

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.

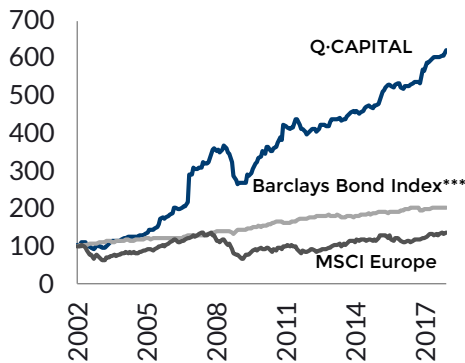
Q Capital is part of the Q-ADVISERS GROUP network (www.q-advisers.com).

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 (31.12.17)	EUR 28.62
Annualized return	12.1%
Risk Manager	Rodex Risk Advisers

C-Quadrat AG	22.0%
Informica Real Invest	11.4%
Prenzlaue Gotlandhof	6.5%
UCP Chemicals	6.1%
Mozart One	3.5%

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%
2017	-0.3	3.8	0.1	0.7	1.1	0.4	0.4	-0.3	-0.1	0.7	0.1	2.2	9.24%

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

ADVISOR COMMENTARY

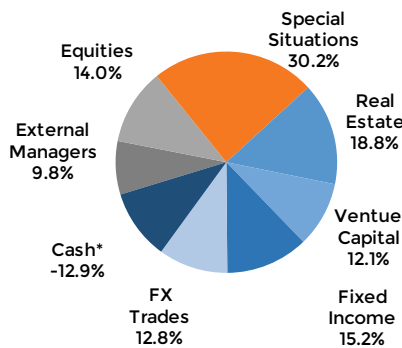
Q Capital AG returned +9.24% net in 2017. The NAV (EUR) stood at EUR 28.62 per share vs EUR 26.20 as per 31 Dec 2016. The bond market returned +3.5% and equities +10.0% as per the Barclays Aggregate Bond and MSCI Europe indices, respectively.

Momentum has been the dominant factor across markets this year. Solid economic growth and moderate inflation pressures supported the equity and bond markets. Financials and Tech related names rallied over the course of the year as Fed raised rates three times. As inflation starts creeping up, we are rather hawkish and see this as the beginning of the hiking cycle. Crude regained the momentum helping energy related names climb higher.

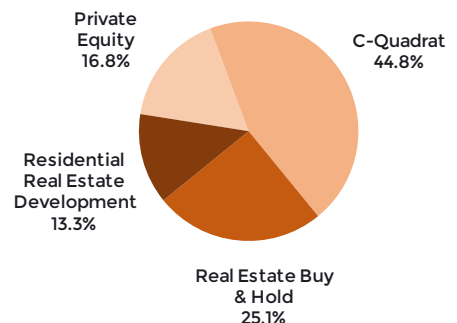
Q Capital returned +9.2% in 2017. After a quiet Q3, we scaled up the equity exposure in Q4 taking a view on a strong finish of the year. As a result, we benefited from US Consumer and Tech rally and were selectively active in the names we know well (Amrest, CEZ). Fixed Income portfolio was enhanced with more sovereign credit (Ukraine, Tajikistan) and large PG loan was fully repaid increasing the liquidity. C2 deal is on the right track to get regulatory clearance in H1 2018. On more exotic front, we traded in Bitcoin and more than doubled our small investment.

In real estate, we are looking for the successful completion of the Berlin project in H1 2018 as 80% of the flats are sold with the remainder priced at premium. Informica (residential) returned capital in September and is yielding an attractive 6.9% On QCV front, we deployed money into big data platform Braintribe as well as food and beverage distribution platform Urban Foods. Mozart One added most among funds with a 40%+ return. On the PE side, MLU (12.5% stake) was our weak spot. The company burns cash and grossly missed 2017 guidance. We took a larger write-off and sold off 50% of the exposure.

ASSET BREAKDOWN

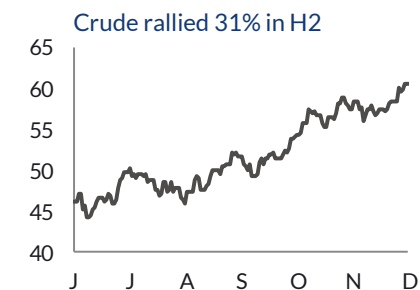


MAIN SHAREHOLDINGS



ADVISOR OUTLOOK

2018 should see rising core inflation, tightening policy and a tricky handoff for global growth. While the macro backdrop is likely to remain good in 2018, we think risk assets will have a tougher time as growth momentum slows and valuations come under pressure from tighter monetary policy, wider credit spreads, higher volatility and a flat US yield curve. We are cautiously optimistic for H1 but will closely monitor the markets for any change in our investment thesis.



