Open-ended Umbrella Fund under Luxembourg law Mutual Investment Fund

Audited annual report as at 31/12/16

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Subscriptions can only be received on the basis of the latest prospectus, relevant Key Investor Information Document accompanied by the latest annual report as well as by the latest semi-annual report, if published after the latest annual report.

# **Management and Administration**

**Management Company:** 

<u>Depositary Bank, Administrative,</u> <u>Transfer and Register Agent:</u>

Quaestio Investments S.A.

5, Allée Scheffer L-2520 Luxembourg CACEIS Bank Luxembourg (up to 31/12/2016), CACEIS Bank, Luxembourg Branch (as from

**01/01/2017)** 5, Allée Scheffer L-2520 Luxembourg

**Auditor:** 

**Investment Manager:** 

PricewaterhouseCoopers, Société Coopérative

**Quaestio Capital Management SGR S.p.A.** Corso Como 15

I-20154 Milano Italy 2, rue Gerhard Mercator B.P. 1443

L-1014 Luxembourg

**Distributor and Nominee:** 

Quaestio Capital Management SGR S.p.A

Corso Como 15 I-20154 Milano Italy

**Conducting Persons of the Management Company:** 

Mrs Barbara Giardini Quaestio Investments S.A. 5, Allée Scheffer L-2520 Luxembourg

Mr Gregor Klaedtke Quaestio Investments S.A. 5, Allée Scheffer L-2520 Luxembourg Mrs Federica Pasca Quaestio Investments S.A. 5, Allée Scheffer L-2520 Luxembourg

# **Board of Directors of the Management Company**

## **Board of Directors of the Management Company:**

#### Chairman

Mr. Francesco Cesarini Università Cattolica del Sacro Cuore Via Necchi, 5 I-20123 Milano Italy

#### **Directors**

Mr. Alessandro Penati Corso Como 15 I-20154 Milano Italy

Mr. Massimo Paolo Gentili Gentili & Partners 11, rue Beatrix de Bourbon L-1225 Luxembourg

Mr. Paolo Petrignani (as from February 8, 2016) Quaestio Capital Management SGR SpA Unipersonale Corso Como 15 I-20154 Milano Italy Mr. Bruno Vanderschelden Independent Director 19, rue de Bitbourg L-1273 Luxembourg

Mr. Benoît Paquay Independent Director 6B, Route de Trèves (6<sup>th</sup> Floor) L-2633 Senningerberg

# Report of the Board of Directors of the Management Company

### **Fund's structure evolution**

Throughout 2016 there was only one active Sub-fund in the Quivis Capital Fund (previously Polaris Fund). As per last available NAV of December 30<sup>th</sup>, 2016, total net assets stood at EUR 85.33 million (EUR 87.18 million in 2015).

### Financial market's evolution

The year has been marked again by a high level of volatility. It began with severe market stress in China, a plunge in the oil price, fears of global deflation and a generalised market sell off. Although many risk markets stabilised as soon as the end of February, deflationary fears persisted pushing bond yields to a series of new lows. Matters were exacerbated by the United Kingdom's vote to exit the European Union. The final market shock of the year was again political in nature and a continuation of the trend in favour of populist manifestos – the election of Donald Trump as US President.

Despite the shocks given by the major political events of 2016, the following brief bouts of volatility in the immediate aftermath, were subsequently characterised by strong market rallies. The causes were somewhat different: after Brexit markets rallied on the strong disinflationary pulse that forced investors to search further afield for returns - emerging markets did particularly well; after the US elections markets rallied on the assumption that global growth would be energised by more overtly stimulatory economic policies. Nonetheless, we contend that there were two further underlying factors that were prerequisites for the market's reaction. Firstly, that at the margins the "green shoots" of economic recovery were already becoming more apparent. Secondly, that the work of Central Banks over the course of the last few years has provided the global economy with enough of a safety net that the risk of systemic shocks from idiosyncratic events is much reduced.

On a number of fronts the global economy is beginning to gain traction. The Global PMI touched a 13 month high in December of 53.4, well above the level indicating economic expansion. More recently, inflation expectations have also begun moving higher led by the United States. This is partly related to base effects as the falls in the oil price a year ago drop out, and partly due to expectations of reflationist economic policies in the US.

#### **Quivis Capital Fund Performance**

Here below sub-fund performances from 28<sup>th</sup> December 2015 official NAV to 30<sup>th</sup> December 2016 official NAV.

