b>		<b>3,570,350</b>	<b>3,570,350</b>	<b>-</b>	<b>-</b>
<b>Net increase in net assets attributable to holders of redeemable shares</b>		<b>4,025,969</b>	<b>-</b>	<b>1,743,428</b>	<b>2,282,541</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>7,596,319</b>	<b>3,570,350</b>	<b>1,743,428</b>	<b>2,282,541</b>



# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of comprehensive income (continued) For the year ended 31 December 2019

		The Company	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
	Note	31.12.18 EUR	31.12.18 EUR	Alpha Quest Balanced Fund 31.12.18 EUR	Alpha Quest Opportunity Fund 31.12.18 EUR
<b>Income</b>					
Net gains on financial assets at fair value through profit or loss		1,337,799	-	181,428	1,156,371
Income from restitution points		10,661,146	-	7,781,298	2,879,848
Net gain/(loss) on foreign exchange		23,684	(53,647)	340,379	(263,048)
Interest income calculated using the effective interest method	15	251,648	5,514	183,691	62,443
Income from management and performance fees	14	4,110,728	4,110,728	-	-
Other income		13,900	10,000	-	3,900
Net investment income		<u>16,398,905</u>	<u>4,072,595</u>	<u>8,486,796</u>	<u>3,839,514</u>
<b>Expenditure</b>					
Administration fees	14	(21,000)	-	(10,500)	(10,500)
Audit fees	14	(23,542)	-	(11,771)	(11,771)
Directors and investment committee fees	8	(17,700)	-	(8,850)	(8,850)
Performance fees	14	(3,548,767)	-	(2,692,436)	(856,331)
Professional fees		(329,829)	-	(311,660)	(18,169)
Management fees	14	(561,959)	-	(439,155)	(122,804)
Other operating expenses	17	(834,299)	(7,416)	(584,790)	(242,093)
Total operating expenses		<u>(5,337,096)</u>	<u>(7,416)</u>	<u>(4,059,162)</u>	<u>(1,270,518)</u>
Operating profit before finance costs		<u>11,061,809</u>	<u>4,065,179</u>	<u>4,427,634</u>	<u>2,568,996</u>
Interest expense	16	<u>(1,735,198)</u>	<u>-</u>	<u>(1,735,198)</u>	<u>-</u>
Total finance costs		<u>(1,735,198)</u>	<u>-</u>	<u>(1,735,198)</u>	<u>-</u>
Profit for the year		4,065,179	4,065,179	-	-
Net increase in net assets attributable to holders of redeemable shares		5,261,432	-	2,692,436	2,568,996
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		<u>9,326,611</u>	<u>4,065,179</u>	<u>2,692,436</u>	<u>2,568,996</u>

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 year ended 31 December 2019

	Attributable to unitholders of investor shares of:	
	Alpha Quest Balanced Fund 31.12.19 EUR	Alpha Quest Opportunity Fund 31.12.19 EUR
<b>Balance at the beginning of the year</b>	<b>11,025,144</b>	<b>21,599,298</b>
Increase in net assets attributable to holders of redeemable shares	1,743,428	2,282,541
<b>Net assets as at the end of the year attributable to holders of redeemable shares</b>	<b>12,768,572</b>	<b>23,881,839</b>
	Attributable to unitholders of investor shares of:	
	Alpha Quest Balanced Fund 31.12.18 EUR	Alpha Quest Opportunity Fund 31.12.18 EUR
Balance at the beginning of the year	8,316,708	24,173,884
Issue of redeemable shares during the year	16,000	607,006
Redemption of redeemable shares during the year	-	(5,750,588)
Transactions with holders of redeemable shares	16,000	(5,143,582)
Increase in net assets attributable to holders of redeemable shares	2,692,436	2,568,996
Net assets as at the end of the year attributable to holders of redeemable shares	11,025,144	21,599,298

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

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of changes in equity attributable to founder shareholders

For the year ended 31 December 2019

	Share capital 31.12.19 EUR	Retained earnings 31.12.19 EUR	Total 31.12.19 EUR
Balance as at the beginning of the year	1,100	-	1,100
<b>Transactions with owners</b>			
Dividends declared to 'A' Class Shareholders	-	(3,570,350)	(3,570,350)
<b>Comprehensive income</b>			
Profit for the year	-	3,570,350	3,570,350
<b>Balance as at the end of the year</b>	<b>1,100</b>	<b>-</b>	<b>1,100</b>

	Share capital 31.12.18 EUR	Retained earnings 31.12.18 EUR	Total 31.12.18 EUR
Balance as at the beginning of the year	1,100	-	1,100
Transactions with owners			
Dividends declared to 'A' Class Shareholders	-	(4,065,179)	(4,065,179)
Comprehensive income			
Profit for the year	-	4,065,179	4,065,179
<b>Balance as at the end of the year</b>	<b>1,100</b>	<b>-</b>	<b>1,100</b>

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

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of cash flows For the year ended 31 December 2019

	The Company	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
	31.12.19 EUR	31.12.19 EUR	Alpha Quest Balanced Fund 31.12.19 EUR	Alpha Quest Opportunity Fund 31.12.19 EUR
<b>Cash flows from operating activities</b>				
Operating expenses paid	(6,384,326)	(861)	(4,387,918)	(1,995,547)
Performance fee and management fee received from sub-funds	5,059,594	5,059,594	-	-
Interest received	586,195	9,961	322,594	253,640
Net received/(paid to) from sub-funds	719,641	719,690	(1,555,494)	1,555,445
Net (paid to)/received from the founder shareholders	(719,641)	-	(4,133,628)	3,413,987
Purchase of investments and restitution points	(158,326,790)	-	(101,133,256)	(57,193,534)
Sale of investments and redemption of restitution points	171,607,807	(18,001)	117,733,550	53,892,258
Loans provided to related and third parties	(15,832,280)	-	(14,409,535)	(1,422,745)
Repayment of loans provided to related and third parties	11,958,923	605,791	9,814,249	1,538,883
<b>Net cash inflows from operating activities</b>	<b>8,669,123</b>	<b>6,376,174</b>	<b>2,250,562</b>	<b>42,387</b>
<b>Cash flows from financing activities</b>				
Interest paid	(1,767,634)	-	(1,767,634)	-
Dividends paid to 'A' Class shareholders	(6,585,560)	(6,585,560)	-	-
<b>Net cash outflows from financing activities</b>	<b>(8,353,194)</b>	<b>(6,585,560)</b>	<b>(1,767,634)</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents	315,929	(209,386)	482,928	42,387
Cash and cash equivalents at beginning of year	1,998,625	897,711	720,435	380,479
Effect of exchange rate fluctuations in cash and cash equivalents	(93,424)	(6,777)	20,760	(107,407)
<b>Cash and cash equivalents at end of year</b>	<b>2,221,130</b>	<b>681,548</b>	<b>1,224,123</b>	<b>315,459</b>

