

**Annual report including audited financial statements
as at 31st August 2018**

SIFTER FUND

Variable Capital Investment Company
Luxembourg

R.C.S. Luxembourg B 93 438

No subscription can be received on the basis of this financial report. Subscriptions are only valid if made on the basis of the current prospectus and the Key Investor Information Document ("KIID"), supplemented by the latest annual report and the most recent semi-annual report, if published thereafter.

SIFTER FUND

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SIFTER FUND

Organisation

Registered office

11, rue Aldringen
L-1118 LUXEMBOURG

Board of Directors

Chairman

Hannes G. KULVIK
Independent Director
Eaton Square 72
SW1W 9AS LONDON

Directors

Luc CAYTAN
Independent Director
1, rue des Foyers
L-1537 LUXEMBOURG

Pauli KULVIK
Independent Director
Fredrikinkatu 48 A, 11th floor
FI-00100 HELSINKI

Lidia PALUMBO
Chief Executive Officer and Responsible of
the Administration & Distribution area
PHARUS MANAGEMENT LUX S.A.
16, avenue de la Gare
L-1610 LUXEMBOURG

Management Company

PHARUS MANAGEMENT LUX S.A.
16, avenue de la Gare
L-1610 LUXEMBOURG

**Board of Directors
of the Management Company**

Chairman

Davide BERRA
PHARUS MANAGEMENT S.A.
via Pollini, 7
CH-6850 MENDRISIO

Directors

Sebastiano MUSUMECI
PHARUS MANAGEMENT S.A.
via Pollini, 7
CH-6850 MENDRISIO
(since 18th April 2018)

Lidia PALUMBO
Chief Executive Officer and Responsible of
the Administration & Distribution area
PHARUS MANAGEMENT LUX S.A.
16, avenue de la Gare
L-1610 LUXEMBOURG

SIFTER FUND

Organisation (continued)

	Davide PASQUALI Vice-President PHARUS MANAGEMENT S.A. via Pollini, 7 CH-6850 MENDRISIO
Day-to-day Managers of the Management Company	Lidia PALUMBO Chief Executive Officer and Responsible of the Administration & Distribution area PHARUS MANAGEMENT LUX S.A. 16, avenue de la Gare L-1610 LUXEMBOURG
	Luigi VITELLI General Manager and Conducting person in charge of the Risk Management and in charge of the Compliance (since 1st May 2018) PHARUS MANAGEMENT LUX S.A. 16, avenue de la Gare L-1610 LUXEMBOURG (since 5th September 2017)
	Françoise GOZZO Chief Investment Officer PHARUS MANAGEMENT LUX S.A. 16, avenue de la Gare L-1610 LUXEMBOURG (until 15th July 2018)
	Martin RAUSCH Chief Compliance Officer PHARUS MANAGEMENT LUX S.A. 16, avenue de la Gare L-1610 LUXEMBOURG (until 30th April 2018)
Domiciliary, registrar, transfer and administrative agent	KREDIETRUST LUXEMBOURG S.A. 11, rue Aldringen L-2960 LUXEMBOURG
	Registrar, transfer and administrative agent activities are delegated by the Management Company.
Delegated functions of administrative, registrar and transfer agent	EUROPEAN FUND ADMINISTRATION S.A. 2, rue d'Alsace L-1122 LUXEMBOURG
	Administrative, registrar and transfer agent activities are sub-delegated by KREDIETRUST LUXEMBOURG S.A..
Depository and paying agent	KBL EUROPEAN PRIVATE BANKERS S.A. 43, boulevard Royal L-2955 LUXEMBOURG

SIFTER FUND

Organisation (continued)

Investment Advisor	SIFTER CAPITAL OY 14 A 3, Kasarmikatu FI-00130 HELSINKI (since 19th February 2018)
Independent auditor	ERNST & YOUNG Société Anonyme 35E, avenue John F. Kennedy L-1855 LUXEMBOURG
Swiss representative	OLIGO SWISS FUND SERVICES S.A. 17, avenue Villamont CH-1005 LAUSANNE
Paying agent in Switzerland	BANQUE CANTONALE DE GENÈVE Case Postale 2251 CH-1211 GENEVE 2