			Performance		
Sub Fund	Investment Manager	CCY	2016	Relative to benchmark (2016)	
Ethical Global Balanced	Quaestio Capital Management SGR S.p.A.	EUR	-2.12%	-3.99%	

The Ethical Global Balance returned -2.12% to investors, 3.99% less than the benchmark. After the high risk aversion episode of the first two months, the manager decided to wait for clear signals to invest in equities; the portfolio was therefore entirely invested in Fixed Income with a tilt towards Credit, inflation linked Sovereigns and Financials. In the second part of the year the volatility was controlled and the fund partially recovered the losses experienced at the beginning of the year.

#### Forecasts 2017

Recent times have been characterized by a loss of popular faith in the policies that have guided the 80s-90s-00s. Whether it was the result of policy errors, the byproduct of globalization, or the impact of technological changes, within countries wealth distribution has become more unequal than ever in recent decades. On the other hand, there has undoubtedly been a redistribution across countries, with many developing economies growing richer and developing a middle class.

# Report of the Board of Directors of the Management Company (cont'd)

This whole process is currently facing its first major bump, as through the democratic process in developed countries, popular discontent has allowed populist, protectionist and often nationalist politicians to take the stage.

The environment described above caused what many in the developed world perceive as a secular stagnation. As the financial crisis of 2008 hit, policy makers have tried to contrast the abrupt slowdown in growth by providing easy access to money. At this point, policy discussions are about whether it is appropriate to replace current monetary measures with further fiscal expansion.

We thus find ourselves in a world where:

- (i) Demographics are mostly stagnant and elder population is growing as fast as ever even in developing countries
- (ii) Asset prices are high everywhere, with ever lower returns chased by massive amounts of money
- (iii) Generally high levels of public and private debt, with the prospect of the former again picking up growth from the latter
- (iv) Large amounts of cash, especially in the hand of companies that have so far been unwilling to commit to strong capex expansions given the stagnant environment
- (v) Policy makers inclined to measures that might be detrimental to global trade and possibly global GDP growth

#### Global Trade

Historically, populist leaderships have been associated with global trade pullbacks. The argument brought forward by many politicians is that outsourcing of jobs is one of the main culprits of the economic malaise affecting middle class workers in the developed work. One of the pillars in Trump's campaign was to bring manufacturing jobs back to the US. There are two elements to this argument: first, companies were encouraged to bring back production facilities to American soil, second the promised toughness against countries that compete "unfairly", such as China, accused of waging an exchange rate war. There is a non-negligible chance that this element be reduced to "cosmetic measures" for electoral benefit only. Ultimately, though, any measure would probably translate into higher cost of goods, as companies would need to pay a "job tax" in order to be able to access the US market. The main mechanism for any such impact would probably be (again) an increase in prices.

Based on historical evidence, emerging countries should suffer in this context. But the world is changing, and the economic center of gravity does not coincide with the US any longer. In such a context, US hostility could push the Asia economic area towards more cohesiveness and ultimately, more growth and importance.

On the European front, Trump has been very vocal in supporting warmer relations with Russia, with UK, while appearing hostile to long standing "allied" institutions such as the EU and NATO. There are two possible outcomes for Europe. The less likely one is that European countries recognize the threat they are currently under, and decide to find the strength in unity reinforcing the EU somehow. More likely, though, the disintegration process of the EU will continue, with political and economic relevance of the block dwindling more and more.

A similar issue is confronting Eastern Asia, where Japan is aiming for a national resurgence, while China is trying to assert its position as global powerhouse and regional dominant force.

## **Emerging Economies**

Many emerging countries have historically relied significantly on exports to fuel their growth. Often, this growth has not found its way into an overall growth of the country's domestic economy. China has made an explicit objective of moving to growth of domestic consumption. India is on a strong reform path that could finally unleash the eternal promise of the world's largest democracy. Minor Asian countries are thriving as sweatshops for the Asian big countries. This shows that Asia is finally growing up as an economic area irrespective of any ties with the Western world.

In Latin America prospects for a revival of the area remain grim. Venezuela on the brink of collapse, Brazil seemingly unable to shake off instability and cronyism, Chile successful but unable, alone, to make a difference on the continent and Mexico is exposed to Trump's policy whims. Any bull case is dependent on the continent's commodity exposure.

# Report of the Board of Directors of the Management Company (cont'd)

Eastern Europe is a difficult forecast. Russia will probably benefit from relations with the new US president, while other countries will have a tougher time juggling relations between Russia and the EU.