# ALPHA QUEST FUNDS SICAV p.l.c.

## Statement of cash flows (continued)

For year ended 31 December 2019

	The Company	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
	31.12.18 EUR	31.12.18 EUR	Alpha Quest Balanced Fund 31.12.18 EUR	Alpha Quest Opportunity Fund 31.12.18 EUR
<b>Cash flows from operating activities</b>				
Operating expenses paid	(1,518,790)	(12,696)	(750,494)	(755,600)
Performance fee and management fee received from sub-funds	78,943	78,943	-	-
Interest received	219,915	-	183,691	36,224
Received from government on behalf of sub-funds	6,049,794	6,049,794	-	-
Net (paid to)/received from sub-funds	(4,589,244)	(4,593,966)	116,200	(111,478)
Net received from/(paid to) the founder shareholders	4,589,244	-	(2,280,226)	6,869,470
Purchase of investments and restitution points	(93,883,181)	-	(59,770,878)	(34,112,303)
Loans provided to related parties	(1,188,317)	(599,434)	-	(588,883)
Sale of investments and redemptions of restitution points	75,771,233	-	55,805,327	19,965,906
Net cash (outflows)/inflows from operating activities	<u>(14,470,403)</u>	<u>922,641</u>	<u>(6,696,380)</u>	<u>(8,696,664)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of bonds	7,823,754	-	7,823,754	-
Interest paid	(1,645,884)	-	(1,645,884)	-
Amounts received on subscription of shares	623,006	-	16,000	607,006
Amounts paid on redemption of shares	(5,750,588)	-	-	(5,750,588)
Dividends paid to 'A' Class shareholders	(808,865)	(808,865)	-	-
Net cash inflows(outflows) from financing activities	<u>241,423</u>	<u>(808,865)</u>	<u>6,193,870</u>	<u>(5,143,582)</u>
Net (decrease)/increase in cash and cash equivalents	(14,228,980)	113,776	(502,510)	(13,840,246)
Cash and cash equivalents at beginning of year	16,129,453	772,174	1,221,304	14,135,975
Effect of exchange rate fluctuations in cash and cash equivalents	98,152	11,761	1,641	84,750
Cash and cash equivalents at end of year	<u>1,998,625</u>	<u>897,711</u>	<u>720,435</u>	<u>380,479</u>

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

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements

For year ended 31 December 2019

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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. Alpha Quest Balanced Fund has issued bonds (see note 13) which are listed on the Prague Stock Exchange.

The Company is the reporting entity and comprises all the activities of Alpha Quest Fund SICAV p.l.c. as the entity with the separate legal personality. The Statutory Financial Statements are those presented for the Company. The sub-funds are an integral part of that entity, as these do not have separate legal personality.

In accordance with the relevant local practice, the financial statements caption amounts in the primary financial statements are also presented in a segregated format: those amounts 'attributable to founder shareholders', and those amounts 'attributable to unitholders of investor shares' (segregated by the specific sub-fund). Also in accordance with local practice, where appropriate, disclosures in the notes in the financial statements are segregated by sub-fund. Such presentation of the financial statements is nonetheless not a statutory requirement.

### 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.

These financial statements have also been prepared and presented in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta).

#### 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 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.

'Functional currency' is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then the directors use its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's investments and transactions are denominated mainly in RON, CZK and EUR. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in EUR. The expenses are denominated and paid in CZK, RON and EUR. Accordingly, the directors have determined that the functional currency of the Company is EUR.

#### 2.4 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*.

#### 2.5 New standards and interpretations not yet adopted

The Company did not early adopt new standards, amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2019. None of these are expected to have a significant effect on the financial statements of the Company in the period of initial application.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements

For year ended 31 December 2019

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### 3 Significant accounting policies

The Fund has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

#### 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 expense comprises interest expense on borrowings. Interest income and interest expense are recognized as they accrue in profit or loss, using the effective interest method.

#### 3.3 Fees and commission expenses

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

#### 3.4 Restitution points

Restitution points arise from a statutory right in Romania (as further explained in note 12) and consequently, are not considered to be a financial asset under IAS 32 *Financial Instruments: Presentation*. These points do not fall within the scope of any specific IFRS. Up till 2018, the directors considered the characteristics of the restitution points and concluded that the most relevant accounting treatment accords with IFRS 9 *Financial Instruments*. During 2019, the directors performed a reassessment of the restitution points under the EU adopted IFRS framework and concluded that such an asset would not pass the SPPI test under IFRS 9 in view of the existence of a potential option which would allow the Company to opt for the application of the full par amount of the Restitution Points to auction for property in lieu of cash. Following their reassessment, the directors are of the view that IAS 16 provides specific guidance on compensation for the impairment of property, plant and equipment. On the premise that a loss event that creates a right for the Company to assert a claim has occurred, the entity recognises a receivable for the compensation when it has an unconditional contractual right to receive the compensation, in this case through holding the Restitution Points. Under this classification, the initial and subsequent measurement of the Restitution Points remain unchanged. The Company, therefore, continues to account for the restitution points as follows:

On acquisition, the restitution points are recognised at the fair value of the consideration transferred, being the cash compensation paid to the transferor. Subsequently, these are measured at amortised cost based on the discounted future cash flows expected to arise from the redemption of the Restitution Points, on the basis that the Company will enjoy the economic benefits from these assets by way of redeeming them through forward claims against the Romanian State (compensated in cash, over a period of five years, in equal tranches of 20% of the total number of points it owns).