SIFTER FUND

General information

SIFTER FUND (hereinafter the "Fund") is a variable capital investment company constituted on 21st May 2003 for an unlimited period according to the Part I of the amended law of 17th December 2010 relating to Undertakings for Collective Investment, in accordance with the legislation of the Grand Duchy of Luxembourg. The Fund qualifies as an Undertaking for Collective Investment in Transferable Securities under the Council Directive 2009/65/EC, as amended.

The objective of the Fund is to offer its shareholders the possibility of investing in an investment vehicle oriented towards the growth of capital through investments in securities and money market instruments.

The Fund may offer investors a choice between various Sub-Funds, each having a different shareholder base or different investment objectives. Each Sub-Fund constitutes a distinct pool of assets. The Fund thus constitutes a company with multiple Sub-Funds.

At the date of the financial statements, one Sub-Fund is active:

- SIFTER FUND - Global in EUR

Different Classes of Shares are offered to the shareholders, R-Class, I-Class and PI-Class. R-Class shares are available for any kind of investors (including retail investors). I-Class and PI-Class shares are dedicated to institutional shareholders and benefit from a reduced "*taxe d'abonnement*" in Luxembourg.

The financial year of the Fund begins on 1st September and ends on 31st August of each year.

The accounts of the Fund are expressed in EUR.

The prospectus, the Key Investor Information Document ("KIID"), the unaudited semi-annual reports, the annual reports including audited financial statements and copies of the Fund's Articles of Association are available at the registered office of the Fund.

The Net Asset Value per share of each Class of Shares of the Sub-Fund, and their issue, redemption and conversion prices are available at the registered office of the Fund.

Additional information for qualified investors in Switzerland:

The State of the origin of the Fund is Luxembourg.

The Fund may only be distributed in Switzerland to **qualified investors** within the meaning of Art. 10 Para. 3, 3 bis and 3ter "Collective Investment Schemes Act".

The representative in Switzerland is OLIGO SWISS FUND SERVICES S.A., Av. Villamont 17, CH-1005 Lausanne, Switzerland.

The paying agent in Switzerland is BANQUE CANTONALE DE GENÈVE, Case Postale 2251, CH-1211 Genève 2, Switzerland.

The relevant documents as defined in Art. 13a "Collective Investment Schemes Ordinance" as well as the annual and, if applicable, the semi-annual reports may be obtained free of charge from the representative in Switzerland.

SIFTER FUND

Report on activities of the Board of Directors

The Fund started its 16th fiscal year in September 2017. Fund's investment strategy has remained same during that time and turned to be successful one: SIFTER FUND - Global invests in solid listed companies globally. The Sifter strategy sifts through the global universe of companies listed on eligible stock exchanges by means of harsh Sifter elimination criteria, then dives deep into understanding the underlying performance of those who have survived the eliminations, their future outlook and potential, and finally invests only when the company's price in the daily equity markets trades lower than the perceived long term value of the company as a whole.

Exits are made from the less-yielding end of the portfolio, when a company's price in the daily trading becomes materially overvalued relative to its assessed long-term value, or the business case has fallen out of scope of eligible Sifter investments. In accordance with the Fund's basic policies, all revenues from the portfolio companies have been re-invested, and SIFTER FUND - Global has remained fully invested.

The Sifter strategy increases the overall probability of success while diversifies risk and curtails volatility.

The Board of Directors sees that the Fund's strategy is a long-term winning formula also in upcoming years to maintain accrued wealth and provide assets growth without short-term speculative positions or trading.

Total assets under management has been growing steadily being at the end of August 2018 EUR 99.9 million (2017: EUR 88.3 million).