The Board of Directors of the Management Company

Luxembourg, February 17, 2017

Note: The information stated in this report is historical and not necessarily indicative of future performance.



#### Audit report

# To the Unitholders of **Quivis Capital Fund**

We have audited the accompanying financial statements of Quivis Capital Fund, which comprise the statement of net assets and the securities portfolio as at December 31, 2016 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Directors of the Management Company for the financial statements

The Board of Directors of the Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Management Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Quivis Capital Fund as of December 31, 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

PricewaterhouseCoopers, Société coopérative, 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256) R.C.S. Luxembourg B 65 477 - TVA LU25482518



#### Other information

The Board of Directors of the Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and 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 this fact. We have nothing to report in this regard.

PricewaterhouseCoopers, Société coopérative Represented by

Luxembourg, March 30, 2017

Laurent Carême

# Financial Statements as at 31/12/16

## Statement of net assets as at 31/12/16

Expressed in EUR

Assets		85,464,663.31
Securities portfolio at market value  Cost price	Note 2	78,184,444.44 77,722,565.59
Unrealised appreciation on the securities portfolio		461,878.85
Cash at banks and liquidities Interest receivable Other assets		6,829,473.88 446,907.99 3,837.00
Liabilities		130,968.71
Depositary and Administrative fees payable  Domiciliation fees payable	Note 6	9,351.84 800.00
Taxe d'abonnement payable	Note 4	2,133.34
Net unrealised depreciation on financial futures contracts	Note 2, 7	41,252.00
Management fees payable	Note 5	70,894.97
Professional fees payable		6,536.56
Net asset value		85,333,694.60

# Changes in number of units outstanding from 01/01/16 to 31/12/16

	Units outstanding as at 01/01/16	Units issued	Units redeemed	Units outstanding as at 31/12/16
Capitalisation units	68,841.668	0.000	0.000	68,841.668
	Key figures relating to	the last 3 years		
	Year ending as at:	31/12/16	31/12/15	31/12/14
Total Net Assets	EUR	85,333,694.60	87,179,779.90	86,315,437.75
Capitalisation units		EUR	EUR	EUR
Number of units  Net asset value per unit		68,841.668 1,239.56	68,841.668 1,266.38	68,941.668 1,252.01