In addition, the Company's potential benefit from exercising the option to auction for property is treated as a contingent gain in accordance with IAS 37.

#### 3.5 Financial assets and financial liabilities

##### 3.5.1 Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss ("FVTPL") on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

##### 3.5.2 Classification and subsequent measurement

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Company are measured at FVTPL.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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- 3 Significant accounting policies (continued)
- 3.5 Financial assets and financial liabilities (continued)
- 3.5.2 Classification and subsequent measurement (continued)

### *Business model assessment*

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

The Company has determined that it has two business models:

- Held-to-collect business model: this includes cash and cash equivalents, and other financial assets. These other financial assets are held to collect contractual cash flows.
- *Other business model*: this includes debt securities and investments in unlisted open-ended investment funds and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

### *Assessment whether contractual cash flows are SPPI*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

### *Classification and subsequent measurement*

The Company classified financial assets into the following categories.

- Financial assets at FVTPL  
*Designated as at FVTPL*: debt securities and mutual funds
- Financial assets at amortised cost:  
*Loans and receivables*: cash and cash equivalents and receivables.

The Company designated all debt investments as at FVTPL on initial recognition because it managed these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities were on a fair value basis.

### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.



# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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### 3 Significant accounting policies (continued)

#### 3.5 Financial assets and financial liabilities (continued)

##### 3.5.2 Classification and subsequent measurement (continued)

*Financial liabilities – Classification, subsequent measurement and gains and losses (continued)*

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

The Company classified financial liabilities into the following categories.

- Financial liabilities at amortised cost:
  - Bond issued*
  - Other liabilities – other payables.*

##### 3.5.3 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

##### 3.5.4 Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

##### 3.5.5 Impairment

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 by Moody's.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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### 3 Significant accounting policies (continued)

#### 3.5 Financial assets and financial liabilities (continued)

##### 3.5.5 Impairment (continued)

###### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

###### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

###### *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

##### 3.5.6 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### 3.5.7 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, and interest and dividend income received from these financial instruments.

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

##### 3.5.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has currently a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

#### 3.6 Redeemable shares

The Company 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.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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### 3 Significant accounting policies (continued)

#### 3.6 Redeemable shares (continued)

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.

#### 3.7 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.

##### *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 audited 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	31.12.2019	31.12.2018
Founder shareholders	681,548	897,711
Alpha Quest Balanced Fund	1,224,123	720,435
Alpha Quest Opportunity Fund	315,459	380,479

### 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 class in the Company carrying voting rights. The "A" Ordinary Shares are issued at EUR 1 per share and these do not carry any voting rights.

As at 31 December 2019 and 2018, 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 Limited	50 'A' Ordinary shares
- Ovidiu Fer	50 'A' Ordinary shares.

The total amount of distributions on Founder Shares and "A" Ordinary Shares shall be an amount not exceeding the aggregate of the Management Fee and Performance Fee due under the terms of the Offering Supplements.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 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 Company 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 movement in the Redeemable shares of the Sub-funds during 2019 was as follows:

	Attributable to unitholders of investor shares of:	
	Alpha Quest Balanced Fund No. of shares	Alpha Quest Opportunity Fund No. of shares
Balance at the beginning of the year	8,067.03	16,129.56
Issue of redeemable shares during the year (equalisation)	-	0.70
Balance as at 31 December 2019	<u>8,067.03</u>	<u>16,130.26</u>

The movement in the Redeemable shares of the Sub-funds during 2018 was as follows:

	Attributable to unitholders of investor shares of:	
	Alpha Quest Balanced Fund No. of shares	Alpha Quest Opportunity Fund No. of shares
Balance at the beginning of the year	7,954.47	20,466.07
Issue of redeemable shares during the year	112.56	538.49
Redemption of redeemable shares during the year	-	(4,875.00)
Balance as at 31 December 2018	<u>8,067.03</u>	<u>16,129.56</u>

The net asset value per share of the Sub-funds were as follows:

	2019	2018	2017
<b>Alpha Quest Balanced Fund</b>			
Investor shares in issue as at end of the year	8,067.03	8,067.03	7,954.47
Net asset value of investor shares as at end of the year	12,768,572	11,025,144	8,316,708
Net asset value per share as at end of the year	1,582.8095	1,366.6918	1,045.5389
<b>Alpha Quest Opportunity Fund</b>			
Investor shares in issue as at end of the year	16,130.26	16,129.56	20,466.07
Net asset value of investor shares as at end of the year	23,881,839	21,599,298	24,173,884
Net asset value per share as at end of the year	1,480.5613	1,339.1127	1,181.1688

### 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, with its 'A' class shareholders and the directors Mr Joseph Xuereb, Mr Frank Chetcuti Dimech and Mr Michal Kosac. Mr Joseph Xuereb and Mr Michal Kosac are also part of the Investment Committee of the Company. The Company and the sub-funds have also entered into transactions between themselves during the year.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements

For year ended 31 December 2019

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### 8 Related party balances and transactions (continued)

The related party transactions entered during the financial year ended 31 December 2019 are mentioned below:

