

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 equity, bonds, loans, 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 network (www.q-advisers.com).

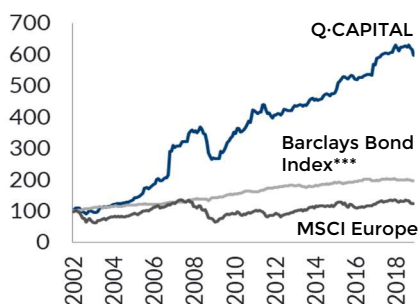
PRODUCT DETAILS

Domicile	Switzerland
External expenses	1.68% net
Success-based expenses (up to)	20% (HWM)
Hurdle rate	5% Net-Min. Return
Investment Advisor	QINO Group Services
Website	www.qcapital.ch
ISIN	CH0017855088
WKN	1785508
SE Ticker	QCAP SW
NAV (31.12.18)	EUR 27.58
Annualized return	11.1%
Risk Manager	Q·Partners, Frankfurt

TOP HOLDINGS

Informica Real Invest	12.4%
UCP Chemicals	8.0%
Prenzlauer Gotlandhof	6.8%

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	2.4	9.39%
2018	1.6	-1.7	-1.4	1.8	0.0	0.6	0.4	-0.9	1.1	-1.7	-0.4	-2.9	-3.63%

*Cash, cash equivalents and treasury shares | **including 3rd party managed Equity Funds | ***Barclays Aggregate Bond Index (EUR) | NB: Monthly NAVs are calculated in EUR net of all fees

ADVISOR COMMENTARY

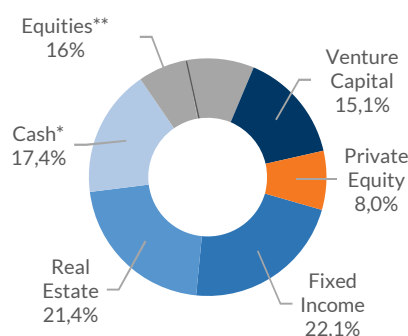
Q·Capital AG returned -3.63% net in 2018e. The NAV (EUR) stood at EUR 27.58 per share vs 28.62 as per 31 Dec 2017. The bond market declined by 3.4% while equities dropped by 8.5% as per the Barclays Aggregate Bond and MSCI Europe indices, respectively.

In 2018, a tricky handoff in growth, policy and inflation drove a rolling bear market – as a result it proved to be the most challenging year since 2008. The ingredients of the economic downturn are the US tightening and erosion of households purchasing power globally.

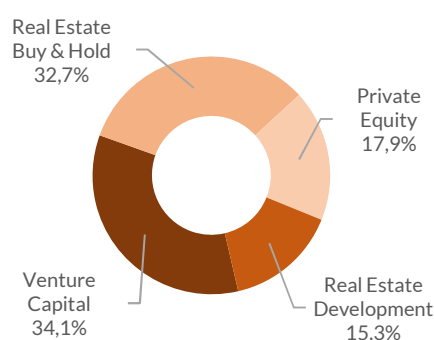
Still, Q·Capital has been quite solid in these market conditions as returns from real estate and PE nearly compensating for all costs and losses in equity, funds and emerging market bonds. The overall decline of the NAV by 3.6% at the end was mostly tax-driven. As the final sale of the stake of asset manager C2 creates a large realized gain in 2018 we took a more rigid view in the realization of potential losses in illiquid venture capital stakes in December.

In general losses in single equities (6.9%) and especially 3rd party equity funds (9%) have been limited by solid gains with the re-investment into DO&CO. We booked some negative returns due to price-drops in EM bonds (15% of NAV). Private Equity (8%) posted solid gains due to good developments in UCP Chemicals. We increased position. Also, Real Estate (21%) returns were rock-solid. Venture Capital (via QC Ventures SPVs: 15%) has been a mixed bag: Food Investment “Kissyo” reached record sales and completed a well-priced capital increase letting us revalue our position by 25%. We depreciated and closed various holdings - especially the Iranian VC-Fund Pomegranate slumping after US withdrew from the JCPOA.

ASSET BREAKDOWN



PRIVATE EQUITY HOLDINGS



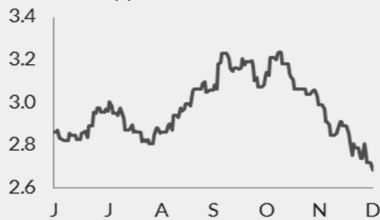
ADVISOR OUTLOOK

In general, the world still faces slower growth, higher inflation and tighter policy. However, 2019 should bring some opportunities in equities and bonds with the market overshooting the current negative outlook. We would be more cautious on broad investments in VC as the market there has not reacted to the slump in risky assets. There will be more opportunities later in the cycle. If 2019 should see a turning point in this narrative, specifically in US growth, inflation and policy we will see when corporates are indicating conservative guidance with some profit warnings.

