

COMPANY INFORMATION

Q Capital AG (www.qcapital.ch) is a listed Swiss holding company aiming to generate a sustainable long-term capital appreciation with a target return of 7-12% p.a. It invests in private and public equities, bonds, real estate, currencies and in other managers. It is not restricted by a defined investment strategy. Base currency is EUR.

The shares are quoted on the Bern Stock Exchange (www.berne-x.com) under the ticker QCAP SW.

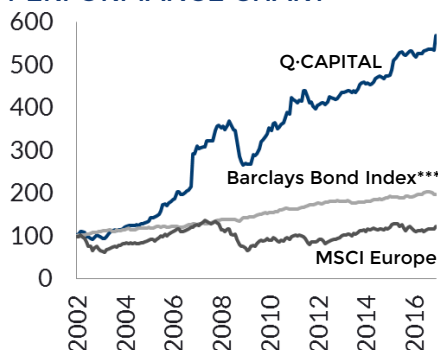
Q Capital is part of the Q-ADVISERS GROUP network (www.q-advisers.com).

PRODUCT DETAILS

Domicile	Switzerland
External expenses	1.68% net
Success-based expenses (up to)	20% (High Water Mark)
Hurdle rate	5% Net-Min. Return
Investment Advisor	QIMA Ltd
Website	www.qcapital.ch
ISIN	CH0017855088
WKN	1785508
SE Ticker	QCAP SW
NAV (31.12.16)	EUR 26.20
Annualized return	12.3%
Risk Manager	Rodex Risk Advisers

C-Quadrat AG	22.2%
Informica Real Invest	11.8%
Prenzlauer Gotlandhof	10.3%
QCV MLU GmbH	3.9%
Sberbank of Russia	3.7%

PERFORMANCE CHART



PERFORMANCE TABLE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2003	-3.5	-2.8	0.3	2.9	9.1	4.2	0.9	1.4	-0.5	1.5	-0.4	2.6	16.26%
2004	2.8	1.4	1.2	-0.0	0.1	1.0	0.4	-0.3	2.8	0.6	0.5	1.8	13.10%
2005	2.3	4.7	1.0	0.5	2.4	2.6	4.5	9.7	1.5	-2.6	3.2	2.0	36.26%
2006	2.4	1.4	8.3	0.6	-3.0	-0.5	2.7	1.7	0.6	4.4	35.4	0.1	62.20%
2007	6.1	-1.8	1.0	0.6	-0.2	4.6	-0.2	0.0	0.3	7.5	2.6	1.1	23.16%
2008	-2.1	1.5	-2.2	2.6	3.1	-2.3	-3.4	-0.8	-6.9	-11.4	-4.0	-3.2	-26.24%
2009	1.5	-0.8	0.2	5.1	3.2	-0.9	1.8	4.2	5.0	1.4	2.6	1.8	27.77%
2010	4.0	-1.7	4.9	0.3	-3.6	1.0	1.6	1.4	3.0	3.1	-1.1	10.0	24.68%
2011	-0.6	-0.9	-1.2	1.3	-0.3	5.9	-0.1	-3.3	-3.2	0.4	-2.2	-1.5	-5.95%
2012	2.2	0.4	0.8	0.0	-1.2	1.8	2.6	-0.3	-0.3	-0.4	0.1	2.1	8.12%
2013	1.5	-0.0	0.3	0.3	0.2	-1.1	1.0	-0.7	1.8	2.1	1.0	0.4	7.15%
2014	-1.1	0.8	-1.2	0.5	0.9	1.7	1.1	0.5	-0.6	-0.9	1.3	0.2	3.31%
2015	0.4	2.5	4.4	1.1	1.2	1.4	0.2	-1.0	-0.5	1.2	0.9	-0.2	12.04%
2016	-2.0	-0.5	1.3	0.1	0.0	1.0	0.5	0.4	0.0	0.0	-0.2	6.4	6.72%

*Cash, cash equivalents and treasury shares ***Barclays Aggregate Bond Index (EUR) ***Monthly NAVs are calculated in EUR net of all fees