The Sifter Fund price growth in Fiscal Year 2017/18 of SIFTER FUND - Global was 17.13% for R-Class, 17.17% for I-Class, and 17.54% for PI-Class.

Luxembourg,

The Board of Directors

Note: The information in this report represents historical data and is not an indication of future results.



Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

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B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
SIFTER FUND
Luxembourg

Opinion

We have audited the financial statements of SIFTER FUND (the "Fund") and of its sub-fund, which comprise the statement of net assets and the statement of investments and other net assets as at 31st August 2018, and the statement of operations and other changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of its sub-fund as at 31st August 2018, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23rd July 2016 on the audit profession (the "Law of 23rd July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law and standards are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Independent auditor's report (continued)

Responsibilities of the Board of Directors of the Fund and those charged with governance for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.



Building a better
working world

Independent auditor's report (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to read 'Sylvie Testa', is written over the printed name.

Sylvie Testa

Luxembourg, 9th November 2018

SIFTER FUND

Combined statement of net assets (in EUR)

as at 31st August 2018

Assets

Securities portfolio at market value	100,008,020.04
Cash at banks	470,992.61
Income receivable on portfolio	69,511.88
Prepaid expenses	3,314.91
	<hr/>
Total assets	100,551,839.44
	<hr/>

Liabilities

Payable on purchases of securities	43,736.39
Interest payable on bank overdrafts	342.36
Expenses payable	581,677.45
	<hr/>
Total liabilities	625,756.20
	<hr/>
Net assets at the end of the year	99,926,083.24
	<hr/>

The accompanying notes are an integral part of these financial statements.

SIFTER FUND

Combined statement of operations and other changes in net assets (in EUR)

from 1st September 2017 to 31st August 2018

Income

Dividends, net	1,082,735.94
Commissions on subscription and on redemption	20,227.48
Total income	1,102,963.42

Expenses

Management Company fee and Global fee	994,013.59
Performance fees	1,302,561.90
Depository fees	48,579.78
Banking charges and other fees	19,683.19
Transaction fees	20,053.70
Central administration costs	102,980.64
Professional fees	22,208.65
Other administration costs	28,322.55
Subscription duty ("taxe d'abonnement")	14,252.58
Bank interest paid	1,042.22
Other expenses	84,383.47
Total expenses	2,638,082.27

Net investment loss	-1,535,118.85
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Net realised gain/(loss)

- on securities portfolio	6,134,183.65
- on foreign exchange	-34,693.72

Realised result	4,564,371.08
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Net variation of the unrealised gain/(loss)

- on securities portfolio	10,064,539.06
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Result of operations	14,628,910.14
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Subscriptions	7,054,999.77
---------------	--------------

Redemptions	-10,091,111.92
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Total changes in net assets	11,592,797.99
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Total net assets at the beginning of the year	88,333,285.25
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Total net assets at the end of the year	99,926,083.24
---	---------------

The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Statement of net assets (in EUR)

as at 31st August 2018

Assets

Securities portfolio at market value	100,008,020.04
Cash at banks	470,992.61
Income receivable on portfolio	69,511.88
Prepaid expenses	3,314.91
Total assets	<u>100,551,839.44</u>

Liabilities

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Interest payable on bank overdrafts	342.36
Expenses payable	581,677.45
Total liabilities	<u>625,756.20</u>
Net assets at the end of the year	<u>99,926,083.24</u>

Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in EUR)
I	21,737.4498	EUR	350.44	7,617,696.12
PI	223,422.0179	EUR	352.12	78,671,561.58
R	39,190.0368	EUR	347.97	13,636,825.54
				<u>99,926,083.24</u>

The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Statement of operations and other changes in net assets (in EUR)

from 1st September 2017 to 31st August 2018

Income

Dividends, net	1,082,735.94
Commissions on subscription and on redemption	20,227.48
Total income	1,102,963.42

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Net variation of the unrealised gain/(loss)