- Alpha Quest Balanced Fund and Alpha Quest Opportunity Fund have paid directors and investment committee fees of EUR 8,850 each (2018: EUR 8,850 each).
- Alpha Quest Balanced Fund incurred Management fees of EUR 533,268 (2018: EUR 439,155), out of which EUR 268,669 (2018: EUR 551,266) is yet to be paid. The sub-Fund also incurred Performance fees of EUR 1,797,690 (2018: EUR 2,692,436), with performance fees amounting to EUR 1,966,759 (2018: EUR 2,838,135) yet to be paid.
- Alpha Quest Opportunity Fund incurred Management fees of EUR 124,282 (2018: EUR 122,804), out of which EUR 66,430 (2018: EUR 319,231) is yet to be paid. The sub-Fund also incurred Performance fees of EUR 741,904 (2018: EUR 856,331), with performance fees amounting to EUR 760,847 (2018: EUR 1,216,522) yet to be paid.
- Alpha Quest Balanced Fund has transferred points for a nominal value of RON 12,935,104 (equivalent to EUR 2,701,680) (2018: RON 3,543,481 equivalent to EUR 872,908) to Alpha Quest Opportunity Fund on 19 December 2019 (2018: 12 March 2018). The costs of these points amounted to RON 7,761,063 (equivalent to EUR 1,621,008) (2018: RON 1,884,435 equivalent to EUR 464,192). Alpha Quest Opportunity Fund has transferred points for a nominal value of RON 16,062,441 (equivalent to EUR 3,447,542) to Alpha Quest Balanced Fund on 9 March 2018. The costs of these points amounted to RON 11,193,515 (equivalent to EUR 2,402,506).
- Alpha Quest Balanced Fund subscribed CZK 250 Million (equivalent to EUR 9,806,219) (2018: CZK 272 Million equivalent to EUR 10,523,645) in its own bonds and redeemed CZK 422 Million (equivalent to EUR 16,411,490) (2018: CZK 20 Million equivalent to EUR 773,573) during 2019. The amount outstanding as at 31 December 2019 amounted to CZK 80 Million (equivalent to EUR 3,128,588) (2018: CZK 252 Million equivalent to EUR 9,819,530). The interest earned on such transaction was CZK 2,254,963 (equivalent EUR 88,648) (2018: CZK 953,263 equivalent to EUR 37,041).
- Alpha Quest Opportunity Fund subscribed CZK 447 Million (equivalent to EUR 17,457,707) (2018: CZK 95 Million equivalent to EUR 3,669,855) bonds in Alpha Quest Balanced Fund and redeemed CZK 219 Million (EUR 8,537,615) (2018: CZK 95 Million equivalent to EUR 3,669,855) during 2019. The amount outstanding as at 31 December 2019 is CZK 226 Million (equivalent to EUR 8,916,476) (2018: Nil). The interest earned on such transaction was CZK 2,856,500 (equivalent to EUR 112,307) (2018: CZK 457,500 equivalent to EUR 17,777).
- In 2017, Alpha Quest Opportunity Fund has subscribed 3,530.47 shares in Alpha Quest Balanced Fund at a value of EUR 4,000,000. Out of this, EUR 940,169 were redeemed during 2018. As at 31 December 2019, these shares are valued at EUR 5,867,078 (2018: EUR 4,978,900).
- For the redemption of restitution points (handled by the founder shareholders on behalf of the sub-funds), amounts receivable by the sub-funds from the founder shareholders is as below:

Alpha Quest Balanced Fund - EUR 7,398,285 (2018: EUR 3,619,083)  
Alpha Quest Opportunity Fund – EUR Nil (2018: EUR 5,709)

For purchase of restitution points on behalf of the sub-funds by the founder shareholders, amount payable to the founder shareholders as at 31 December 2018 is EUR Nil and as at 31 December 2019 is as below:

Alpha Quest Balanced Fund - EUR Nil  
Alpha Quest Opportunity Fund – EUR 3,441,839

- For purchase of restitution points between the sub-funds, Alpha Quest Opportunity Fund owes Alpha Quest Balanced Fund the amount of EUR 1,626,725 (2018: Alpha Quest Balanced Fund owes Alpha Quest Opportunity Fund the amount of EUR 52,375).
- Introducer fee charged by Fraternity Capital Limited (“A” class shareholder) to Alpha Quest Balanced Fund amounted to EUR 310,000 and was paid during 2019 (2018: EUR 300,000 and related payable as at 31 December 2018 amounted to EUR 200,000 and was paid during 2019).
- Payments in 2019 by (“A” class shareholder on behalf of Alpha Quest Balanced Fund and Alpha Quest Opportunity Fund amounted to EUR1,044 and EUR22,968 respectively (2018: EUR Nil) and are still due as at 31 December 2019 (2018: EUR Nil).
- Amount advanced to “A” Class shareholder of Alpha Quest Fund SICAV p.l.c. and receivable as at 31 December 2019 amounted to EUR231,208 (2018: EUR588,883).
- During the year, dividends of EUR 3,570,350 (2018: EUR 4,065,179) were declared to “A” Class shareholders. As at year-end, amounts due in respect of dividends declared amounted to EUR17,915 (2018: EUR2,801,917).

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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### 8 Related party balances and transactions (continued)

- In 2018, sale of 50% stake in TD Beta s.r.o. (directed by Company's director Michal Kosac) by Alpha Quest Balanced Fund to Astone Group Ltd (which is owned and directed by Company's director Michal Kosac). The sale price amounted to CZK 152,163,914 (equivalent to EUR 5,900,342) and gain on disposal from this transaction amounted to CZK 2,850,000 (equivalent to EUR 110,779).
- In 2018, Alpha Quest Balanced Fund transferred loans receivable from TD Beta s.r.o. amounting to CZK 15,426,433 (EUR 599,576) to the founder shareholders. The outstanding balance was received in full during the current year. (see Note 18).
- During the year, Alpha Quest Balanced Fund purchased debentures in CZK and EUR from Astone Group Ltd amounting to CZK 223,500,000 (equivalent to EUR 8,698,575) and EUR 920,000. These were partially received during the year (see Note 18).
- During the year, Alpha Quest Opportunity Fund purchased a debenture from Astone Group Ltd amounting to CZK 30,000,000 (EUR 1,165,772). This was partially received during the year (see Note 18).

Reference is also to be made to the Statement of changes in equity attributable to founder shareholders for transactions with founder shareholders and note 6.

### 9 Financial Risk Review

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 Company 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 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 (through the Company) 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 (through the Company) 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 Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 9.1 Market risk

Market risk arises when changes in foreign exchange rates or equity prices affect the positions held by the Company. The Company does not regard either interest rate or commodity risks as material in its case. The Company 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. Alpha Quest Balanced Fund invests in restitution points which are not subject to price risk. Alpha Quest Opportunity Fund invests in restitution points and in Alpha Quest Balanced Fund. The sub-funds also hold investments in debt securities and collective investment scheme that are exposed to price risk.

