



Dear Shareholders,

The largest equity positions in the Vltava Fund portfolio at the start of 2019 were Berkshire Hathaway, Credit Acceptance, BMW, Magna, and Sberbank. Our portfolio is concentrated into investments we regard as providing the best combination of risk and returns. Sufficiently attractive investment opportunities are rather rare, and therefore we endeavour to exploit these to their best advantage. During last year, we narrowed down the portfolio by 4 positions, and we currently are holding 18. Our 10 largest positions make up approximately 74% of our portfolio.

The Fund's portfolio is currently valued by the market at 8 times the profits from the past 12 months. That means that in the past year the net earnings of our companies represented more than 12% of their market capitalisation (the Earnings Yield, which is the reciprocal of P/E). In our opinion, that is simply an inadequately low valuation in view of the quality and prospects of these companies. This number stands out especially in comparison to the low interest rates.

Our estimate as to the current fundamental value of the Vltava Fund portfolio as of the end of 2018 is 64% greater than the Fund's present NAV. The difference between our estimated portfolio value and its current market valuation is the greatest it has been in the entire time we have kept these statistics. Development of the portfolio's fundamental value is influenced by essentially three things. First is our estimate as to the fundamental values of the individual companies. Second is the passage of time itself, because a

company's fundamental value develops over time and has a strong tendency to grow as more and more earned capital is reinvested. Third relates to our transactions, whereby we exchange lower-potential companies for higher-potential companies. We cannot influence the prices of the individual shares, but we can influence their selection, and that is what we fully focus upon. Long-term growth in the fundamental values of well-chosen shares will pull their prices upward. That is one of the few things a person can rely upon.

Over the past 10 years, which means since the Great Financial Crisis and at the same time since the change in our investment strategy, Vltava Fund's NAV has grown by 273%. During the same period, world equity markets rose by 112%.

In the next part of this Annual Report, as in the past, you will find quarterly letters to stockholders from the past year (taken together, these present a picture of our investments and opinions from 2018), as well as more detailed data that include comprehensive historical results and audited financial statements.

We thank you for your support and goodwill through the years gone by, and we look forward to our co-operation in the years to come.

Daniel Gladiš, February 2019



For more information

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Disclaimer :

Our projections and estimates are based on a thorough analysis. Yet they may be and sometimes will be wrong. Do not rely on them and take your own views into consideration when making your investment choices. Estimating the intrinsic value of the share necessarily contains elements of subjectivity and may prove to be too optimistic or too pessimistic. Long-term convergence of the stock price and its intrinsic value is likely, but not guaranteed.

This document expresses the opinion of the author as at the time it was written and is intended exclusively for promotional purposes. The investor should base his or her investment decision on consideration of comprehensive information about the Fund.

Only a qualified investor pursuant to § 272 of Act No. 240/2013 Coll. may become a shareholder of the Fund. Persons who are not qualified investors pursuant to the aforementioned provision of the Act shall not be allowed to invest.

The value of an investment may increase and decrease. Neither return of the amount originally invested nor increase in the value of such investment is guaranteed. The Fund's past performance is not a reliable indicator of future investment returns.

The information contained in this letter to shareholders may include statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or financial performance, or the estimates underlying any of the foregoing. Any such forward-looking statements are based on assumptions and analyses made by the Fund based upon its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the given

circumstances. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks, assumptions and uncertainties. In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from those contained in such statements. Unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements to reflect subsequent information, events, results or circumstances or otherwise.

Before subscribing, prospective investors are urged to seek independent professional advice as regards both Maltese and any foreign legislation applicable to the acquisition, holding and repurchase of shares in the Fund as well as payments to the shareholders. The shares of the Fund have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or under any state securities law. The Fund is not a registered investment company under the United States Investment Company Act of 1940 (the "1940 Act").

The Fund is registered with the Czech National Bank as a foreign alternative investment fund for offer only to qualified investors (not including European social entrepreneurship funds and European venture capital funds) and managed by an alternative investment fund manager.

Investment returns for the individual investments are not audited, are stated in approximate amounts, and may include dividends and options.

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