# Securities portfolio as at 31/12/16

Expressed in EUR

Qty/ Nominal	Denomination	Quotation currency	Market value	% of net assets
	e securities admitted to an official stock exch r regulated market	nange listing and/or dealt in	78,184,444.44	91.62
	onds		36,845,975.44	43.18
	Belgium		205,352.00	0.24
200,0	000 KBC GROEP 1.00 16-21 26/04A	EUR	205,352.00	0.24
1,000,0	Denmark 000 A P MOELLER MAERSK 3.375 12-19 28/08A	EUR	<i>1,083,710.00</i> 1,083,710.00	1.27 1.27
2 000 /	France	EVID	6,632,403.08	7.77
	000 FRANCE OAT (INDEXED) 0.25 13-24 25/07A 000 FRANCE OAT INDEXEE 0.10 15-25 01/03A	EUR EUR	3,365,629.85 3,266,773.23	3.94 3.83
3,000,0	Italy	LOK	22,153,014.36	25.97
2,800,0	000 ENEL SPA EMTN -35- 5.25 07-17 20/06A	EUR	2,870,896.00	3.36
	000 ITALIE BTP 0.65 15-20 01/11S	EUR	2,032,200.00	2.38
	000 ITALY 3.50 13-18 01/12S	EUR	2,140,100.00	2.51
	000 ITALY INFL. INDEX 1.65 14-20 23/04S	EUR	10,510,853.36	12.33
	000 MEDIOBANCA 1.625 16-21 19/01U 000 MEDIOBANCA EMTN 0.875 14-17 14/11A	EUR EUR	1,540,125.00	1.80
	000 MEDIOBANCA EMTN	EUR EUR	2,012,880.00 1,045,960.00	2.36 1.23
1,000,0	Norway	Lok		
200,0	000 SANTANDER CONS BK 0.25 16-19 30/09A	EUR	200,434.00 200,434.00	0.23 0.23
	Spain		4,864,587.00	5.70
400,0	000 INMOBILIARIA COLONIA 1.45 16-24 28/10A	EUR	382,092.00	0.45
	000 SANTANDER CONSUMER 1.00 16-21 26/05A	EUR	1,522,635.00	1.78
	000 SPAIN 3.75 13-18 31/10A	EUR	1,826,820.00	2.14
1,000,0	000 TELEFONICA EMIS REGS 4.71 12-20 20/01A	EUR	1,133,040.00	1.33
1.500.0	The Netherlands 000 RWE FINANCE EMTN 6.625 08-19 31/01A	EUR	1,706,475.00 1,706,475.00	2.00 2.00
	oating rate bonds		41,338,469.00	48.44
	Belgium		1,517,185.00	1.78
1,000,0	000 ANHEUSER-BUSCH INB FL.R 16-20 17/03Q	EUR	1,014,680.00	1.19
500,0	000 SOLVAY SA FL.R 15-17 01/12Q	EUR	502,505.00	0.59
	Denmark		2,029,250.00	2.38
	000 AP MOLLER-MAERSK A/ FL.R 16-19 18/03Q	EUR	1,025,880.00	1.20
1,000,0	000 SYDBANK FL.R 16-18 25/05Q	EUR	1,003,370.00	1.18
2.500	France	EVID	11,968,560.00	14.02
	000 AXA-UAP PERPETUAL SUB FL.R 03-XX 29/01Q 000 BNP PARIBAS 4.032 14-XX 25/11A	EUR EUR	1,831,550.00	2.15 2.10
	000 CARREFOUR BANQUE FL.R 15-20 20/03Q	EUR	1,796,130.00 1,905,358.00	2.10
	000 CNP ASSURANCES FL.R 14-XX 18/11A	EUR	810,728.00	0.95
	000 CREDIT AGRICOLE ASSU FL.R 16-48 27/09A	EUR	913,464.00	1.07
1,500,0	000 CREDIT LOGEMENT SUB FL.R 06-XX 16/03A	EUR	1,186,635.00	1.39
1,000,0	000 LA MONDIALE REGS SUB FL.R 14-XX 17/12A	EUR	1,005,050.00	1.18
	000 SANOFI FL.R 15-19 22/03Q	EUR	1,002,170.00	1.17
1,500,0	000 STE DES AUTO PARIS-R FL.R 15-20 03/01Q	EUR	1,517,475.00	1.78
1,000,0	Germany 000 DAIMLER FL.R 16-19 05/01Q	EUR	1,005,510.00 1,005,510.00	1.18 1.18
2 000 (	lreland 000 INTESA SANPAOLO IRELA FL.R 15-18 09/03Q	EUR	1,999,700.00 1,999,700.00	2.34 2.34
2,000,0	Italy	LOK		
1 500 (	000 ASSICURAZ GENERALI FL.R 15-47 27/10A	EUR	10,154,025.00 1,565,355.00	11.90 1.83
	000 CCTS EU FL.R 14-20 15/12S	EUR	5,107,750.00	5.99
1,500,0	000 INTESA SAN PAOLO FL.R 14-XX 17/12A	EUR	1,477,860.00	1.73
2,000,0	000 UNICREDIT SPA FL.R 15-20 19/02Q	EUR	2,003,060.00	2.35
	Sweden		2,371,060.00	2.78
	000 NORDEA BANK SWE EMTN FL.R 04-XX 17/09S	EUR	1,361,080.00	1.60
1,000,0	000 SWEDBANK AB FL.R 15-20 18/08Q	EUR	1,009,980.00	1.18
1 500 (	The Netherlands 000 AEGON FL.R 14-44 25/04A	EUR	5,754,849.00 1,499,670.00	6.74 1.76
	000 AEGON FL.R 14-44 25/04A 000 BMW FINANCE NV FL.R 16-19 15/07Q	EUR	1,499,670.00 1,513,845.00	1.76 1.77
	000 COOP RABOBANK UA 6.625 16-49 26/04A	EUR	1,716,864.00	2.01
	000 ELM BV FL.R 16-XX 19/05A	EUR	1,024,470.00	1.20
	United Kingdom		4,538,330.00	5.32
	000 CREDIT SUISSE AG LDN FL.R 15-17 10/11Q	EUR	1,002,730.00	1.18
1,000,0	000 CS AG LDN FL.R 15-18 18/06Q	EUR	1,003,640.00	1.18

# Securities portfolio as at 31/12/16

Expressed in EUR

Qty/ Nominal Denomination	Quotation currency	Market value	% of net assets
1,000,000 SKY PLC FL.R 15-20 01/04Q 1,500,000 VODAFONE GROUP FL.R 16-19 25/02Q	EUR EUR	1,010,810.00 1,521,150.00	1.18 1.78
Total securities portfolio		78,184,444.44	91.62