MAJOR HOLDINGS AND CHANGES IN H2 2017

Cash & equivalents / USD (-12.9% from 2.9%) Portfolio cash levels decreased in H2 2017 as we have been active in reallocating and deploying capital into Equities and Venture Capital. The net long USD exposure stands at 5.2% long. Treasury shares holding stands at 3.6%.

Bonds and Private Loans (15.2% from 18.6%) Nearly all holdings were solid performers and contributed significantly. Sovereign holdings were enhanced with the addition of **Ukraine 2032** (YTM 7.3%) and **Tajikistan 2027** (YTM 7.6%). **GGBs** rallied with yields falling below 5% as we swapped our 10-year holding into two 5 and 10-year issues, which offered better liquidity. Both Ukrainian food holdings (**MHP 2024** and **Kernel 2022**) performed very well.

On the private side, the PG loan was fully repaid, which helped boost the liquidity.

Equities Long (14.0% from 6.9%) After a quiet Q3, we scaled up the equity exposure as we took a view on a year end rally. This decision proved correct as we pocketed 10-15% returns among US tech and consumer holdings (**Microsoft**, **PayPal**, **Wal-Mart**, **Constellation**). We also re-entered our long term holding in **Amrest** and capitalized on an IPO of its peer (**Sphera**) in Romania which advanced 38% so far. Dividend play in **CEZ** (6.5%) was also added. We were selectively active in Japan with rather mixed results.

MAIN SHAREHOLDINGS (49.0% 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 (22.0%, board seat for Q Capital AG, 2.3% of the company). The transaction under the revised shape seems to be on the right track to receive the necessary regulatory clearance by the end of Q2 2018. Meanwhile, EUR 3.71m loan stays in place however since November 2017 we no longer pay interest on it, which basically means free capital leverage that we put to work. We price the position at EUR 50, which still assumes a conservative discount vs transaction price. Meanwhile we expect another solid dividend to be distributed before deal closure.

Venture Capital

QCV Braintribe (2.3%) is a new investment in a smart data platform “Tribefire” that is re-writing the playbook for big data. Braintribe provides the technology, tools and techniques for visionary enterprises to transform their businesses into digital powerhouses.

QCV Urban Foods (1.6%) is yet another investment in the food area alongside well-performing Kissyo. Urban Foods is a B2B distribution platform for urban and trendy new beverages and snacks in Austria.

QCV MLU (0.7% from 3.7%) MLU has been our low point in H2 2018. In the beginning of the year the company provided EBIT guidance, which it reiterated a few times later on. Sadly in November we learned that it will grossly miss the expected results and worse it only holds sufficient funds to continue operations until April 2018. This led us to significantly mark down the position as well as to sell 50% of holding to a third party. The company is currently undergoing severe restructuring with a potential Asian investor backing.

Real Estate Investments & Developments

Informica Real Invest AG (11.1%, board seat for Q Capital AG; 15.3% of the company) continues to hold 16 properties with a total area of 39.694 m² or 437 units yielding a solid 6.85%. Over the summer, the company returned EUR 30c as capital repayment for 2016. We value the position at a 25% discount to the last available NAV as per Dec 2017.

“Prenzlauer Gotlandhof Berlin” (6.5%, 12.5% of the company). The project is approaching its finish according to plan. More than 80% of the 136 residential units have been sold and legally contracted. Two houses were introduced to the market in autumn and are being sold with a price premium. The loan has been fully repaid. We expect to realize and exit the investment in H1 2018.

INVESTMENTS IN OTHER MANAGERS (9.8% FROM 9.2%)

Solid performance from nearly all fund holdings. **Mozart One** returned a respectable 40% capitalizing mostly on its largest Austrian holdings. Consequently, we increased our investment in Mozart to 3.5% of NAV. **Oaks Global Opps Fund** made over 19% in more peripheral markets in Far East Asia. Petrus gained 11% after a few successful Austrian activist efforts. We priced down **Pomegranate**, our investment in Iran, in line with the OTC trading, which reflects the recent unrest in the country and negative sentiment caused by Trump administration.