



Dear Shareholders,

The largest stock positions in the Vltava Fund portfolio at the beginning of 2020 were Berkshire Hathaway, Credit Acceptance, Magna, Sberbank and WH Smith. Our portfolio is concentrated into investments that in our opinion offer the best combination of return and risk. Sufficiently attractive investment opportunities are quite rare, and therefore we endeavour to make maximum use of them. Only minimal changes were made in our portfolio through the past year. Currently, we hold 17 stock positions. The ten largest of these make up about 79% of our portfolio.

The Fund's portfolio is currently valued by the market at ten times the earnings of the past 12 months. This means that in the past year the net earnings of our companies totalled approximately 10% of their market capitalization (known as "earnings yield," this is the inverse of the P/E). This, in our opinion, is a very attractive valuation with a view to the quality and prospects of these companies. This number stands out particularly in comparison to the low interest rates.

Our estimate of the fundamental value of the Vltava Fund portfolio as of the close of 2019 is 31% greater than the present NAV of the Fund. The difference between our estimate of the portfolio's value and its current valuation in the market narrowed during the past year, because the NAV of the Fund grew markedly faster than did its value. Nevertheless, that difference remains greater than average. We expect that in 2020 the value of the portfolio will grow faster than in 2019, mainly because we expect greater acceleration in profitability, and particularly among some cyclical companies within the portfolio.

In principle, there are three things influencing the development of the portfolio's fundamental value. The first consists in our estimates as to the fundamental values of the individual companies.

The second is time itself, because the fundamental value of a company develops over time and has a

strong tendency to grow as more and more of the capital earned is reinvested. The third relates to our transactions when we exchange companies in our portfolio with lower potential for companies with greater potential. We cannot influence the prices of individual stocks, but we can choose which ones we hold and that is where we concentrate our efforts. The long-term growth in the fundamental value of well-chosen stocks will also draw their prices higher. This is one of the few things upon which we can rely.

In the past 11 years, which means from the global financial crisis and at the same time from the change of our investment strategy to the one we have been following up to the present day, the NAV of Vltava Fund has grown by 368%. The world's stock markets have risen by 165% through that same period. In the next part of this annual report you will find, as each year, the quarterly letters to shareholders from the past year (which collectively present a picture of our investments and opinions for the past year) as well as detailed data, including complete historical results and audited financial statements.

We thank you for your support and loyalty in years past, and we look forward to our continuing co-operation in the years to come.

Daniel Gladiš, February 2020



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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