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Total net assets at the beginning of the year	88,333,285.25
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Total net assets at the end of the year	99,926,083.24
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The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Statistical information (in EUR)

as at 31st August 2018

Total net assets	Currency	31.08.2016	31.08.2017	31.08.2018
	EUR	82,856,596.88	88,333,285.25	99,926,083.24
Net asset value per share	Currency	31.08.2016	31.08.2017	31.08.2018
I	EUR	289.15	299.09	350.44
PI	EUR	288.88	299.57	352.12
R	EUR	287.32	297.09	347.97
Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
I	44,609.7324	425.1839	-23,297.4665	21,737.4498
PI	210,508.8799	16,776.1380	-3,863.0000	223,422.0179
R	40,149.4572	3,093.9825	-4,053.4029	39,190.0368
Annual performance (in %)	Currency	31.12.2015	31.12.2016	31.12.2017
I	EUR	6.11	6.09	8.54
PI	EUR	-	6.80	8.91
R	EUR	6.07	6.09	8.49
TER per share as at 31.08.2018 (note 7)	Performance fee ratio (in %)			(in %)
I		1.48		3.23
PI		1.45		2.80
R		1.36		3.15

Annual returns were calculated for the last 3 consecutive calendar years. For Sub-Funds / share types launched or liquidated during the calendar year, the corresponding annual return has not been calculated.

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Fund.

The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Statement of investments and other net assets (in EUR)

as at 31st August 2018

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<u>Investments in securities</u>					
<u>Transferable securities admitted to an official stock exchange listing</u>					
Shares					
CAD	211,170	North West Company Inc Reg	4,458,805.47	4,019,826.70	4.02
EUR	27,817	Air Liquide SA	2,417,338.24	3,059,870.00	3.06
EUR	35,500	Deutsche Boerse AG Reg	3,610,389.16	4,249,350.00	4.25
EUR	96,281	Marr SpA	1,021,453.05	2,347,330.78	2.35
EUR	29,534	SAFRAN SA	2,259,747.67	3,334,388.60	3.34
			<u>9,308,928.12</u>	<u>12,990,939.38</u>	<u>13.00</u>
GBP	280,939	Rolls-Royce Holdings PLC	2,175,778.12	3,186,059.48	3.19
JPY	57,125	AIN HOLDINGS INC	3,415,314.38	3,740,181.92	3.74
JPY	51,675	Koito Manufacturing Co Ltd	2,622,852.12	2,734,543.33	2.74
JPY	11,050	SMC Corp	2,851,018.05	3,146,728.81	3.15
			<u>8,889,184.55</u>	<u>9,621,454.06</u>	<u>9.63</u>
USD	7,939	3M Co	1,096,158.35	1,431,519.13	1.43
USD	4,988	Alphabet Inc A	3,339,236.18	5,367,025.54	5.37
USD	44,900	Autoliv Inc	3,669,600.84	3,494,254.84	3.50
USD	22,300	Check Point Software Tec Ltd	1,700,753.80	2,230,095.64	2.23
USD	100,312	Cisco Systems Inc	1,703,678.56	4,056,877.64	4.06
USD	78,407	Hexcel Corp	3,303,322.15	4,462,241.67	4.46
USD	109,367	Intel Corp	1,995,939.10	4,525,336.95	4.53
USD	20,517	Johnson & Johnson	2,101,609.18	2,374,893.13	2.38
USD	16,770	Laboratory Corp of America Hgs	1,766,903.16	2,486,479.56	2.49
USD	26,075	Lam Research Corp	2,426,004.52	3,857,404.68	3.86
USD	53,980	Microsoft Corp	2,011,016.46	5,183,394.95	5.19
USD	12,520	Mohawk Industries Inc	2,694,976.20	2,075,086.50	2.08
USD	103,772	Oracle Corp	2,943,981.47	4,306,291.00	4.31
USD	12,438	Raytheon Co	657,857.88	2,124,867.23	2.13
USD	22,500	S&P Global Inc	3,348,840.99	3,969,271.35	3.97
USD	39,600	Starbucks Corp	1,816,806.38	1,803,628.25	1.80
USD	14,792	Stryker Corp	567,959.52	2,144,481.57	2.15
USD	140,284	Taiwan Semiconduct Mfg Co Ltd ADR repr 5 Shares	2,988,628.16	5,229,440.01	5.23
USD	49,728	Texas Instruments Inc	2,912,564.88	4,801,971.30	4.80
USD	31,450	Verisign Inc	2,228,653.17	4,265,179.48	4.27
			<u>45,274,490.95</u>	<u>70,189,740.42</u>	<u>70.24</u>
Total investments in securities			70,107,187.21	100,008,020.04	100.08
Cash at banks				470,992.61	0.47
Other net assets/(liabilities)				-552,929.41	-0.55
Total				<u>99,926,083.24</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