As at 31 December 2019, the fair value of the Bonds and Fund Investments exposed to price risk were as follows:

	Attributable to unitholders of investor shares of:		Attributable to unitholders of investor shares of:	
	Alpha Quest Balanced Fund 2019 EUR	Alpha Quest Opportunity Fund 2019 EUR	Alpha Quest Balanced Fund 2018 EUR	Alpha Quest Opportunity Fund 2018 EUR
Debt securities	4,334,821	8,916,476	9,819,530	3,674,900
Collective investment scheme	-	5,867,078	-	4,978,900
	<u>4,334,821</u>	<u>14,783,554</u>	<u>9,819,530</u>	<u>8,653,800</u>

#### Sensitivity Analysis

As of 31 December 2019, had prices increased/decreased by 1% with all other variables held constant, the increase/decrease in the net assets attributable to holders of redeemable participating shares would have been EUR (+43,348/-43,348) for Alpha Quest Balanced and EUR (+147,836/-147,836) for Alpha Quest Opportunity Fund.

#### Currency risk

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

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

31 December 2019	Cash and Cash equivalents	Loans and interest receivable	Financial Assets at FVTPL/ Restitution points/ Bonds Payable	Intercompany Balances	Receivable from Government	Total net exposure	5% of exposure
Romania Leu	5,993	-	34,166,725	9,025,009	846,825	44,044,552	2,202,228
Czech Koruna	535,678	3,775,069	(35,032,445)	-	-	(30,721,698)	(1,536,085)
United States Dollar	3,909	-	-	-	-	3,909	195

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 9 Financial Risk Review (continued)

#### 9.1 Market risk (continued)

##### Currency risk (continued)

31 December 2018	Cash and Cash equivalents	Financial Assets at FVTPL/ Restitution points/ Bonds Payable	Intercompany Balances	Receivable from Government	Total net exposure	5% of exposure
Romania Leu	87,914	39,282,971	4,137,763	231,408	43,740,056	2,187,003
Czech Koruna	560,642	(29,160,459)	2,311,640	-	(26,288,177)	(1,314,409)
United States Dollar	10,797	-	-	-	10,797	540

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

31 December 2019	Cash and Cash equivalents	Loans and interest receivable	Financial Assets at FVTPL/ Restitution points	Intercompany Balances	Receivable from Government	Total net exposure	5% of exposure
Romania Leu	277,797	-	12,298,896	(1,626,725)	2,115,331	13,065,299	653,265
Czech Koruna	(6,765,730)	487,664	8,916,477	-	-	2,638,411	131,921
United States Dollar	2,638	-	-	-	-	2,638	132

31 December 2018	Cash and Cash equivalents	Financial Assets at FVTPL/ Restitution points	Intercompany Balances	Receivable from Government	Total net exposure	5% of exposure
Romanian Leu	137,980	13,215,520	6,981,330	251,053	20,585,883	1,029,294
Czech Koruna	2,534,173	1,343,576	(4,243,315)	-	(365,566)	(18,278)

##### All amounts stated in EUR for the Founder Shareholders

31 December 2019	Cash and Cash equivalents	Intercompany Balances	Total net exposure	5% of exposure
Romanian Leu	674,953	(7,398,285)	(6,723,332)	(336,167)
Czech Koruna	4,380	-	4,380	219

31 December 2018	Cash and Cash equivalents	Loans and interest receivable	Intercompany Balances	Total net exposure	5% of exposure
Romanian Leu	114,530	-	(11,119,092)	(11,004,562)	(550,228)
Czech Koruna	202,560	604,943	1,931,675	2,739,178	136,959

As at 31 December 2019 and 2018, should 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 and in the equity for Founder shareholders for the year would have been as calculated in the above table.

#### 9.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from debt securities held, loans receivable, cash and cash equivalents and other receivables. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligor default risk, country risk and sector risk).



# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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### 9.2 Credit risk (continued)

The Company's policy over credit risk is largely concentrated within the Government of Romania which is perceived as having a very low risk of default. Credit risk is monitored on a quarterly basis by the Board of Directors and Investment Committee in accordance with the policies and procedures in place. The Company's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of a counterparty's ability to honour its obligations to deliver cash as contractually and legally agreed upon.

#### Restitution points

The Company 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 Company monitors on a regular basis amendments on the legislation governing the compensation process.

#### Cash and cash equivalents

The cash and cash equivalents of the Company are held with J&T Banka and Raiffeisen Romania Bank. The credit rating for Raiffeisen Romania Bank is Baa3 by Moody's whereas J&T Banka is not rated by a credit rating agency.

#### Debt securities held

The debt securities held by the sub-Funds, including those held in Alpha Quest Balanced Fund, are all unrated.

### 9.2.1 Amounts arising from ECL and Recoverability of receivables under restitution points

Impairment on cash and cash equivalents and related party balances have been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that these exposures have low credit risk based on the external credit ratings and/or financial positions of the counterparties.

The Company monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties. As at 31 December 2018, the Company did not recognise an impairment allowance nor did this condition change during the year ending 31 December 2019 as such impairment was considered to be immaterial.

The Company acquires Restitution points at a discount and values the asset at amortised cost. The Board of Directors monitors each and every contract with the Romanian Government to ensure that the 20% annual restitution is paid on time. To this date, all restitution points have been received on and when due, and successfully cashed by the Company. The Company continues to consider the Government of Romania as having "extremely low credit risk" at the reporting date of these financial statements.

### 9.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company'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 Company, 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 particular sub-Fund. In the event that such a limit is reached at any point during a dealing day, the directors may defer any further redemption instructions 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 particular sub-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 instructions 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 22 December 2016, the Sub-Fund offered a private placement bond of CZK 500 million. In 2016, the sub-Fund issued CZK 460 million. On 27 December 2017, the Sub-Fund further offered and issued CZK 340 million bonds. On 8 January 2018, the Sub-Fund further offered and issued CZK 200 million bonds. The bonds' maturity date is on 22 December 2021 with fixed annual coupons of 4.5%. During 2019, Alpha Quest Opportunity Fund subscribed for CZK 447 million (equivalent to EUR 17,457,707) bonds and sold CZK 219 million (equivalent to EUR 8,537,615). The outstanding balance as at end of 2019 is CZK 227 million (equivalent to EUR 8,916,476).