# Statement of Operations and Changes in Net Assets from 01/01/16 to 31/12/16

Expressed in EUR

	12,751.53 1,608,853.70 189.12
	189 12
Bank interest on cash account Note 2	107.12
Other financial income Note 2, 8	13,852.87
Expenses	971,124.00
Management fees Note 5	847,490.14
Depositary fees Note 6	13,305.58
Taxe d'abonnement Note 4	5,733.09
Administrative fees Note 6	8,474.90
Domiciliation fees	6,400.00
Professional fees	39,175.86
Bank interest on overdrafts	12,684.48
Legal fees	2,254.51
Transaction fees Note 2	9,476.79
Other expenses Note 2, 10	26,128.65
Net income from investments	664,523.22
Net realised profit / (loss) on:	
- sales of investment securities Note 2	1,268,394.62
- forward foreign exchange contracts Note 2	2,227.21
- financial futures contracts Note 2 -1	1,523,265.48
- foreign exchange Note 2	362,320.69
Net realised profit	3,774,200.26
Movement in net unrealised appreciation / (depreciation) on:	
- investment securities -5	5,656,471.33
- forward foreign exchange contracts	-6,392.23
- financial futures contracts	42,578.00
Decrease in net assets as a result of operations -1	1,846,085.30
Decrease in net assets -1	1,846,085.30
Net assets at the beginning of the year 87	7,179,779.90
Net assets at the end of the year 85	5,333,694.60

# Quivis Capital Fund Notes to the financial statements

# Notes to the financial statements as at December 31, 2016

#### 1. ORGANISATION

Quivis Capital Fund (the "Fund") is an Undertaking for Collective Investment in Transferable Securities under Luxembourg Law, created in Luxembourg pursuant to Part I of the Law of December 20, 2002 on undertakings for collective investment (the "Law").

With effect from July 1, 2011, as a consequence of the repealing of the EC Directive 85/611, the Fund qualifies as an Undertaking for Collective Investment in Transferable Securities under the EC Directive 2009/65 of July 13, 2009 and is subject to the Luxembourg law of December 17, 2010 as amended, relating to Undertakings for Collective Investment. As a consequence, Part I of the Law of 2002 has been replaced by Part I of the Law of December 17, 2010 as amended.

On January 1, 2016, the Fund changed its name from Polaris Fund to Quivis Capital Fund.

The Management Regulations (the "Regulations"), in force since December 16, 2005, were published in the Mémorial, "Recueil des Sociétés et Associations" on December 16, 2005. The Regulations were amended for the last time with effect on January 1, 2016.

The Fund is managed by Quaestio Investment S.A. (the "Management Company") which was incorporated as a public limited company under Luxembourg law on March 6, 2014 under the name "Quaestio S.A." and was contributed with the branch of activities of the previous management company of the Fund (newly renamed "Quaestio Holding") on July 8, 2014, in accordance with the contribution plan dated June 3, 2014 and published in the Memorial number 1473 on June 7, 2014. The Management Company is registered with the Trade and Companies Register under number R.C.S. B185759 whereas the Fund is registered under number R.C.S. K 324.

As at December 31, 2016, the following Sub-Fund is open:

- Quivis Capital Fund - Ethical Global Balanced

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subject to a decision of the Board of Directors of the Management Company, the Fund is authorized to issue two types of units for the Sub-Fund: distribution units and capitalisation units.

### Presentation of the financial statements

The financial statements are presented in accordance with Luxembourg regulations governing Undertakings for Collective Investment (*Organismes de Placement Collectif*).

#### 1) Securities portfolio

Securities and/or financial derivatives instruments quoted on an official stock exchange or another regulated market which operates regularly and is recognised and open to the public, are valued on the basis of the last price known on the valuation date, unless said price is not representative. If the securities and/or financial derivatives instruments in question are quoted on several markets, they are valued on the basis of the price on the main market.

Securities not quoted on an official stock exchange or on another regulated market which operates regularly and is recognised and open to the public, as well as assets that are quoted but for which their price is not representative are valued at their probable realisation value estimated according to valuation criteria deemed prudent by the Management Company.

The financial derivative instruments which are not listed on any official stock exchange or traded on any other organized market are valued on a daily basis in accordance with market practice, with a constant reliable and verifiable method.

The value of money market instruments not listed or traded on another regulated market, and with remaining maturity of less than 12 months and of more than 90 days is valued by the mark-to-market method. Money market instruments with a remaining maturity of 90 days or less are valued by the amortised cost method, which approximates market value.