SIFTER FUND - Global

Industrial and geographical classification of investments

as at 31st August 2018

Industrial classification

(in percentage of net assets)

Technologies	43.85 %
Industrials	14.51 %
Non-cyclical consumer goods	11.91 %
Cyclical consumer goods	11.51 %
Financials	8.22 %
Healthcare	7.02 %
Raw materials	3.06 %
Total	<u>100.08 %</u>

Geographical classification

(by domicile of the issuer)

(in percentage of net assets)

United States of America	62.78 %
Japan	9.63 %
France	6.40 %
Taiwan	5.23 %
Germany	4.25 %
Canada	4.02 %
United Kingdom	3.19 %
Italy	2.35 %
Israel	2.23 %
Total	<u>100.08 %</u>

SIFTER FUND

Notes to the financial statements

as at 31st August 2018

Note 1 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the Fund are prepared in accordance with the Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment and with generally accepted accounting principles in Luxembourg.

b) Valuation of assets

- 1) The value of cash in hand or on deposit, securities, stocks and shares and bills payable at sight and accounts receivable, prepaid expenses, dividends and interests declared or due but not as yet collected, are made up of the nominal value of such assets, unless it appears unlikely that such value shall be collected; in which case the value shall be determined by deducting such amount which the Fund may deem necessary in view of reflecting the true value of such assets.
- 2) The value of any transferable security and/or financial derivative instruments which are officially traded or listed on a stock exchange or any other regulated, regularly operating, recognised market which is open to the public are in principle determined as being their last known price in Luxembourg on the day preceding the valuation date, and, where the security or financial derivative instrument is traded on several different markets, by taking the security's or financial derivative instrument's latest known price on its main market on the day preceding the valuation date; unless such price is not representative.
- 3) In as much as transferable securities in the portfolio on the Valuation Day are neither officially listed nor dealt on a regulated, regularly operating, recognised market, or in the case where, for securities officially listed or dealt on a stock exchange or another regulated market, the price as determined pursuant to sub-paragraphs above is not representative of the fair value of those securities, the valuation is made on the basis of their likely value of realisation estimated with due care and in good faith.
- 4) Where, as a result of special circumstances, a valuation on the basis of the aforesaid rules becomes impracticable or inaccurate, other generally accepted and verifiable valuation criteria are applied in order to obtain an equitable valuation and the Board of Directors may adjust the value of any investment or permit some other method of valuation to be used for the assets of the Fund if it considers that the circumstances justify that such adjustment or other method of valuation should be adopted to reflect more fairly the value of such investments.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by each Sub-Fund that are denominated in currencies other than the reference currency of the Sub-Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

d) Net realised gain/(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and other changes in net assets.

e) Investment income

Dividend income is recorded at the ex-date, net of any withholding tax.

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2018

f) Conversion of foreign currencies

Cash at banks, other net assets/(liabilities) and the market value of the securities in portfolio expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Net realised gains and losses on foreign exchange are disclosed in the statement of operations and other changes in net assets.

g) Combined financial statements.

