Q·CAPITAL H1 2020 Investor Report

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).

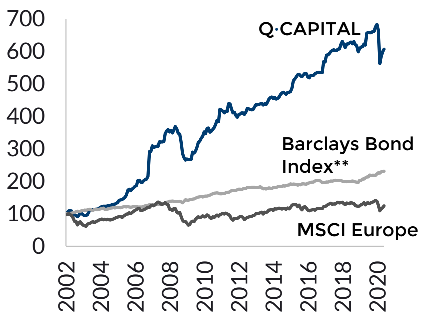
PRODUCT DETAILS

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 (30.06.20)	EUR 28.01
Annualized return	10.2%
Risk Manager	QC·Partners, Frankfurt

TOP HOLDINGS

Informica Real Invest	14.0%
UCP Chemicals	9.7%
QCV Diversified	4.8%

PERFORMANCE CHART



ADVISOR COMMENTARY

Q·Capital AG returned -9.99% net in H1 2020. The NAV (EUR) stood at EUR 28.01 per share vs 31 Dec 2019. The bond market increased by 6.1% while equities declined by 12.8% as per the Barclays Aggregate Bond and MSCI Europe indices, respectively.

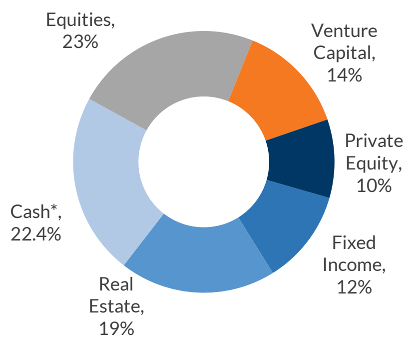
Most of our declines came from a few sharp revaluations of investments in Venture Capital (see page 2) and the declines in Emerging Markets High Yield (HY) Bonds. Both asset classes seem to be in a temporary, more challenging environment right now. Equities have been clearly positive in the first 6 months, real estate neutral, investment in third party funds negative. All in all, we managed very well through this huge crisis and have learned quite some lessons.

REVIEW OF THE FIRST 6 MONTHS

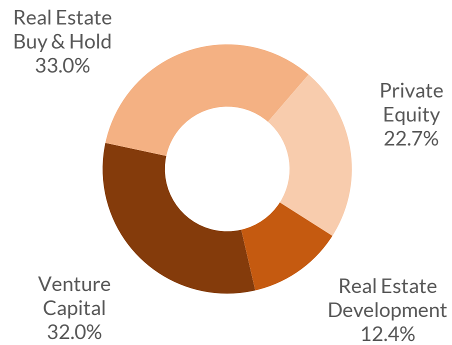
The sudden outbreak of Corona virus put on big breaks on the markets with the sentiment immediately shifting to a risk-off mood causing steep declines across nearly all asset classes. Not knowing what to expect we agressivly reduced exposure in Q1 raising cash levels to nearly 50% and added some Gold. In Q2 markets rebounded strongly after central banks and governments provided enormous amounts of stimulus and economies started to reopen. We then started to selectively buy well-known quality names – mainly in the US. We still kept 25% cash over most of the period as the base risk (Volatily above 35) is still high.

The fixed income portfolio was cut by half. Liquidity now takes priority over yield and we put much more emphasis on it. Within Real Estate, Informica proved to be very resilient in the crisis and the impact to date was relatively small. In Private Equity UCP Chemicals performs well despite the challenging markets having posted a historical high 2019 EBITDA - for the time being. As expected, VC was the weakest link and we adjusted downward a number of holdings.

ASSET BREAKDOWN



PRIVATE EQUITY HOLDINGS



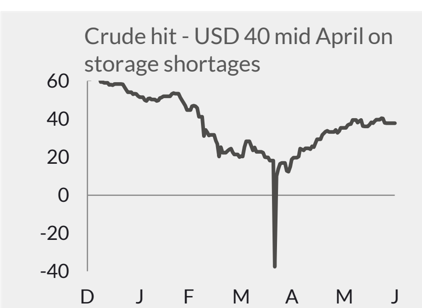
ADVISOR OUTLOOK

The market has rallied on the back of fiscal and monetary stimulus, combined with the reopening of economies. We believe the monetary support is here to stay. Meanwhile, rising infection rates could lead to further measures being imposed. We don't know which economic figures are to be expected but stay constructive. We continue to favor a flexible and active approach in investing. We focus on some selected rebound topics and technology stocks and keep 20 % cash for opportunities - which we expecte to emerge in such a crisis.