Units of the Sub-Fund open to redemption are valued on the basis of the last known net asset value. When the valuation date of this net asset value does not coincide with the valuation date of the Sub-Fund, and this value turns out to have registered a substantial variation since the date it was valued, the value taken into account could be adjusted accordingly by the Board of Directors of the Management Company prudently and in good faith.

# Notes to the financial statements as at December 31, 2016 (cont'd)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2) Net income realised on securities portfolio

The net income realised on sales of securities is calculated on the basis of the average cost of the securities sold.

#### 3) Forward foreign exchange contracts

Forward foreign exchange contracts remaining open at the closing date are valued by reference to the forward foreign exchange rate corresponding to the remaining life of the contract. The unrealised appreciation or depreciation on forward foreign exchange contracts is disclosed in the statement of net assets.

#### 4) Financial futures contracts

Futures contracts are valued at their liquidating value based upon the settlement price on the exchange on which the particular future is traded. The unrealised appreciation or depreciation on futures contracts is disclosed in the statement of net assets.

# 5) Options

Options are valued at the last known market price. OTC options are valued by the mark-to-market method based on market data obtained from third party vendors. Realised and change in unrealised gains and losses on options are included in the statement of operations and changes in net assets. The market value on options is disclosed in the statement of net assets.

For OTC options, the Administrative Agent provides independent pricing, based on valuation information laid down in the contracts.

#### 6) Swaps contracts

Swaps contracts are valued by the mark-to-market method using an internal model using the elements laid down in the swap contracts. The unrealised appreciation or depreciation on swaps contracts is disclosed in the statement of net assets.

#### 7) Repurchase Agreement (repo and reverse repo)

The Sub-Fund may occasionally enter into repurchase agreements which consist of the purchase and sale of securities with a clause reserving the seller the obligation to repurchase from the acquirer the securities sold at price and term specified by the two parties in a contractual agreement. The Sub-Fund can act either as purchaser or seller in repurchase agreement transactions.

#### 8) Transaction fees

Transaction fees include custodian transaction fees, stock exchange fees, handling charges, settlement fees and trading fees linked to transactions on portfolio securities, forward foreign exchange contracts, options, swaps and futures contracts.

## 9) Conversion of items in foreign currencies

Transaction and acquisition costs denominated in foreign currencies are converted into the accounting currency of the Sub-Fund based on the exchange rate in force on the date of the transaction or acquisition. Assets and liabilities denominated in foreign currencies are converted into the accounting currency of the Sub-Fund based on the exchange rate in force at the end of the financial year. Any resulting gains or losses are recognised in the statement of operations and changes in net assets.

#### 10) Securities lending

The Sub-Fund may only lend securities through a standardized lending system organized by a recognized clearing institution or through a first class financial institution specializing in this type of transaction. As part of lending transactions, the Sub-Fund must receive collateral as guarantee. Such collateral, received in the form of liquid assets and/or securities issued or guaranteed by a member state of the OECD, or by their local authorities, or by supranational institutions and undertakings of a community, regional or world-wide nature, must at the conclusion of the contract be at least equal to the total market value of the securities lent.

#### 11) Abbreviations

FLR : Floating Rate Notes Q : Quartely XX : Perpetual Bonds A : Annual U : Zero Coupon Bond S : Semi-Annual CV : Convertible M : Monthly

TIIE: (Tasa de Interés Interbancaria de Equilibrio) is a Mexican peso floating rate index benchmark.

# Notes to the financial statements as at December 31, 2016 (cont'd)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

As at December 31, 2016, the exchange rates used were the following:

1EUR =	1.0720	CHF
	7.4356	DKK
	0.8536	GBP
	9.0790	NOK
	9 5820	SEK

### 12) Dividend and interest income

Dividend income is accounted for on an ex-dividend basis, net of withholding tax. Interest income is recognised on an accrual basis.

#### 13) Formation expenses

The formation expenses have been amortized over a period of five financial years.

### 3. DETERMINATION OF NET ASSET VALUE OF UNITS

The net asset value per unit is expressed in the accounting currency of the Sub-Fund and is determined by dividing the net assets of the Sub-Fund by the number of units outstanding of the Sub-Fund.

#### 4. TAXATION

The Fund is subject to the Luxembourg legislation. The net assets of the Sub-Fund are liable for a Luxembourg tax at the annual rate of 0.05% payable at the end of each quarter, calculated on the amount of the net assets of the Sub-Fund at the end of each quarter. Nevertheless, the Sub-Fund, category and/or sub-category of units expressly reserved for institutional investors, apply a reduced tax rate of 0.01% per annum.