ADVISOR COMMENTARY

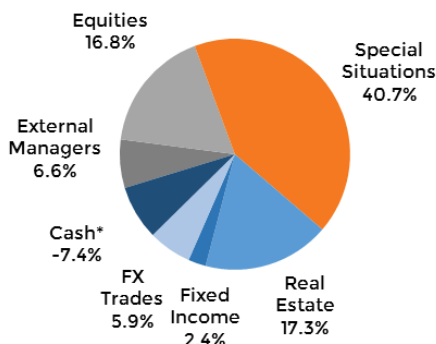
Q Capital AG returned +6.72% net in 2016. The NAV (EUR) stood at EUR 26.20 per share excluding CHF 1.09 dividend paid in August. The bond market returned +2.66% and equities +4.02% as per the Barclays Aggregate Bond and MSCI Europe indices, respectively.

First half of 2016 surprised the markets with Brexit, second half stunned everyone with Trump's victory. Both shocks were short-lived but added to the volatility. Fed raised rates for the second time in this decade but also gave a clearer guidance for the near-term future.

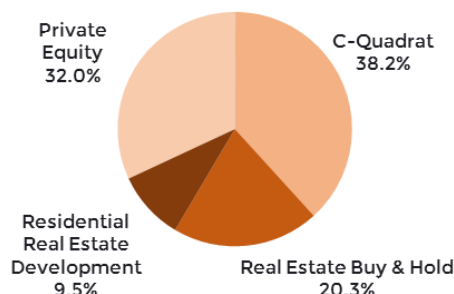
Despite challenging markets, Q Capital returned +6.8% in 2016, just shy of our lower target bound. Banks, insurance and commodity exposed stocks rallied towards year-end supported by the US elections results and clearer Fed and ECB guidance. Against this backdrop, longer maturity fixed income holdings (particularly HY) suffered as 10 year US Treasury yield rallied in November. We cut some of our HY exposure. Most of the profits were generated by our main long-term holdings (41%). C2 transaction gained a new shape - we received a loan collateralized with ca. 2/3 of our position and hope to close the transaction in H1 2017. In the area of real estate, our project in Berlin runs very well with 1/3 of the flats sold at good prices, foundations laid and structural works to be completed in April. This let us revalue the position upward. Informica (residential) sold off a large project with a solid profit and again returned capital in August.

In Q Capital Ventures, we made a new investment in a fast-growing organic food start-up specialised in premium quality frozen yoghurt products. We look to share this investment with our partners. From the External Managers, Oaks performed really well driven by its exposure in Iran. We also travelled to Iran and are very happy with the developments in Pomegranate, our smaller investment in Iranian PE.

ASSET BREAKDOWN

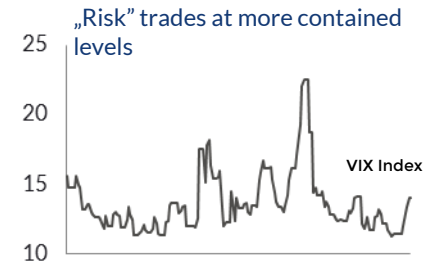
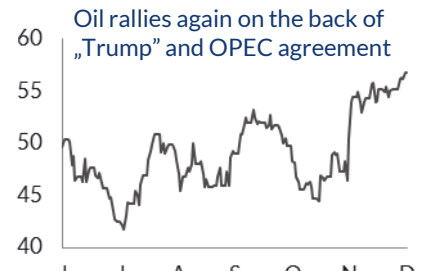


MAIN SHAREHOLDINGS



ADVISOR OUTLOOK

The global economic environment has improved and a turning point in the monetary policy of Fed and ECB is coming into view. Stock markets should benefit from solid earnings growth in this environment, and HY bonds should deliver solid total returns. We are cautiously optimistic for H1 2017 and are looking to maintain our equity exposure as the market keeps up the positive momentum. We monitor closely developments in the Private Equity and Special Situations (particularly C2), which historically have been the main performance driver. 2017 will also be a decisive year for Prenzlauer Gotlandhof project in Berlin.