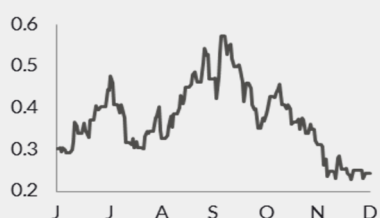
European Equities slumped 11% in H2 2018



US 10Y Treasuries normalized but topped at 3.2% in November



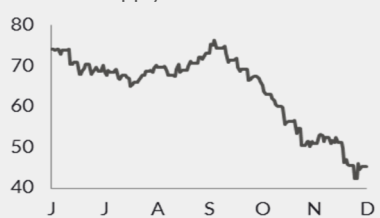
German 10Y yields volatile but largely unchanged in H2



NASDAQ 100 dove 10% as tech bursted



Crude slumped 40% on oversupply concerns



„Risk“ spiked to 36% in December



MAJOR HOLDINGS AND CHANGES IN H2 2018

Cash & equivalents / USD (17.4% from 21.9%) Portfolio cash levels decreased somewhat as we deployed cash into new fixed income and VC ideas. The net long USD exposure stands at 3.6% long. We hold a small block of Treasury shares (0.2% of NAV).

Bonds and Private Loans (22.0% from 15.6%) US 10Y Treasury yields returned to more reasonable levels of 2.7% after they peaked at 3.24%. The average bond performance was -7.7%, most of which happened in H1 2018. We took solid profits in **Polyus 2023** and cut our losses on **Nostrum 2025**. We replaced **Sberbank 2022** with better yielding **VTB Perpetual** (YTM 10.9%) and **Turkish Export Credit Bank** (YTM 8.0%), both of which should thrive in the higher interest rate environment. Current portfolio generates ca 125bps of coupon income per year. Average portfolio YTM stands at 9.4% with average maturity of 6.5 years.

We extended EUR 1m private loan at 5% to QRE to buy out a long term Informica investor.

Equities (including External Managers 9.1 % | Equities 6.8 %) (16.0% from 22.6%). 2018 proved very challenging for equities with volatility levels reaching 35%+ in December on mounting concerns about Trade War and most of all global slow down. We traded equities very cautiously. We re-entered our long term favourite **DO&CO** in July, which proved to be a star performer (+40%) as the company extended its contract with the top client – Turkish Airlines. We cut Tech related names in **Alibaba**, **Microsoft** and **CRM**. We opportunistically traded in **Voestalpine**, **Sberbank** and a few gold-related names. We continue to keep our core holdings **Amrest**.

Third party manager holdings have cost us dearly in 2018 as global markets slumped. **Mozart One** (-25%) struggled most followed by **Oaks Global Opps Fund** finishing the year -12%. We redeemed the **Magna MENA Fund** to reduce the overall fund exposure.

Main Private Shareholdings (44.5% 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.

UCP Chemicals AG (8.0%, board seat for Q·Capital AG, 7.2% of the company). Financial performance of UCP has been steadily improving with 24% (RUB) jump in 9M Revenue (EUR 54.2m) and double digit EBTIDA margins of 17.2%. Company is expanding its production capacity with high quality assets in Nizhny Tagil. We pocketed a EUR 0.14 dividend in Q3 (tax-efficiently) and grew our stake slightly by buying out a few smaller shareholders.

QC· VENTURES (QCV)*

OCV kissyo (3.9%) shined as the company reached total sales of EUR 2.4m for FY 2018, a 55% y-o-y increase. Demeter line Schrozberger was the clear driver accounting to 70% of yearly sales. Kissyo successfully completed the EUR 1.9m capital increase to further ramp up sales. This led us to mark-up our valuation by nearly 25% to the transaction price level.

QCV Urban Foods (2.2%) was a weak point in 2018. Position was marked down significantly (-45%) as we strongly believe that the current gross margins are unsustainable pointing to a weaker outlook. Also, Brooklyn Gin is facing hurdles in their distillery generating losses.

QCV Diversified (4.4%) holds a mixed bag of assets largely in technology start-ups. Some of the holdings faced challenges in meeting their budgeted, planned results, which led us to mark them down significantly. On average the portfolio declined 12%. We are happy to discuss the details with you individually.

Pomegranate Investment was sold in full at a deep loss as the prospects for the Iranian assets remained very gloomy following the US pullback from the JCPOA agreement. OTC quoted prices suggest current valuation at ca. 30c on a dollar.

Real Estate Investments & Developments

Informica Real Invest AG (12.4%, board seat for Q·Capital AG; 15.3% of the company) holds 15 properties with a total area of 40.512 m² or 445 units (368 residential + 77 commercial) yielding a solid 6.6%. NAV should have grown by ca. 5% last year.

„Prenzlauer Gotlandhof Berlin“ (6.8%, 12.5% of the company). The project finished with several flats already occupied. Nearly all units have been sold and contracted. We expect the full exit from the investment in Q1/Q2 2019.

*SPVs of QC· VENTURES