

Alpha Quest Funds SICAV p.l.c.,
Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

Based on the “Notification of shortcomings identified” issued on October 26th, 2018 under Ref. No.: 2018/125918/CNB/570 by the Licensing and Enforcement Department of Czech National Bank (the “Regulator”), with registered address; Na Prikope 28, 115 03 Praha 1, Czech Republic, and a subsequent call to eliminate such shortcomings, Alpha Quest Funds SICAV p.l.c. (the “Company”), represented by its directors Mr. Michal Kosac, Dr. Frank Chetcuti Dimech and Mr. Joseph Xuereb, in order to fulfil such requirements, issue the following information in order to satisfy the information required by the Regulator.

Shortcoming 1

Major contracts and agreements executed on behalf of the Company during fiscal year 2017.

Alpha Quest Funds SICAV p.l.c. and neither of its sub-funds, namely Alpha Quest Balanced Fund and Alpha Quest Opportunity Fund, have not entered any major contract that would affect its regular course of business or pose any risk to its business objective.

Evaluation of the business environment during reporting year 2017.

The business strategy of both sub-funds is to invest assets in the Romanian restitution points that are to be converted into either immovable property during auctions or convert into cash in 5 equal yearly payments (20% each year up to the nominal value per point of 1 RON).

The Romanian Government has not made an official statement about auctions as at to-date, since there is a lack of proper cadaster to account for state owned properties and land. This does not affect the performance of the sub-funds since their base case scenario has remained, which is the conversion of points into cash.

This has been very successful, since Romania paid all of its liabilities connected with restitution points ahead of the schedule in 2017. Needless to say, in 2018, the payments for the second tranche were received almost 6 months ahead of the planned payment date.

Investments

In 2018, the Company and its sub-funds started to invest proceeds received from Romanian restitution points into money market instruments and plain vanilla high quality corporate bonds which are easily bought and sold in the secondary market. This ensures the necessary liquidity needed should opportunities for additional trades in Romanian restitution points arise.

Market trends

As mentioned above, Romania paid all of the tranches in the respective year 2017 ahead of the payment schedule; which is 180 days from the day that the payment title is issued. Looking retrospectively, tranche 2 was also paid well ahead of the schedule in 2018. Going forward to 2019, the Company and its agents have high level of confidence that tranche 3 will also be paid on time.

Payments for restitution claims are budgeted on time and no delays in payments are expected.

Alpha Quest Funds SICAV p.l.c.,
Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

Reinvestments in restitution points themselves have become more difficult since there is a high level of scarcity for holders willing to sell their restitution points. Since the payment process commenced and all of the issued points are paid on time, holders have very few incentives to sell in the market.

From 2018, the Company is investing cash received in money market instruments which provides (a) high liquidity for purchases of points should an opportunity to buy presents itself (b) protection since the bond issued will be due in 2021. It enables the Company to build a strong cash position yielding return until the publicly issued bonds become due.

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

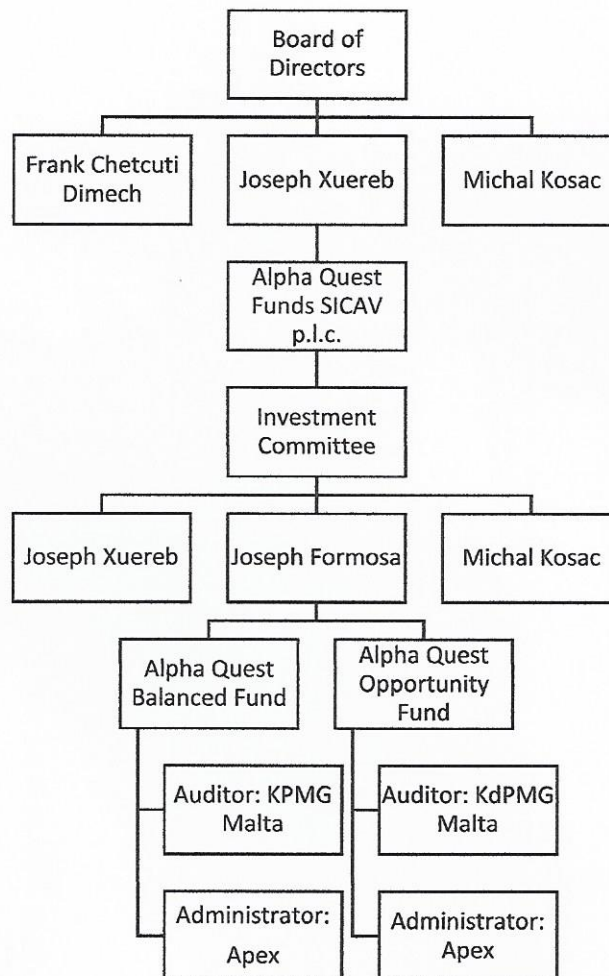
- Risk of newly formed company: The Company does not have long enough history to show proven track record.
- Sub-funds being economically separated entities: The assets of other sub-funds cannot be used to satisfy obligations of other sub-funds. Thus only the assets of the sub-fund issuing financial 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. 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.
- Market risk: Since 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.
- Real estate investment risk: Part of the portfolio can be invested in real estate. The Sub-fund runs the risk of price fluctuations in the real estate market as well as liquidity risk associated with real estate investments.
- Pricing of real estate: Once invested in real estate, the sub-funds can potentially run the risk of pricing difficulties connected with real estate investments.
- 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.
- Liquidity risk: Real estate is considered as the most illiquid investment or else the average time of converting real estate to cash is the longest. In time of need of liquidity, each sub-fund can find itself in a difficult position since substantial part of its portfolio will be invested in real estate. In addition, 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.
- Inflationary risk: Rising prices can affect the value of the underlying assets of the portfolio.

Alpha Quest Funds SICAV p.l.c.,

Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

- 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. In case of RON depreciation, this will have a negative effect on the underlying net asset value of the sub-funds.
- 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 has 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 foreign 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-socialistic market, which up to this date has faced significant political, economic and social risk which could negatively impact the sub-funds' performance and their net asset value.

Organizational chart



Alpha Quest Funds SICAV p.l.c.,
Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

Shortcomings 2 and 3

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. 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

Alpha Quest Funds SICAV p.l.c.,

Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

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.
- 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 Auditor 26 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

Alpha Quest Funds SICAV p.l.c.,

Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

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.
- 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.

Shortcomings 4

Total monetary income of Directors of the Company for 2017 amounted to EUR 30,000. Out of total monetary income, all three directors received equally EUR 10,000 each.

Investment Committee members did not obtain any monetary income during 2017.

Alpha Quest Funds SICAV p.l.c.,
Central North Business Centre, Level 1 Sqaq, il-Fawwara Sliema, SLM1670 Malta
Reg. No. SV 430

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

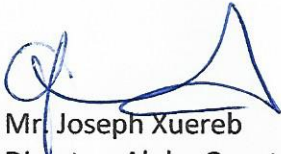
Other Matters

As directors of the Company, we also confirm that the auditor of the Company has been made aware of this letter.

In Malta on 4 February 2019



Dr Frank Chetcuti Dimech
Director, Alpha Quest Funds SICAV p.l.c.



Mr. Joseph Xuereb
Director, Alpha Quest Funds SICAV p.l.c.



Michal Kosac
Director, Alpha Quest Funds SICAV p.l.c.