



## Letter to shareholders

Dear shareholders,

The largest equity positions in the Vltava Fund portfolio as of the beginning of 2021 were in Berkshire Hathaway, Magna Corporation, Samsung Electronics, Sberbank and Crest Nicholson. Our portfolio is concentrated into investments we consider as offering the best combination of return and risk. Sufficiently attractive investment opportunities are quite rare, and therefore we strive to make the most of them. In the course of last year, there were more changes in our portfolio than usual. There are three reasons for this: large price swings in the markets during the year, a great inflow of new money to the Fund in the second quarter of the year, and our intention to modestly broaden the portfolio. At present, we hold 22 stock positions. The 10 largest of these make up about 77% of our portfolio.

At the beginning of 2021, the Fund's portfolio was valued by the market at just under 12 times the earnings from the past 12 months. This means that in the last year the net profit of our companies was about 8.3% of their market capitalisation (i.e. that was the Earnings Yield, which is the inverse of the P/E). This, in our opinion, is a very attractive valuation in view of the quality and prospects of these companies, and particularly in comparison with the low interest rates.

Our estimate of the current fundamental value of the Vltava Fund portfolio at the end of 2020 is about 25% greater than the Fund's present NAV. Through the year, the fundamental value of the portfolio should grow considerably again after last year's decline, and particularly due to

the anticipated substantial growth in profitability of the individual companies compared to 2020.

Development of the portfolio's fundamental value is essentially influenced by three things: First, our estimates as to the fundamental values of the individual companies. Second, the passage of time itself because the fundamental value of a company develops over time and has a strong tendency to grow as more and more of its earned capital is reinvested. And third, our transactions as we exchange companies with lower potential for companies with higher potential. We cannot influence the prices of individual stocks, but we can choose which ones we invest into, and that is where we are fully concentrated. Long-term growth in the fundamental value of well-chosen stocks will also pull up their prices. This is one of the few things we can rely on.

In the past 12 years, that is to say since the Great Financial Crisis and at the same time since the change of our investment strategy to the one to which we adhere to the present day, Vltava Fund's NAV has grown by 308%. The world's stock markets have gained 196% during the same period.

In the next part of the annual report you will find, as usual, the quarterly letters to shareholders from the past year (together they illustrate our investments and opinions during that time) in addition to more detailed data, including complete historic results and audited financial statements.

We thank you for your support and patronage in past years, and look forward to our cooperation in the years to come.

Daniel Gladiš, February 2021



For more information, visit

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This document expresses the opinion of the author as at the time it was written and is intended exclusively for educational purposes.

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. Data used in this document are from trustworthy sources but we can not guarantee their 100% accuracy and faultlessness.

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 foreign 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 in light of 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 forward-looking 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.

**This letter to shareholders does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer to buy or subscribe for, the securities of the fund as well as any offer to buy mentioned single stock.**

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 shares in the fund shall not be offered to investors in the Czech Republic on the basis of a public offer (veřejná nabídka) as defined in Section 34 (1) of Act No. 256/2004 Coll., on Capital Market Undertakings.

The Fund is registered in the Czech National Bank’s list in the category Foreign AIFs authorised to offer only to qualified investors (without EuSF and EuVECA) managed by AIFM.

Historical performance over any particular period will not necessarily be indicative of the results that may be expected in future periods.

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