MAJOR HOLDINGS AND CHANGES IN H2 2016

Cash / USD (-7.4% from 11.0%) Portfolio cash levels decreased as we deployed capital into equities in Q4. We also put to work the EUR 3.71m loan we received as phase one of the C2 transaction – more on this below. The net long USD exposure stands at 5.4%.

Bonds and Private Loans (20.1% from 19.5%) We held the fixed income exposure largely unchanged although with some shift in holdings. We took profits on our long-dated exposure in **Ghana 2030** and **Cameroon 2025** shortly after the 10Y US Treasury Yield started to rally in November. We also added first ever issue of **Saudi Arabia 2046** (YTM 4.7%) as well as a small investment in a retail lender **Four Finance 2021** (YTM 10.6%).

Equities Long (16.8% from 6.7%) Towards the end of November we significantly increased our equity allocation following Trump’s surprise victory and as the Fed rate raising outlook cleared. We found Banks (**UniCredit, Raiffeisen, Sberbank**), Insurance (**Swiss Re, Uniqa**) and Commodity (**Norilsk Nickel**) stocks as the biggest beneficiaries of these developments in the short to mid-term. We also returned to our well-known holding **DO & CO** following a significant stock price correction. We took respectable profits on **Kruk** and participated selectively in CEE IPOs (**Medlife**).

MAIN SHAREHOLDINGS (40.7% of NAV)

This section has always been the main driver of the portfolio performance. We have either substantial holdings and/or strong positions in the companies, partly with specific board seats or management control rights. Position should be around 40% of the portfolio.

C-Quadrat (22.2%, board-seat for Q Capital AG, 2.3% of the company). The shape of the previously communicated transaction in C2 changed somewhat, largely due to regulatory reasons and we still cannot fully comment on the final terms but are confident in the successful closing over the course of H1 2017. For the moment, we received a loan from the main investor in the amount of EUR 3.71m collateralized with ca 2/3 of our position in the company (placed in escrow). The loan will get converted following the FMA deal clearance. We price the position at a comfortable discount to the transaction price.

Private Equity & Markets

QCV Kissyo GmbH (2.4%) is a new investment of QC Ventures and Q Capital in a fast-growing organic food start-up that specialises in premium quality frozen yoghurt products. We acquired a 46.01% stake in the company and are looking to sell-off EUR 500k of the deal to our group partners in a few separate lots post-closing.

QCV MLU GmbH UIAG Holding (3.9% from 5.3%). Q Capital reduced its stake in the venture by 15% by selling part of its stake to a partner private entrepreneur at our cost level. Sales proceeds (cash) returned to Q Capital, which reduced our overall exposure. We now hold 25% of the company.

UCP Chemicals (3.5%). Despite tough macroeconomy, the company managed to grow its EBITDA (EUR 5.1m) and the net result (EUR 1.7m) in the first nine months of 2016. The strategy remains to further increase the focus on its profitable core segments in combination with a set of activities to further enhance efficiency and productivity.

Real Estate Investments & Developments

Informica Real Invest AG (11.8%, board seat for Q Capital AG; 15.8% of the company) currently owns 14 properties with a total area of 36.393 m² or 384 units yielding a solid 6.9%. The Tricyan Tower project was sold with a healthy profit. The company also repaid EUR 10c as capital repayment and plans further EUR 0,30 repayment for 2017. We value the position at a 25% discount to the last available NAV as per November 2016.

„Prenzlauer Gotlandhof Berlin“ (5.5%, 12.5% of the company). We completed the most challenging construction phase – laying the foundations and expect to finish the structural works in April. More than a third of the flats were sold at better than expected prices, which let us revalue the position (still applying a conservative 50% discount). We hope to complete the project until the end of H1 2018. The investment consists of equity of 12.5% of the project and a loan of EUR 1m at 4.95% interest.

INVESTMENTS IN OTHER MANAGERS (6.6% FROM 5.3%)

Oaks Global Opps Fund returned a solid +20% annual result. We made good money with a new holding in **Duet Emerging Europe Fund** run by our long-term partner Michel Danechi. We stepped back into **Mozart One** – in our view, one of the best Austrian equity managers.