### 5. MANAGEMENT FEES AND PERFORMANCE FEES

Management fees paid to the Management Company, are calculated on the net asset value of the Sub-Fund and payable monthly. The Management Company will pay out of these fees, the appointed Investment Manager. The maximum rate of the management fees and the effective rate used during the year are the following:

Sub-Funds	Maximum management rates	Effective management rates
Quivis Capital Fund - Ethical Global Balanced	1.00% p.a.	1.00% p.a.

Performance fees may also be collected by the Management Company as a variable quota calculated and allocated at any valuation and withdrawn on December 31 of each year, on the basis of the Sub-Fund overperformance compared to a benchmark. The detailed formulas to calculate the performance fees are indicated in the prospectus of the Fund.

As at December 31, 2016 no performance fee was due for the Sub-Fund Quivis Capital Fund - Ethical Global Balanced.

# 6. DEPOSITARY, ADMINISTRATIVE, TRANSFER AND REGISTER AGENT FEES

The commission of the Depositary Bank and the Administrative Agent is fixed in accordance with the established practices on the Luxembourg market. This commission corresponding to an all-in rate of 0.025% p.a. is calculated on the net asset value of the Sub-Fund and payable on a monthly basis.

# Notes to the financial statements as at December 31, 2016 (cont'd)

### 7. OPEN POSITIONS ON FINANCIAL FUTURES CONTRACTS

As at December 31, 2016, the open positions on financial futures contracts were as follows:

#### Quivis Capital Fund - Ethical Global Balanced

Currency	Quantity	Buy-Sell	Description	Maturity	Commitment	Unrealised appreciation)
EUR	20	S	EURO OAT EUX	08/03/17	(3,036,400.00)	(41,252.00)
					Total	(41,252.00)

The issued contract has been traced through UBS AG London.

As at December 31, 2016, the total margin deposit for financial futures contracts paid by the Sub-Fund is as follows:

Counterparty	Currency	Margin deposit for futures contracts of the Counterparty
UBS AG London	EUR	709,325.74

#### 8. SECURITIES LENDING

As at December 31, 2016, the market value of the securities lent and of the collateral blocked is as follows:

Sub-Fund	Currency	Market value of securities lent	Collateral cash value
Quivis Capital Fund - Ethical Global Balanced	EUR	5,120,485.70	5,376,509.99

The collateral received by the Sub-Fund is represented by cash amounts, representing a total amount of EUR 5,376,509.99.

Sub-Fund	Cey	Total gross amount on Securities Lending income	Direct and indirect costs on Securities Lending income	Total net amount on Securities Lending income
Quivis Capital Fund - Ethical Global Balanced	EUR	18,470.49	4,617.62	13,852.87
TOTAL	EUR	18,470.49	4,617.62	13,852.87

The Sub-Fund received security lending income net of direct and indirect costs paid to CACEIS Bank, Luxembourg Branch in its capacity of security lending counterparty.

## 9. CHANGES IN SECURITIES PORTFOLIO COMPOSITION

The details of the changes in the Sub-Fund's securities portfolio composition for the year ended December 31, 2016 are at the disposal of the Unitholders at the registered office of the Management Company of the Fund and are available upon request free of charge.

#### 10. OTHER EXPENSES

As at year end, other expenses include miscellaneous fees such as publication fees and other operating fees.

## 11. SUBSEQUENT EVENTS

With effect as of or around 3 April 2017, the Management Company of the Fund will merge with Quaestio Capital Management SGR S.p.A. Unipersonale (the "SGR"). The cross-border merger between the Management Company and the SGR will be a merger by means of absorption, following which the Management Company will be absorbed by the SGR and all assets and liabilities of the Management Company, as well as all its rights and obligations, will be transferred by way of universal succession to the SGR, which will hold a branch in Luxembourg.

Quaestio Capital Management SGR S.p.A. Unipersonale will become the new management company of the Fund as of or around 3 April 2017 and the activities of its Luxembourg Branch will be similar to the ones currently carried out by Quaestio Investments S.A..

The above described change of management company will have no impact on the management fees paid by the investors.

# Additional information (unaudited)

# GLOBAL EXPOSURE CALCULATION METHOD

The following Sub-Fund uses the relative Value at Risk (VaR) approach in order to monitor and measure the global exposure. The limit is set at 200% of the VaR of the Benchmark.