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%
2019	1.7	0.7	0.2	1.3	-0.6	6.0	0.3	-0.1	-0.1	0.6	0.0	2.1	12.84%
2020	1.2	-2.6	-15.4	3.8	2.6	1.4							-9.99%

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



MAJOR HOLDINGS AND CHANGES IN H1 2020

Cash & equivalents / USD (22.4% from 0.3%) As the Corona virus drama started to unfold in Europe, we quickly reduced net long exposure and increased cash levels to almost 50%, which is unprecedented in our history. We started with cutting liquid equities and larger positions in most Covid-exposed companies and then moved to reducing credit. Our USD exposure is currently neutral.

Bonds (11.7% from 30.3%) Credit started the sell-off with a short delay vs equities and thus allowing us to raise cash in more liquid holdings at beginning of March (**Teva 2028, Export Bank 2024, TSKB 2023, MHP 2026, Ocean Yield Perpetual, AdecoAgro 2027**). This reduced the credit book by more than half and proved to be the right call as subsequently the conditions worsened, bid/offer quotes widened and indicative bid levels sank. Later in Q2 we additionally cut **Pemex 2030, Oil Flow 2022** and **Metinvest 2029**. With most of the trades on the offer side, we were only selectively buying holdings such as Russian bank **Sovcom** perpetual issue (YTM 7.6%). Average portfolio YTM stands at 13.2% with average maturity of 4 years.

Equities (23.0% from 29.1%) We have been extremely active in Q2, mainlz to manage our risk and cash levels. We ha dquickly reduced equity exposure at beginning of march to as low as 2% of NAV and bought some June options. End March we started selectively buying quality US technology names. We had been short for a while as a hedge. This brought not much but let us sleep well with a cash level of 50% in the last week of march. In April we started writing puts and buying further options, later we did direct investments, mainly into "Mega Tech" names such as **Microsoft, Apple, Facebook, Amazon, Nvidia, Paypal, Square or** some ideas smaller ideas like **AMS.** We still own these companies. We traded some oversold names: Restaurant stocks such as **ALSEA** and **Carrols** were timed well, travel stocks less so. We got put of them mid June. In May we added some Financials (**Citigroup, Sberbank)** We also held a steady exposure to Gold. Energy we cut as performance seem not to work.

Third Party Equity Managers. Exposure to third party managers proved costly and ineffective. The volatility has not been their environment to shine. Spoiled by good performance of the last 2 years they were not quick enough (or stuck in illiquid positions) to react to the sell-off and overall cost the portfolio over 300bps of performance. We have redeemed all three in full and will wait for more stable times to re-enter.

Main Private Shareholdings (42.6% of NAV)

This section has always been the main driver of the portfolio performance. We have either substantial holdings and/or strong board positions in the companies

UCP Chemicals AG (9.7%, board seat for Q·Capital AG, 7.3% of the company). Q1 2020 impact of Corona virus was limited and the company was well placed to respond to the challenging business environment. Nonetheless, the full year impact is difficult to estimate. The year 2019 ended with EUR 73.1m revenue, EUR 11m EBITDA (15% margin) and EUR 5.6m net (7.6% margin) profit leading to the increase of annual dividend to EUR 0.19 per share or 9.5%.

QC· VENTURES (QCV)* - main SPVs

OCV kissyo (3.5%) Sadly, the corona crisis significantly impacted the direct sales channel due to the general ban on personal sales visits. We also had to finance the company short term. However, the impact was milder than feared and we still expect an increase in revenues for 2019/20. In addition, the company secured a EUR 1mn working capital finance.

QCV Life Sciences (1.9%) benefiting from an increased focus on Biotech and Life Sciences. ATAI successfully closed a convertible round of USD 24mn in March from renowned investors, including Peter Thiel, bringing its total funding to over EUR 80mn.

QCV Braintribe (0.1%) The proposed strategic deal from end of 2019 has failed in Q1 2020, leaving the company with a high amount of liabilities due for repayment in 2020. Investors and management are negotiating a potential solution/carve-out as part of an agreement with the company's creditors to prolong its credit lines. We have written down our investment in Braintribe as our convertible loan cannot be repaid upon maturity this year.

QCV Main (1.6%) and QCV Diversified (4.8%) QCVM was moderately affected as companies faced some delays to their 2020 plans. Speedinvest has also posted downwards revaluations. **QCV Diversified** saw 2020/21 forecasts cut across the board in the portfolio. eValidation (tax-free shopping solutions) suffered the most as air traffic and tourism disappeared overnight. As a prudent approach we had to revalue the majority of our positions to reflect the setbacks.

Informica Real Invest AG (14.0%, board seat for Q·Capital AG; 14.0% of the company) saw muted impact. For now, the new project purchases pipeline was put on hold with the expectations of prices falling. Company's NAV stands at ca. EUR 3.80, which we adjust with a healthy liquidity discount. Also, EUR 0.47 capital distribution for 2019 was received.

*SPVs of QC·VENTURES