The combined financial statements of the Fund are expressed in EUR and are equal to the sum of the corresponding items in the financial statements of each Sub-Fund.

h) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund and of fees relating to liquidation of transactions paid to the depositary.

Note 2 – Management Company fee and Global Fee

The Board of Directors has appointed PHARUS MANAGEMENT LUX S.A. as Management Company of the Fund (hereinafter the "Management Company") to be responsible on a day-to-day basis, under supervision of the Directors, for providing administration, marketing and investment management services in respect of the Sub-Fund.

The Management Company is approved as Management Company regulated by Chapter 15 of the law of 17th December 2010 relating to Undertakings for Collective Investment, as amended. The Management Company has also received the authorization as Alternative Investment Fund Manager under Article 5 of the law of 12 July 2013, as amended.

Until 18th February 2018, the Management Company was entitled to receive from the Sub-Fund a management fee of 0.20% per year, based on the net assets of the Sub-Fund with a minimum of EUR 35,000 per Sub-Fund.

The fee was calculated on the quarterly average of the total net assets under management of the previous quarter and was payable quarterly in arrears.

In addition, until 18th February 2018, the Management Company was entitled to receive from the Sub-Fund an investment management fee based on the net assets of the Sub-Fund.

The annual rates applied for each class of shares were as follows:

- R-Class and I-Class: 1.20%
- PI-Class: 0.80%

The fee was calculated on the quarterly average of the total net assets under management of the previous quarter and was payable quarterly in arrears.

Since 19th February 2018, the Management Company is entitled to receive from the Sub-Fund a management company fee of 0.07% per year, based on the net assets of the Sub-Fund with a minimum of EUR 20,000 per Sub-Fund. The annual minimum Global Fee for the Management Company, in its function as Investment Manager, is EUR 20,000 p.a..

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2018

The fee is calculated on the monthly average of the total net assets under management of the previous month and is payable monthly in arrears.

Since 19th February 2018, the investment management fee has been changed into a global fee to remunerate the Management Company as Investment Manager. Further the global fee is used for the remuneration of the intermediaries involved in the marketing and distribution of the Sub-Fund.

The annual rates applied for each class of shares are as follows:

- R-Class and I-Class: 1.33%
- PI-Class: 0.93%

The global fee is calculated and paid monthly, with a minimum of EUR 20,000 per Sub-Fund per year.

In consideration of the advisory services, the Investment Advisor receives from the Management Company an advisory fee as a retrocession of part of the global fee.

Note 3 - Performance fee

The Performance Fee is payable for all share classes and is based on the last NAV per Share calculated at the end of each calendar quarter (the Last Quarterly NAV).

If the NAV per Share appreciates during the quarter by more than 1.25%, or by the Euribor (12 month) rate Bloomberg (BBG) code EUCV12M applicable at the beginning of the quarter for the quarter, whichever is higher, (the Hurdle Rate), relative to the latest All Time High NAV per share, the Management Company is entitled to receive 15 % of the increase of appreciation of the NAV per Share in excess of the Hurdle Rate.

The All Time High NAV per share is always the latest NAV per share based on which a Performance Fee has been paid.

The performance fee will only be payable if the Last Quarterly NAV per Share has reached the latest All Time High NAV per share and has surpassed it by the Hurdle Rate (High Water Mark system).

The performance fees will be payable on the outstanding Shares at the end of the relevant quarter and become due for payment after the end of the quarter.

In case of subscription, the performance fee calculation is adjusted to avoid that this subscription impacts the amount of performance fee accruals. This adjustment is applied to the performance fee calculation until the end of the relevant period and is adjusted in case of subsequent redemptions during such period.

If any Shares are redeemed or converted into Shares of another Sub-Fund during the calculation period, the cumulative performance fee accrued during the calculation period in respect of those Shares is crystallized and becomes payable to the Management Company, even if no accrual for performance fees is otherwise due, after the end of the relevant quarter.

At the date of the financial statements, a performance fee was recorded for the Sub-Fund and amounted to:

SIFTER FUND - Global	EUR	1,302,561.90
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SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2018

Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of the administrative agent fees.