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 9 Financial Risk Review (continued)

#### 9.3 Liquidity risk (continued)

The Sub-Fund is the owner of Romanian Restitution Certificates (“points”) issued by the Romanian State. In January 2017, Romania started 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 Opportunity Fund

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

All other liabilities of the Company are due within less than one year.

### 10 Fair value information

#### Fair value hierarchy

The Company 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.

#### 31 December 2019

Sub-Funds	Currency	Collective investment scheme	Debt Securities held	Foreign exchange	Level 1	Level 2	Level 3
Alpha Quest Balanced Fund	EUR	-	4,334,821	47,162	-	4,381,983	-
Alpha Quest Opportunity Fund	EUR	5,867,078	8,916,476	-	-	14,783,554	-

#### 31 December 2018

Sub-Funds	Currency	Collective investment scheme	Debt Securities held	Level 1	Level 2	Level 3
Alpha Quest Balanced Fund	EUR	-	9,819,530	-	9,819,530	-
Alpha Quest Opportunity Fund	EUR	4,978,900	3,674,900	-	8,653,800	-

As at 31 December 2019, the fair value of the bonds issued in Alpha Quest Balanced Fund amounted to EUR 39,107,354 (2018: EUR 39,168,448). This value is a level 2 under the fair value hierarchy.

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

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 11 Financial assets at fair value through profit or loss

As at 31 December 2019, Financial assets at fair value through profit of loss consist of the following:

In EUR	Attributable to unitholders of investor shares of:		Attributable to unitholders of investor shares of:	
	Alpha Quest Balanced Fund 2019	Alpha Quest Opportunity Fund 2019	Alpha Quest Balanced Fund 2018	Alpha Quest Opportunity Fund 2018
Collective investment scheme	-	5,867,078	-	4,978,900
Debt securities	4,334,821	8,916,476	9,819,530	3,674,900
Forward contracts	47,162	-	-	-
	<u>4,381,983</u>	<u>14,783,554</u>	<u>9,819,530</u>	<u>8,653,800</u>

The debt securities consist of corporate bonds with coupon rates of 4.50% to 5.00% (2018: 4.50%) for Alpha Quest Balanced Fund and 4.50% (2018: 0.00% to 3.30%) for Alpha Quest Opportunity Fund. These debt securities include the bonds issued by Alpha Quest Balanced Fund (refer to note 8).

The collective investment scheme of Alpha Quest Opportunity Fund consists of the investment in Alpha Quest Balanced Fund.

### 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 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 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-funds' 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 the effective interest rate.

In addition, no asset has been recognised for the potential benefit arising from the possible option to auction for property as this is considered to be remote.

During the year, the sub-funds have invested in restitution points as stated below:

#### Alpha Quest Balanced fund

Balances outstanding in this sub-fund are as below.

The nominal value of outstanding points as on 31 December 2019 is RON 213,489,210 (equivalent to EUR 44,590,252) (2018: RON 249,741,364 equivalent to EUR 53,642,053). Cost of these points are RON 141,129,019 (equivalent to EUR 29,476,799) (2018: RON 166,858,716 equivalent to EUR 35,839,654).

#### Alpha Quest Opportunity fund

Balances outstanding in this sub-fund are as below.

The nominal value of outstanding points as on 31 December 2019 is RON 81,723,461 (equivalent to EUR 17,069,105) (2018: RON 89,394,163 equivalent to EUR 19,201,015). Cost of these points are RON 51,106,857 (equivalent to EUR 10,674,393) (2018: RON 57,211,923 equivalent to EUR 12,288,576).

Based on the assumptions and analysis mentioned above, the discounted value of the Restitution points of Alpha Quest Balanced Fund is estimated at RON 163,583,449 (2018: RON 182,889,726) and for Alpha Quest Opportunity Fund is estimated at RON 58,884,655 (2018: RON 61,527,495) which was then converted into Euro, the base currency of the sub-Funds, applying the exchange rate as at reporting date.

The discounted value of the restitution points as at 31 December 2019 is follows:

	<b>EUR</b>
<b>Alpha Quest Balanced Fund</b>	<b>34,166,725</b>
<b>Alpha Quest Opportunity Fund</b>	<b>12,298,896</b>

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 12 Restitution points (continued)

The discounted value of the restitution points as at 31 December 2018 is as follows:

	EUR
Alpha Quest Balanced Fund	39,282,971
Alpha Quest Opportunity Fund	13,215,520

Restitution points although not listed, are in high demand and can be easily sold to third parties should the company wish to do so without any obstacles.

### 13 Bonds issued

On 22 December 2016, the Alpha Quest Balanced Fund offered, through a public offer, a non-collateralized bond of CZK 500 million. In 2016, the sub-Fund issued CZK 460 million bonds, in 2017 it further issued CZK 340 million bonds and in 2018, the sub-Fund further issued CZK 200 million bonds. The bonds' maturity date is on 22 December 2021 with fixed annual coupons of 4.5%. During 2019 and 2018, both sub-Funds subscribed and sold bonds in Alpha Quest Balanced Fund (see Note 8).

Interest payable on bonds on 31 December 2019 amounted to EUR 43,633 (2018: EUR 122,401).

The carrying amount of bonds issued as at 31 December is as follows:

Particulars	2019	2018
	Amount (EUR)	Amount (EUR)
Opening balance	38,979,988	31,358,955
Bonds issued during the year	-	7,211,727
Unrealised exchange rate losses during the year	466,047	286,905
Interest payable	43,633	122,401
Repayment of opening interest payable	<u>(122,401)</u>	-
Closing balance	<u>39,367,267</u>	<u>38,979,988</u>

Alpha Quest Opportunity Fund has not issued any bonds in the year ended 31 December 2019 and 2018.