The VaR limits for the period from January 1, 2016 to December 31, 2016 were as follows:

	Benchmark	Lowest level of VAR	Highest level of VAR	Average level of VAR
Quivis Capital Fund - Ethical Global Balanced	ETHICAL 80 20	1.24%	3.00%	1.92%

Benchmark	Description
	80% JPM EMU 6 Month Cash + 20% FTSE All-World Developed Europe Total Return Local
	Currency Index (FTS9DEUR)

The VaR figures have been calculated based on the following input data:

	Model used	Confidence level	Holding period	Length of data history
Quivis Capital Fund - Ethical Global Balanced	Monte Carlo VaR	99%	20 days	More than 1 year

The average sum of notionals of financial derivative instruments used during the financial year was as follow:

	Average leverage
Quivis Capital Fund – Ethical Global Balanced	3.48%

# Additional information (unaudited)

# SFTR (SECURITIES FINANCING TRANSACTIONS AND OF REUSE REGULATION)

SECURITIES LENDING TRANSACTIONS	Quivis Capital Fund - Ethical Global Balanced
Assets used	In EUR
In absolute terms	5,120,485.70
As a % of lendable assets	6.55%
As a % of total net asset value	6.00%
Transactions classified according to	In EUR
residual maturities	
Less than 1 day	<del>.</del>
From 1 day to 1 week	1,716,864.00
From 1 week to 1 month	701,071.00
From 1 month to 3 months	-
From 3 months to 1 year	-
Above 1 year	2 702 550 70
Open maturity	2,702,550.70 <b>5,120,485.70</b>
Collateral received	3,120,703.70
Туре	Cash: 5,380,629.58
- 7 - 7	Bond: -
	Total: 5,380,629.58
Quality (Bond collateral issuer rating)	-
Currency	EUR
Classification according to residual	
maturities:	
Less than 1 day	-
From 1 day to 1 week	-
From 1 week to 1 month	-
From 1 month to 3 months	-
From 3 months to 1 year	-
Above 1 year	5 200 (20 50
Open maturity	5,380,629.58
The 10 largest issuers of collateral	
received	
First name	-
Amount	-
Revenue and expenditure components	In EUR
Revenue component of the fund:	
In absolute amount	13,852.87
In % of gross revenue	75%
Revenue component of the Management	
Company	^
In absolute amount	0.00
In % of gross revenue	0%
Revenue component of third parties	4 (17 (2)
In absolute amount	4,617.62 25%
In % of gross revenue	2370

The sub-fund has CACEIS Bank Luxembourg as sole counterparty for securities lending positions and as depositary for collateral received. All transactions are bilateral transactions. Cash collateral is not reused.

# Additional information (unaudited)

## INFORMATION CONCERNING THE REMUNERATION POLICY

The following information - in particular the remuneration and how it divides up and the number of employees - is based on the annual report of Quaestio Investments S.A. (hereinafter "Quaestio") from December 31, 2016. The remuneration does not include the employer's mandatory contribution to the statutory social welfare scheme.

	Amount (EUR)
Total remuneration paid by Quaestio in the last business year	1,235,909
Of which fixed remuneration	1,000,909
Of which variable remuneration	235,000
Carried interests paid	/
Number of Quaestio beneficiaries as at December 31, 2016	9
Total remuneration paid by Quaestio in the last business year	1,235,909
Of which senior management	838,105
Of which members of staff whose professional activities have a material impact on the risk profile of the Fund	/
Total Remuneration of staff involved in the activities of the Fund	945,909

Quaestio Investments SA remuneration policy provides for a fixed and a variable remuneration component. The variable component is based on the achievement of individual and company objectives, and long-term performance objectives. At the same time, the remuneration system is structured in such a way that it does not offer any incentives to enter into inappropriate risk positions. The fixed and variable remuneration components stand in an appropriate relation to one another.

The remuneration policy is decided upon by the management company's board of management in its supervisory capacity. The board of management determines the general principles of the remuneration policy, reviews them at least once a year and is responsible for their implementation and monitoring. At least once a year, a central and independent internal review by the remuneration committee determines whether the remuneration policy has been implemented in line with the remuneration regulations and procedures determined by the board of management in its supervisory capacity.

Quaestio Investment SA remuneration policy was adjusted to meet the requirements of Directive 2014/91/EU of the European Parliament and the Council of 23 July 2014 on 8 July 2016. The annual review by the board of the management showed that the remuneration policy was implemented in accordance with the remuneration regulations and procedures.