Note 5 - Subscription, redemption and conversion fees

Until 18th February 2018 :

A sale commission of up to 2.00% of the relevant Net Asset Value or the first issue price may be charged by financial intermediaries to subscribers of any Sub-Fund.

In addition, a redemption fee of up to 1.50% of the repurchase price per share may be deducted from the redemption proceeds for R-Class and I-Class.

Since 19th February 2018 :

A sale commission of :

- up to 1.5% for R-Class
- and up to 0.5% for I-Class

may be charged by financial intermediaries to subscribers of the Sub-Fund.

In addition, a redemption fee of up to 1.50% for R-Class and of up to 0.50% for I-Class of the repurchase price per share may be deducted from the redemption proceeds.

Neither a sales commission nor a redemption fee is charged for the PI-Class.

No conversion fee is charged to the subscribers.

Note 6 - Subscription duty ("*taxe d'abonnement*")

The Fund is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Fund is subject to an annual "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of each Sub-Fund on the last day of each quarter.

The I-Class and PI-Class benefit from a reduced "*taxe d'abonnement*" of 0.01% of the net assets which is dedicated to that type of shares.

Pursuant to Article 175 (a) of the amended law of 17th December 2010 the net assets invested in Undertakings for Collective Investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

Note 7 - Total expense ratio ("TER")

The TER disclosed under "Statistical information" of this report is calculated in accordance with the "Guidelines on the calculation and disclosure of the TER of collective investment schemes" issued by the Swiss Funds & Asset Management Association "SFAMA" on 16th May 2008 and updated on 20th April 2015.

The TER is calculated for the last 12 months preceding the date of this report.

Transaction fees are not taken into account in the calculation of the TER.

SIFTER FUND

Notes to the financial statements (continued)

as at 31st August 2018

Note 8 - Statement of changes in investments

The statement of changes in investments for the period in reference to the report is made available, free of charge, at the registered office of the Fund.

Note 9 - Directors' fees

Directors' fees are included in the caption "Other expenses" in the statement of operations and other changes in net assets.

SIFTER FUND

Additional information (unaudited)

as at 31st August 2018

1 - Risk management

As required by Circular CSSF 11/512, the Board of Directors of the Fund needs to determine the global risk exposure of the Fund by applying either the commitment approach or the VaR ("Value at Risk") approach.

In terms of risk management, the Board of Directors of the Fund decided to adopt the commitment approach as a method of determining the global exposure.

2 - Remuneration

PHARUS MANAGEMENT LUX SA REMUNERATION - Sept. 2017 - August 2018			
Total amount of remuneration, paid by Pharus Management Lux S.A. to its staff as from September 2018 until August 2018, split into fixed and variable remuneration and number of beneficiaries.	Fixed remuneration:	EUR	1 066 377,63
	Variable remuneration:	EUR	79 272,00
	Total:	EUR	1 145 649,63
	Number of beneficiaries:	18	
Description on what fixed and variable remuneration consist.	Fixed remuneration consists of salaries paid as well as other non-monetary benefits such as car allowances or luncheon vouchers. Variable remuneration consists of annual bonuses paid in accordance with the remuneration policy. The remuneration policy is available for shareholders free of charge on simple request at the registered office of the Management Company (www.pharusmanco.lu).		
Aggregate amount of fixed remuneration broken down by categories of employees or other members of staff of the management company whose actions have a material impact on the risk profile of the UCITS.	Chief Executive Officer and Senior Management:	EUR	481 954,28
	Other members of staff having a material impact on risk profile of UCITS:	EUR	210 176,30
	Total:	EUR	692 130,58
	Number of beneficiaries:	8	
Outcome of the reviews of the remuneration policy including any irregularities that have occurred.	No		
Material changes to remuneration policy	An update of the remuneration policy occurred in January 2018 without material changes.		

3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

During the reporting period, the Fund did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.