### 14 Fees and other payables

#### 14.1 Management fees

##### Alpha Quest Balanced Fund

The founder shareholders are 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 year amounted to EUR 533,268 (2018: EUR 439,155). The fees due for the reporting year is disclosed in the statement of comprehensive income and the outstanding management fees as at 31 December 2019 amounted to EUR 268,669 (2018: EUR 551,266)

##### Alpha Quest Opportunity Fund

The founder shareholders are 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 year amounted to EUR 124,282 (2018: EUR 122,804). The fees due for the reporting year are disclosed in the statement of comprehensive income and the outstanding management fees as at 31 December 2019 amounted to EUR 66,430 (2018: EUR 319,231).

#### 14.2 Performance fees

##### Alpha Quest Balanced Fund

Each holder of Investor Shares will be subject to a Performance Fee payable to the founder shareholders in respect of each calculation period. For each Calculation Year, 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 year amounted to EUR 1,797,690 (2018: EUR 2,692,436). The fees due for the reporting year is disclosed in the statement of comprehensive income and the outstanding performance fees as at 31 December 2019 amounted to EUR 1,966,759 (2018: EUR 2,838,135).

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 14 Fees and other payables (continued)

#### 14.2 Performance fees (continued)

##### Alpha Quest Opportunity Fund

Each holder of Investor Shares will be subject to a Performance Fee payable to the founder shareholders in respect of each calculation period. For each Calculation Year, 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 year amounted to EUR 741,904 (2018: EUR 856,331). The fees due for the reporting year is disclosed in the statement of comprehensive income and the outstanding management fees as at 31 December 2019 amounted to EUR 760,847 (2018: EUR 1,216,522).

#### 14.3 Administration fees

The Administrator is entitled to receive a minimum fee of €12,000 per annum or the below whichever the greater on each Sub-fund:

NAV size	Administration fee
Up to €100 million	3 bps
Greater than €100 million	2 bps.

The administration fees for the year for each Sub-fund amounted to EUR 13,000 (2018: EUR 10,500). The fees due for the reporting year are disclosed in the statement of comprehensive income and the outstanding administration fees as at 31 December 2019 amounted to EUR Nil (2018: EUR 4,000) for each Sub-fund.

#### 14.4 Auditors' Remuneration

Other than the audit fee disclosed in the Statement of comprehensive income, other non-audit services provided by the auditor during the year comprised tax services amounting to EUR 1,351.

#### 14.5 Other payables

31 December 2019	Attributable to founder shareholders EUR	Attributable to unitholders of investor shares of:	
		Alpha Quest Balanced Fund EUR	Alpha Quest Opportunity Fund EUR
Annual fee payable	-	2,600	2,600
Advisory fee payable	-	-	200,000
Taxation expenses payable	-	676	676
Other payable and accrued expenses	-	120	1,844
	-	3,396	205,120
31 December 2018	Attributable to founder shareholders EUR	Attributable to unitholders of investor shares of: Alpha Quest Balanced Fund Alpha Quest Opportunity Fund EUR	
Annual fee payable	-	1,500	1,500
Reporting fee payable	-	4,285	4,285
Taxation expenses payable	-	1,180	1,180
Other payable and accrued expenses	-	11,732	24,199
	-	18,697	31,164

### 15 Interest income

Interest income attributable to the founder shareholders consists of interest earned on loans and bank deposits. Total interest amounted to EUR 4,452 (2018: EUR 5,514). Interest income of Alpha Quest Balanced Fund consists of interest earned on bonds, loans and bank deposits. Total interest income amounted to EUR 479,623 (2018: EUR 183,691). Interest income of Alpha Quest Opportunity Fund consists of interest earned on bonds and loans. Total interest income amounted to EUR 251,306 (2018: EUR 62,443).

### 16 Interest expense

Interest expense is incurred on bonds issued by Alpha Quest Balanced Fund (see note 13) and amounted to EUR 1,688,866 (2018: EUR 1,735,198) for the year.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

### 17 Other operating expenses

31 December 2019	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
		Alpha Quest Balanced Fund	Alpha Quest Opportunity Fund
	EUR	EUR	EUR
Annual financial statements fee	-	1,000	1,000
Advisory fees	-	25,685	301,307
Bank charges	709	455	574
Broker charges	152	238,478	191,624
Reporting fee	-	2,015	2,015
Taxation expense	-	764	764
Legal fee	-	2,155	2,155
Commission and other charges	-	44,845	42,677
Other expenses	-	13,077	3,368
	<b>861</b>	<b>328,474</b>	<b>545,484</b>

31 December 2018	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
		Alpha Quest Balanced Fund	Alpha Quest Opportunity Fund
	EUR	EUR	EUR
Annual financial statements fee	-	7,490	7,750
Advisory fees	-	-	53,540
Bank charges	296	1,410	3,261
Broker charges	6	104,675	37,179
Reporting fee	-	6,082	3,450
Taxation expense	-	180	180
Legal fee	-	52,545	50,205
Placement fee	-	371,552	-
Commission and other charges	-	18,369	78,850
Other expenses	7,114	22,487	7,678
	<b>7,416</b>	<b>584,790</b>	<b>242,093</b>

### 18 Loans and interest receivable

On 17 July 2018, Alpha Quest Balanced Fund purchased 50% stake in TD Beta s.r.o. The acquisition price was composed of purchase price of CZK 149,313,914 (EUR 5,800,851) and interest-free loan assigned to Alpha Quest Balanced Fund in the amount of CZK 6,426,433 (EUR 249,599) maturing on 31 December 2022. Alpha Quest Balanced Fund consequently sold its 50% stake in TD Beta s.r.o to Astone Group Limited. It was resolved through a Board Resolution dated 23 December 2018 that this loan of CZK 6,426,433 will be assigned from the holder Alpha Quest Balanced Fund to the founder shareholders.

On 28 August 2018, Alpha Quest Balanced Fund purchased a debenture of CZK 9,000,000 (EUR 349,977) from TD Beta s.r.o., with an interest of 5% per annum and maturing on 28 August 2018. It was resolved through a Board Resolution dated 28 December 2018 that this debenture will be assigned from the holder Alpha Quest Balanced Fund to the founder shareholders.

The loans and interest receivable as at 31 December 2018 attributable to the founder shareholders amounted to EUR 604,944. The loans and interest were received in full during the current year.

On 10 January 2019, Alpha Quest Balanced Fund purchased an unsecured debenture of CZK 80,000,000 (equivalent to EUR 3,126,954) from Astone Group Ltd with an interest of 5% per annum and maturing on 10 January 2020. On 13 May 2019 and on 14 May 2019, Alpha Quest Balanced Fund purchased another two unsecured debentures of CZK 41,500,000 (equivalent to EUR1,610,149) and CZK102,000,000 (equivalent to EUR3,961,472) from Astone Group Ltd with an interest of 5% per annum and maturing on 13 May 2020 and 14 May 2020 respectively. On 23 August 2019, Alpha Quest Balanced Fund purchased another unsecured debenture of EUR 920,000 from Astone Group Ltd with an interest of 5% per annum and maturing on 23 August 2020. The first two debentures and part of the third debenture, together with interest, were repaid by Astone Group Ltd during the year and amounted to CZK 131,568,995 (equivalent to EUR5,107,096). The loans and interest receivable as at 31 December 2019 in Alpha Quest Balanced Fund amounted to EUR4,711,680.

On 16 August 2019, Alpha Quest Opportunity Fund purchased an unsecured debenture of CZK30,000,000 (equivalent to EUR1,165,772) from Astone Group Ltd with an interest of 5% per annum and maturing on 16 August 2020. The amount of CZK 17,978,100 (equivalent to EUR 700,000) was repaid during the year. The loans and interest receivable as at 31 December 2019 in Alpha Quest Opportunity Fund amounted to EUR487,664.

# ALPHA QUEST FUNDS SICAV p.l.c.

## Notes to the financial statements For year ended 31 December 2019

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### 19 Subsequent events

Since the start of January 2020, the outbreak of the coronavirus pandemic, evolved rapidly with an adverse impact on global commercial activities. The prevailing situation remains fluid and precludes any precise prediction as to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.

The Directors of the Company have followed the latest developments on a regular basis and believe that as at the reporting date of these financial statements, no further disclosure in or adjustment to the financial statements are required at this point as a result of COVID-19.



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## Independent Auditors' Report

To the Shareholders of Alpha Quest Funds SICAV p.l.c.

### 1 Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Alpha Quest Funds SICAV p.l.c. (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity attributable to founder shareholders, changes in net assets attributable to holders of redeemable shares, and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- (a) give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and
- (b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act").

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. During the course of our audit, we maintained our independence from the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





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## Independent Auditors' Report (continued)

To the Shareholders of Alpha Quest Funds SICAV p.l.c.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the board of directors), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

### **Our audit approach to investments in restitution points**

*Accounting policy note 3.4 to the financial statements and note 12 for further disclosures*

'Restitution points' (Current Assets: €17,913,477; Non-Current Assets: €28,552,144).

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The investments in restitution points, which represent points awarded by the National Authority for Property Restitution (an agency of the Government of Romania), is a significant proportion of the net asset value of the Company. We do not consider these investments to be subject to a high risk of material misstatement resulting from judgement, on the basis that the measurement of those points is not complex, and the redemption value of each point is fixed. Notwithstanding the lower risk of material misstatement, the procedures performed in relation to the investments in restitution points are considered of most significance in our audit, as these involved a significant audit effort.



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## Independent Auditors' Report (continued)

To the Shareholders of Alpha Quest Funds SICAV p.l.c.

### *Key audit matters (continued)*

#### *Our response*

As part of our procedures in relation to the investments in restitution points:

- we evaluated the Company's reconciliation showing the movement in the investments in restitution points during the year, and:
  - in the case of acquisitions, we inspected, on a sample basis, the purchase agreements and the title certificates for the restitution points acquired by the Company during the year; and
  - in the case of redemptions, we compared, on a sample basis, the documents relating to the cash redemption of restitution points, issued by the National Authority for Property Restitution with the relevant bank statement;
- we reconciled the portfolio of the Company at the financial year-end date to a statement issued by the National Authority for Property Restitution;
- we evaluated the appropriateness of the model used to measure the carrying amount of the investments in restitution points, applying the principles of the applicable financial reporting framework; and
- we evaluated the credit risk assessment of the relevant jurisdiction by reference to the country's credit rating, historical repayments and other external information.

We have no key observations to report, specific to this matter.



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## **Independent Auditors' Report (continued)**

**To the Shareholders of Alpha Quest Funds SICAV p.l.c.**

### ***Other information***

The directors are responsible for the other information which comprises:

- the 'Directors, Officers and other information';
- the 'Report of the Directors';
- the 'Statement of Directors' Responsibilities'; and
- the 'Specific Disclosures',

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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## **Independent Auditors' Report (continued)**

**To the Shareholders of Alpha Quest Funds SICAV p.l.c.**

### ***Responsibilities of the directors for the financial statements***

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the financial reporting process.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.



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## **Independent Auditors' Report (continued)**

**To the Shareholders of Alpha Quest Funds SICAV p.l.c.**

### ***Auditors' responsibilities for the audit of the financial statements (continued)***

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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## **Independent Auditors' Report (continued)**

**To the Shareholders of Alpha Quest Funds SICAV p.l.c..**

### ***Auditors' responsibilities for the audit of the financial statements (continued)***

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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## Independent Auditors' Report (continued)

To the Shareholders of Alpha Quest Funds SICAV p.l.c.

### 2 Opinion on the Directors' Report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements; and
- we have not identified material misstatements in the directors' report.



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## Independent Auditors' Report (continued)

To the Shareholders of Alpha Quest Funds SICAV p.l.c.

### 3 Report on Other Legal and Regulatory Requirements

#### *Matters on which we are required to report by the Act, specific to public-interest entities*

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors on 22 March 2018 by the board of directors, and subsequently reappointed by the shareholders at the Company's general meetings for each financial year thereafter. The period of total uninterrupted engagement is three years;
- our opinion on our audit of the financial statements is consistent with the additional report required to be issued by the Audit Regulation (as referred to in the Act), and provided to the board of directors; and
- we have not provided any of the prohibited services as set out in the APA.

#### *Matters on which we are required to report by exception by the Act*

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Noel Mizzi.

**KPMG**  
Registered Auditors

11 June 2020